



Uganda Extractive Industries Transparency Initiative

**EXTRACTIVE INDUSTRY AND
ENERGY STAKEHOLDER SYMPOSIUM
Summary Report**

18th – 20th January 2023,
Imperial Royale Hotel,
Kampala – Uganda

**Theme: “The Extractive Industry and
Energy Development in Uganda: A Roadmap
To Sustainable Environment and Economic Growth.”**

Abbreviations & Acronyms.

AAG/A	Assistant Auditor General Audit
AAG-C	Assistant Auditor General Corporate
AFROSAI-E	African English Supreme Audit Institutions
ASM	Artisanal and Small-scale Miners
BO	Beneficial Ownership
CFP	Citizen Feedback Platform
COP	Conference of Parties
CSO	Civil Society Organization
DA/ADA-CG2	Director of Audit/Assistant Director of Audit Central Government 2
DA-CG2	Director of Audit Central Government 2
DA/FIIT	Director of Audit Forensics Investigations and Information Technology
D/TS	Director Technical Services
DA/VFMSA	Director of Audit Value for Money and Specialised Audits
DRC	Democratic Republic of Congo
DGSM	Department for Geological Surveys and Mines
EA	East Africa
EACOP	East African Crude Oil Pipeline
EITI	Extractive Industries Transparency Initiative
ESIA	Environmental Social Impact Assessment
ERA	Electricity Regulatory Authority
FID	Foreign Direct Investment
HSE	Health Safety and Environment
IAEA	International Atomic Energy Agency
IT	Information Technology
MOFPED	Ministry of Finance, Planning and Economic Development
MEMD	Ministry of Energy and Minerals Development
NEMA	National Environmental Management Authority

MOU	Memorandum of Understanding
MUBS	Makerere University Business School
MUK	Makerere University Kampala
NDP	National Development Plan
NOG	National Oil and Gas
OAG	Office of the Auditor General
PAPs	Project Affected Persons
PDM	Parish Development Model
PAU	Petroleum Authority of Uganda
PBS	Programme Budgeting System
PS	Permanent Secretary
PSA	Production Sharing Agreement
REE	Rare Earth Elements
SS	South Sudan
TZ	Tanzania
UEB	Uganda Electricity Board
UEGCL	Uganda Electricity Generation Company
UETCL	Uganda Electricity Transmission Company
UEDCL	Uganda Electricity Distribution Company
UIA	Uganda Investment Authority
URA	Uganda Revenue Authority
UNBS	Uganda National Bureau of Standards
VAT	Value Added Tax
WHT	With Holding Tax
WB	World Bank

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1.0 INTRODUCTION

According to NDP III Development Strategies, there are two that specifically speak to the extractives and energy sector. These are:

i) Fast-Track Oil, Gas and Mineral-Based Industrialization

This plan has prioritized the fast-tracking of interventions aimed at facilitating the production and processing of oil, gas and mining beneficiation and manufacturing. This is because these resources exist in large quantities and when exploited, they can impact upon the industrialization process.

ii) Increase access to stable, reliable and affordable energy

This puts emphasis on increasing access to affordable, reliable and stable power which is critical to the industrialization process. The main aim under this strategy is to lower the cost of power to 5 U.S cents per unit, increase generation capacity to at least 3500MW and access to the national grid to a minimum of 60% of the population.

On that note, this report is about the Extractive Industry and Energy Stakeholder Symposium. The general output of the workshop was to engage and seek views on emerging risks, how to mitigate them and get an understanding of the challenges in the sub-sectors which include the Mining Law, developments in Oil and Gas and proposed reforms in the Electricity sub-sector. The meeting was designed, conducted and organized by OAG. The facilitators were from all institutions invited.

The Three-day meeting was held from 18th to 20st January 2023, at Imperial Royale Hotel, Kampala, Uganda. It was attended by officials from MDAs, CSOs, Academia and Media.

This engagement provided stakeholders with an opportunity to enhance knowledge on the extractive sector. It was also used to help understand the

context and challenges faced while implementing most projects. Through the need to enhance capacity for project execution and delivery of better services for social economic transformation, there was need to identify and provide alternative views to emerging risks and challenges. This was therefore a platform used by stakeholders to present and agree on alternative views to be considered by the OAG for its strategic plan to improve audit approaches of the sector.

2.0 OBJECTIVE OF THE MEETING

The objective of the engagement was to identify challenges, bottlenecks, prospects as well as risks in the sector to inform better audit processes and practices.

Day 1: Opening Session and Discussion on Minerals Sub-sector Wednesday, 18th January 2023

The symposium commenced with the Moderator Mr. Calvin Kasigwa introducing distinguished guests, a Prayer, and then taking participants through the programme of the day.

4.0 WELCOME REMARKS FROM DA-CG2

The Director Audit, OAG, Mr. Joseph Hirya, welcomed all participants to the symposium and thanked them for taking the time to attend. He noted that in NDP III, the extractive industry was very important to the country and a

primary growth sector for development. The involvement of all stakeholders in the symposium was to get a better understanding. The extractive sector was divided into three sub-sectors thus Petroleum, Mining and Electricity which were closely linked to the environment because most of these resources were found within areas of rich biodiversity like wildlife conservation areas. A lot of development was on going in the sector with new laws (Mining Act 2022), Crude Oil pipeline and Refinery development etc. The minerals sub-sector had many gold exploration activities on going. The event would provide an opportunity to look at emerging risks and how to mitigate them.

Uganda joined EITI in 2020 as an effort by government to promote transparency in the sector. OAG got involved in the process to improve governance and participated in the production of the first report which was published in May 2022.

OAG developed a strategic plan to improve audit approaches to the extractive sector and trained about 12 staff. They carry out Financial, Forensic and Environmental audits among others. Through the engagement, they would be able to identify the kind of audits to undertake this year. He thanked OAG-Norway for the support rendered to OAG through the years and also thanked all participants for attending.

5.0 AAG-C WELCOME ADDRESS

The Assistant Auditor General, Mr. Steven Kateregga welcomed all the participants to the workshop. He said it was an engagement that brought together all the stakeholders they serve. AG reports to Parliament and all they do was geared towards adding value to society. The value added was through the audits. To produce quality audits, they needed to meet the needs of the people. That was the reason for organizing the workshop by highlighting the critical areas that affected the economy. This year, they decided to start with

extractives but other sectors would follow. In conclusion, he thanked for attending.

6.0 OFFICIAL OPENNING OF WORKSHOP - AG

The AG Mr. Muwanga welcomed all participants and in his remarks said the OAG was mandated by the Constitution of the Republic of Uganda to carry out audits for government institutions. The engagement involving all the stakeholders in the sector supported the institution to provide good quality audits. The workshop was intended to provide deep insight of the sector like gas, minerals and energy. The audits were undertaken to promote good governance and accountability. He declared the event officially open.

7.0 PRESENTATION ON CITIZEN FEEDBACK PLATFORM

The presentation was made by Can. Dr. Maxwell Poul Ogentho. He said audits are carried out for the benefit of the people. The platform was created with an application (Mobile App.) and encouraged participants to use it for engagements such that views could be captured. It was important for addressing the needs of citizens as well as development of a channel for stakeholder engagement with OAG.

Participants were then taken through the process of installation on the phone. They were told that the application was easy to use such that everyone's voice could be heard.

8.0 PERMANENT SECRETARY – MEMD, SECTOR OVERVIEW

The PS, Ms. Batebe in her remarks welcomed all, thanked OAG for organizing the event and inviting MEMD to participate in the different sessions. She noted the critical areas in the electricity sub-sector were generation,

transmission and distribution. She said in the recent Poverty Status Report by MOFPED highlighting the poverty levels in the country, there was an important factor about the need for electricity as a driver for growth with the outcomes providing a better outlook. During the implementation of different government programmes like Emyooga, PDM etc., the performance index was usually about 4.1 from citizens platform interactions.

MEMD being a critical ministry, the NDP III identifies programs through which the country could attain economic growth and development and they include mining, petroleum and energy. There was need for sustainable utilization of minerals resources to achieve sustainable development goals.

Electricity Development Program: The sub-sector was divided into Generation, Transmission and Distribution. They were preparing to connect Karuma (600MW) to the national grid. Finalization of commissioning test ongoing. For the start, 1 unit will be connected to the grid but by end of 2023, all units would be commissioned. There were engagements with the governments of DRC, SS and TZ to extend power to mining regions, Juba and border towns respectively. The challenges with reliability were being handled through various interventions. Supply of power to large scale industries was at about 5 U.S cents per unit. Reduction of energy loss was through upgrading the network, fighting theft and vandalism etc. There was 57% electricity access on the grid and 39% off grid thus Solar, mini-grids to islands etc. The Ministry intended to meet the SDGs by 2030 through increased transmission and distribution. They were finalizing the process for securing funding of about USD 630m to scale up electricity access.

Reforms: The first generation power sector reforms happened about 20 years ago where UEB was broken down into Generation (ESKOM), Transmission (UETCL), and Distribution (Umeme). This attracted a lot of investment in the sector. The second generation reforms were on going and the concessions were

to revert back to government. The OAG was involved in the process because assessments were being carried out before close of concessions. Electricity Act 2022 provided for punitive measures for vandalism. There was a paradigm shift globally from fossil fuel use to renewable energy. Working with partners to introduce and promote clean cooking fuels. The Nuclear program was in advanced stages with the IAEA making a trip to the country in 2022 and clearing the country to progress to phase 2. There was need to strengthen international protocols and frameworks before another assessment in 2 years on progress made.

Mining Development Program: Uganda had vast minerals resources and their exploitation was consistent with the development program. The new Mining Act 2022 was passed to support government in strengthening regulations such that the country can get maximum benefit from the exploitation of these resources. The Act allows for the creation of a National Mining Company to manage the commercial interests of the state. It recognized the ASM sector such they could operate while following proper HSE guidelines. Government policy was value addition for players which required them to set up processing plants. There were examples like the REE project in the East, Namayingo and Wagagai Mining in Busia. Kilembe Mines was being revived to start operations.

Petroleum Development Program: The program was being implemented using the NOG Policy 2008, and all the laws and regulations were in place. There were 6.5b barrels of commercial oil reserves of which 1.4b barrels were recoverable. The amount that was recoverable which was about 24% of the reserves was because of the geological setup of the area but with improved technology, more quantities could be recovered. For countries like Norway and Nigeria that operate off shore drilling activities, it was about 50% that was recoverable. The refinery that is to be constructed will produce Petrol, Diesel, Heavy Fuel, Jet fuel, chemicals etc. The Kabalega Industrial Park was to host the Airport, Refinery and Petrochemical Industry. The Crude Oil Pipeline

(EACOP) was to be constructed from Kabaale in Hoima through Mutukula to Tanga Port in TZ. The project was at land acquisition stage and would traverse 10 districts in Uganda. The sector was expected to generate about USD 36b. The Local Content provision in the laws was to support citizens to participate with capacity building and technology transfer enshrined in the contracts. Employment was projected at about 160,000 jobs. The challenges faced with local content were liquidity and standards. To solve this, citizens were encouraged to form joint ventures and attitude change. About 15 areas in the service sector had been ring fenced for Ugandans and these include transportation, food and beverages, hospitality, security etc.

Energy Transition: During the COP27, 2022 summit in Egypt, the African Continent showed that they needed to meet their energy needs so they challenged some of the aspects requiring countries to prepare for transition. Most projects were being developed in a sustainable manner from design to construction like the EACOP where the pipes were to be buried underground. This was to avoid interference with livelihoods of communities affected. There would be no flaring and venting of gas during oil production etc. About USD 5b was required for the country to implement Green Technologies which was a lot and could not be compared to European countries that had these resources. Most citizens were still using rudimentary technologies/traditional biomass fuels like charcoal for cooking. So, Energy Transition should be tailored to meet the African context. Because of such issues, COP27 was revised and funding created to support initiatives that promote development and use of Renewable Energy Sources (Green Technologies).

In conclusion, she thanked OAG for the opportunity given and wished all fruitful discussions.

9.0 KEY SPEAKER-DIRECTOR GEOLOGICAL SURVEYS AND MINES (MEMD):"The Mineral sub-sector in Uganda, the challenges, bottlenecks and prospects"

The presentation was made by Mr. David Ssebagala, Senior Inspector of Mines, DGSM.

He said for one to understand the mining sector, one needs to understand the stage at which it was and how operations were undertaken. One needs to know whether it was at infancy or development phase.

10.0 DISCUSSANTS: CSO-Minerals(NRGI),CSO-Environment(Environment Alert),URA(Assistant Commissioner-Petroleum and Mining Division),NEMA

They were Dr. Paul Bagabo, CSO-Minerals, Ms. Lynn Gittu, CSO-Environment, Mr. Joseph Kyeyune, URA and Mr. Isaac Ntujju, NEMA

Comments from Discussants

CSO-Environment: There was Mercury use in Gold production by the ASMs causing a number of health, safety and environmental concerns. Her organization, IMPACT began to work with UNEP, DGSM and NEMA through a project to eliminate Mercury use in the sector. These activities were leading to environmental degradation and biodiversity destruction, exposure of humans to Mercury and Cyanide which was contributing to a lot of health issues. There was need to support ASMs to use alternative methods for Gold production.

NEMA: Its role had supported efforts geared towards addressing challenges in the ASM sector. There was environmental degradation in the extractive sector (both ASM and Large-scale mining) but there was need to carry out these activities in a sustainable way for proper environmental management. There was need to look at both the positive and negative impacts of these activities such as infrastructure development, revenues etc., and pollution (Land, Air),

ecosystem damage, misuse of chemicals (Mercury) etc., respectively. While large scale operations had the resources to mitigate these negative effects, there was need to invest in remediation approaches/activities.

In government creating an environment for social and economic wellbeing, it had put in place the right regulatory framework and legal regime which included: The Mining law 2022 which recognized the ASM sector, NEMA ensuring that there were proper environmental and social safe guards using the ESIA's, Environmental Act clearly defining the level of impact, the Environmental Social and Monitoring Plan used to guide interventions, Environmental Monitoring, Compliance assistance, routine environmental audits against ESIA's as well as Transparency where government joined EITI in 2020. Through this initiative, there was support for processes of audit and good governance through environmental reporting. For energy transition, if government can harness mining and energy transition well, then there would be huge benefits.

The Moderator asked the Discussants to respond to these challenges raised:
 CSO-Minerals - the mining sector lacking data, low revenues, and the huge difference in the value of production from processing plants especially Gold.
 URA - the contribution of mining to GDP, most ASMs not licensed and taxed.

CSO-Minerals: He said he would highlight the areas that he thought OAG would add value to by identifying areas for maximizing benefit and these were Taxation, Royalties, Government participation, or both government and private sector investment.

Royalties - though they were a cost to business, there was need to make the Licensing regime cost effective through good rates, and an appropriate method for collection as well as a system for monitoring and tracking.

Taxation - set a fiscal regime (high and not too low).The mining sector had high costs for operation, the fiscal regime good but had variable system for tax rate. To attract FDI, there was need for good quality data (Geological surveys).The government wanted to participate through an equity system and PSAs but the law was not well structured. There was need for a comprehensive structure for the mining company to provide for proper financing through transparent and accountable procedures. The Dividends procedure was not good for government as a source of financing and revenue.

Revenues – these need a combination of physical set up for ASM for revenue collection, formation of cooperatives etc.

Other challenges were: Most processes in mining sector were expensive e.g., set up of refinery and this could be remedied by encouraging private sector investment for tax collection. Tax incentives by Government also needed review.

Transition minerals - these take long to develop with a period of about 25years e.g., Cobalt, Tungsten so there was need to structure good contracts.

URA: ASMs were largely informal, there was need to work with DGSM for their formalization through acquisition of TIN numbers and identification of relevant taxes. Low revenues from the sector were because of lack of record keeping. There was need to have DGSM in these mining areas to record quantities of production, and adoption of the system of production returns which could be filed with DGSM for taxation purposes.

11.0 Question and Answer Session for the Key Speaker and Panel Discussion

a) Comments from institutional representatives.

UIA: noted the ban on export of raw minerals which was used to encourage value addition through processing.

MOFPED: the mining sector was highly subsidized with many tax holidays which needed review, and formalization of ASMs. The PBS was being used to direct resources to programs that support minerals development through value addition. Government was interested in exploiting these minerals e.g., Phosphates for fertilizers, Uranium for Nuclear Energy and these would generate more revenues.

MIA: The Department of Migration regulates foreigners working in the country through issuance of work permits and it works closely with MEMD and DGSM. Work Permit fees were reduced from USD 2500 to 400. There was need to work closely with all stakeholders to cut out forgeries.

KILEMBE MINES: There was need to appreciate the sector before one can understand how it operated. Most of what we used for our daily needs were produced from mineral resources including color for clothing. Though the sector was critical for economic development, there were environmental challenges which needed mitigation. The company was majority owned by government so the operations were affected by policy.

b) Questions and Comments from participants.

Participants raised a number of issues that include:

- Lack of transparency in Royalty disbursements to the Local Governments including rates, procedure, and lack of guidelines for utilization.
- Was it true that Uganda had the largest Gold reserves in the world?
- The disconnect between the technical (DGSM) and Political (Cabinet) arms of government which was a challenge to decision making.
- OAG to audit the number of licenses (Exploration), Supply chain, refiners and mineral rights.
- A study of the ASM sector noted that Gold produced was about 7ton annually while that processed internationally (Dubai) was about 2ton monthly from Uganda.
- How efficient was the legal and regulatory framework especially the Mining Act 2022 providing for the setup of National Mining Company.
- Neglect of Mining department of MEMD leading to officers providing consultancy services to companies and this was a conflict of interest.
- Value addition where government was promoting efforts yet there was lack of proper data on mineral deposits.
- The project that supported formalization of ASM sector ended abruptly because of lack of funding with only Eastern and Western regions complete.
- High costs of operation like electricity forcing a company extracting Tin in western Uganda to smelt in Rwanda.
- Apart from punitive measures for illegal activities what form of support was government giving to mining communities?
- OAG needed to look at areas that support EITI implementation. The first report was produced with recommendations regarding reconciliation of data which need follow up by the relevant institutions.
- Relevance of Tax exemptions and Local Content in terms of value of resource versus livelihood of communities.

c) Response

DGSM: Royalties – they were collected and deposited into the Consolidated Fund. After the rates were calculated by URA, these funds were then transferred to the MEMD account which then made transfers to the District Accounts.

Gold Reserve - Uganda doesn't have the largest Gold Reserves. There was a huge Gold deposit in Busia. The project had been carrying out further studies and it was able to discover more deposits than what was initially found.

NEMA: For environmental management, they were using tools and approaches enshrined in the laws and regulations to make entities compliant. Capacity building for stakeholders was encouraged. Mercury and Cyanide use in Gold mining was posing a danger but through awareness raising, ASM were encouraged to adopt better technologies like the gravitational flow method. The Mining Act provided for the formalization of the ASMs but there was need to create a period of transition as well as encourage the formation of associations.

d) Remarks from Discussants

CSO-Minerals: Transparency and accountability was key for attaining maximum benefits from natural resources; Generation of information to inform decision making on investment; For Geology, contracts and revenues, there was need for support in these areas.

URA: Need for more revenue generation from the sector; All players needed to pay a fair share of their taxes; More sensitization for the ASMs and collaboration with all stakeholders.

NEMA: There were many cross-cutting issues for the environment in the

mining and energy sub-sectors. The OAG needed to pay attention to issues regarding Gender and work with all stakeholders for the benefits to be realized.

CSO-Environment: The key highlights made were:- Collaboration through the Domestic Resource Mobilization Strategy; Audit of the formalization plan/policy to benefit the ASM sector; Ensuring compliance for the Local Content Policy; Affirmative action for both women and youth and regional collaboration in line with the EA Vision 2050.

The Moderator noted that the key highlights of the discussion were: Environmental degradation, limited mobilization of companies to participate, taxation (Low tax rates), data(Lack of good quality data for mining) and Licenses

e) Remarks of Director Audit, OAG

He said the discussions had supported them achieve some targets for audit. They carried out risk profiling for risk audits as well as performed Compliance, Forensic, Financial audits among others. The concerns raised by participants had been reported on by OAG especially in the reports of 2015. An analysis on the quantities of Gold production as reported by URA and DGSM was carried out and huge discrepancies were noted. An audit of Citizen Participation in the extractive sector was also carried out with huge gaps noted especially on staffing levels in companies. On that note, government decided to join EITI as one of the measures for transformation leading to an improvement in the staffing levels for companies. There was need to pay attention to minerals such as Tin, Tungsten etc. for a better assessment. He encouraged participants to visit the OAG Website and office such that they could get an opportunity to look at the reports.

Day 2: Discussion on Oil and Gas Sub-sector

Thursday, 19th January 2023

Day 2 of the symposium commenced with the Moderator Mr. Calvin Kasigwa introducing distinguished guests, a Prayer, and then taking participants through the programme of the day.

13.0 WELCOME REMARKS FROM DA/FIIT

He welcomed all to the event and in his remarks, he said Petroleum was one of the major sub-sectors that government was using to achieve economic growth and development. Uganda was about to join the league of oil producing nations. In most of these countries, oil constituted about 80% of revenues e.g., Kuwait, Norway etc. The purpose of the engagement was for planning and audit purposes by collecting citizens' views. Participants were drawn from MDAs, CSOs, Media, Academia and the views generated would support the update of the Risk Register. OAG performed a number of audits such as Financial, Risk, and National Content etc. When the National Content audit was performed, there were about 30% of nationals employed in the oil and gas sector but now their number had increased to about 80% with the implementation of the Oil and Gas Policy. There were a number of developments in the sector with the signing of FID in 2022. Construction of the Airport in Hoima was at 80% and there were Oil field developments taking place in both Tilenga and Kingfisher. All the information that was to be collected would help in the development of integrated planning thus adding value to the system of operations at OAG.

14.0 PRESENTATION ON CITIZEN FEEDBACK PLATFORM

The presentation was made by Can. Dr. Maxwell Poul Ogentho. Participants were then taken through the process of installing the App. on the phone. It was noted that the application was easy to use such that everyone's voice could be heard.

15.0 KEY SPEAKER-EXECUTIVE DIRECTOR,PETROLEUM AUTHORITY OF UGANDA, "The Oil and Gas sub-sector in Uganda, the challenges, bottlenecks and prospects"

The Executive Director, PAU, Mr. Ernest Rubondo said the Oil and Gas sub-sector including PAU had a long working relationship with OAG.PAU's mandate was to regulate the Upstream and Midstream while the MEMD managed the Downstream sub-sector. With the amendment of the Oil and Gas Policy that was ongoing, there was a proposal to have a single entity regulate the entire Oil and Gas value chain. In most Oil production projects, about 50-60% of reserves were recoverable leaving the rest in the ground. He noted that his presentation was on the status of the Oil and Gas sector, the opportunities, challenges and bottlenecks. The challenges and bottlenecks fed into the opportunities brought by the sector into the country.

16.0 DISCUSSANTS: MEMD-Commissioner Petroleum, URA(Assistant Commissioner-Petroleum and Mining Division), CSO-Environment(Environment Alert), NEMA

They were, Mr. Henry Malinga, MEMD, Mr. Godfrey.....URA, Mr. Twesigye Bashir, CSO-Environment, and Mr. Isaac Ntujju, NEMA

The Moderator said the panel was to respond to issues and provide interpretation to the presentation made from the stakeholder perspective.

Participants' expectations from the discussions included:

OAG-Norway: Oil and gas sector wasn't all about money but there was a challenge of financing in mining. They were interested in how audit process could feed into the value chain from the presentation. More emphasis was

needed on the technical skills in relation to National Content.

- How can Government, CSOs and companies dialogue on environmental effects?
- Relationship between Energy Transition and revenues from Oil and gas Sector.
- Capacity building opportunities translated into real opportunities through linkages.
- Formalization challenges of different service providers.
- How was data generated by PAU being utilized by the public?
- Emerging issues and how audit can be used to improve the sector.
- Leakages from resources generated and how to mitigate.
- How to provide timely and adequate oversight in the sector in relation to challenges, and bottlenecks.
- EACOP construction was to take about 5years, how would first Oil production be managed without pipeline and storage facilities.
- Transparency of Recoverable Costs.
- Benefits and equitable sharing of Oil and gas proceeds.

Reaction from Discussants

MEMD: Gender – the ministry was in the process of launching a gender strategy and most senior officials were females. Cabinet had approved the grant for two exploration licenses in the Albertine Graben and PSAs would be signed soon. EACOP construction would not necessarily take 5years but first Oil would be matched with available infrastructure. There were four types of contracts for Oil production; JV, Concessionaire, Service Contract and PSAs which were the best for Uganda with a proper system in place for management.

Initially OAG was under MOFPED which was a challenge during audit. Capacity building ongoing in the sector through participation with JVs and

notable achievement in Taxation, Audits etc. For EITI purposes, most of the Audit Reports were given to Parliament and this supported transparency. For National Content, most companies had been encouraged to unbundle contracts to support services that could be sourced locally. There was a proposal for creation of a Local Content Fund to mitigate financing challenges of indigenous companies. The WB Albertine Graben Sustainability Program/Project was also used for skilling the communities e.g., Driving Courses.

URA: Gender considerations were provided for. Out of the 7 Commissioners, there were 3 women. URA was mandated to collect all Oil revenues. If Audits were not performed well, revenue collections would be affected. Recoverable Costs were necessary but hoped that OAG was doing the right job. The Government planning process was cash based with URA given a collection target per quarter. The system URA used for tax collection was backed up by appropriate laws. Companies needed to negotiate appropriate timelines for payment for services provided during contract negotiations to avoid tax related challenges. Creation of awareness was necessary for dissemination of information at all levels. Promotion of Local Content was a good decision by government and the provision of services could only be possible if URA was collecting enough and appropriate taxes.

CSO-Environment: CSCO was a network with a common voice on Oil and gas since 2006 and it aimed at promoting sustainable utilization of the resources. The stop EACOP movement should be allowed to freely express themselves and listened to thus promoting civic space. The mandate of PAU should be widened to include social and environmental concerns with a presence in communities. CSCO had been channeling responses from institutions to the communities in support of the sector.

There were notable benefits from the sector with indigenous companies getting a number of contracts but there was need to know who was actually

benefitting. Parliament passed a number of laws that include BO which required information on who was actually benefitting from a business. Audit Reports were produced with a number of challenges noted during the land acquisition process that needed to be addressed. Some of the challenges were the inadequate land acquisition Act, land grabbing by opportunists and these could be solved using the Land Fund. For Energy Transition, revenues from Oil and Gas could be used to support processes for transition. Though these revenues had been ring fenced, they could also include Energy Transition.

EITI - The first Report covering FY19/20 was produced with a number of recommendations for the extractive sector. These needed to be looked at critically by all institutions and aligned with OAG Reports.

NEMA: PAU was currently doing a good job with the country having good laws for managing the sector. Management of leakages especially for poor waste management, all stakeholders need to be involved and OAG needed to get interested in other areas to guide the sector. Most environmental challenges were similar for the Oil, Gas and Mining sectors except that there were ASMs for mining and large players in Oil and Gas. The effects were land degradation, destruction of eco-systems etc. For Oil spills, there's an Oil Spill Disaster Management Plan. Social Economic challenges as a result of conflicts were a reality majorly because of perception and lack of equitable share of resources.

Energy Transition - there was no need to ring fence revenues as long as resources were to be shared equitably. For EACOP, there were challenges with the issues raised whether they were backed up with facts or not. Climate Change couldn't be localized to one project but there was need to deal with it as a whole country. The project was being implemented following the best international standards and this provided an opportunity for the country. With planning challenges for the sector, OAG could help the country by identifying areas for stakeholders to collaborate.

17.0 Question and Answer Session for the Key Speaker and Panel Discussion

The Moderator and Participants asked some questions as follows:

- Can Renewable Energy help Uganda to develop?
- Audit Reports - What areas should be audited more?
- The industry is technologically based. What was URA's response to the Digital Economy to avoid leakages?
- There were compensation issues during the land acquisition process and lack of information about the process.

Response

MEMD: Government was already promoting the use of renewable energy like Solar, Nuclear etc. For Vehicle manufacture, improved engines were developed to reduce fuel consumption but for electric vehicles, there was mass production of batteries and the challenge of disposal might arise in future. For Climate Change, COP needed to provide more facts, Fossil Fuel use couldn't be stopped entirely. Funding remained a huge challenge for the sector. The NEMA Act was amended to cater for compliance so companies couldn't be granted contracts without following the set guidelines. With time, OAG would be empowered to audit technological based transactions. Land compensation issues were a result of high expectations, opportunism, lack of information and anxiety. The mode of compensations was either cash or in kind (Houses/land and Titles) for the different projects. Electricity, Water etc. were extended to the communities but there was also a challenge of District Land Boards duplicating Titles and issuing Titles in gazetted areas like National Parks.

CSO-Environment: COP was based on science with facts. There were a number of challenges in Bulisa in relation to infrastructure development. For

Audit Reports, there was need to know who gets what with figures in terms of employment for communities impacted by these Oil and gas activities.

URA: There was need to understand the basics before making a decision on taxation. For digital transactions, there was need to know who made the money and who was selling? The Digital Economy was still a challenge because the mode of taxation at the moment was supported by businesses/people having a physical address. Current laws needed to be amended. The international guidelines encourage tax on transactions e.g., VAT, WHT and currently URA was collecting tax from Amazon, Google, Netflix etc.

OAG: In terms of capacity, planning and staffing: For IT - there was a Directorate of Forensic Audits with experts responsible for URA audits. Energy - there were Engineers, Geologists etc. to create a multi-skilled work force.

Delayed Cost Recovery Audits - It's the mandate of OAG. The Legal and Regulatory Framework requires investors to invest and recoup investment during production. The process was carried out by looking at Budgets and Cost Recovery Statements. The costs were economically appropriate and necessary and must be in approved budgets. From 2006, they had been able to audit till 2019. They were required to produce these reports within 24 months. Most of the Reports were complete but they couldn't be discussed in public because of the PSAs. There were ongoing engagements with the Speaker of Parliament on how to discuss these Audit Reports through a Parliamentary Committee.

EACOP - Compensation Audits were carried out in 2017. Besides compensation, projects had to go on. They had identified the right numbers to be compensated and the fair value for assets. For environment, the issues were mainly with waste management where NEMA needed to know issues that would arise from activities. Audits were carried out to identify challenges from operations.

Closing Session Remarks

The Executive Director, PAU, Mr. Ernest Rubondo said the discussions contributed to the aspects that could help OAG improve audits of the Oil and Gas sector with support from OAG-Norway. Considering experience with other countries, Uganda was well prepared with the right systems in place while making use of the opportunities available. The country was benefiting as a whole because of the value brought to land like in Buliisa. Compensation for EACOP was over 74% in Uganda and Tanzania, Tilenga about 87% and the rates covered the Value for land, Disturbance allowance and Delay allowance. About 6000 people were employed and a third were from the Albertine Graben.

Ring fencing Oil revenues for Energy Transition was not an option because the revenues were for infrastructure development thus electricity etc. There was need to plan for Oil spills with NEMA. There's an Oil Spill Contingency Plan with government building capacity for all stakeholders. PAU was expanding with an office in Hoima and Buliisa for accessibility

In conclusion, he thanked OAG for the opportunity and said he was glad to see that there was need to improve audit for the sector to bring about lasting value for the resource.

18.0 Break-away Group Discussions and Summary Reporting

The groups were broken down into 7 and they are:

- i) Policy and Legal Framework: Constitution, Legislation, Regulation
- ii) Government activities/decision to explore/extract
- iii) Award of Contracts and Licenses
- iv) Monitoring and Operations
- v) Assessment and Collection of Revenues
- vi) Revenue Management and Allocation

- vii) Implementation of Sustainable Policies: Economic, Environmental and Social Concerns

19.0 Presentation of Group Summary Discussions and plenary reactions

- i) Policy and Legal Framework: Constitution, Legislation, Regulation
 - a) Gaps (Assessment and collection, Management, Utilization)
 - Inadequate capacity, Awareness, Information sharing, Production not yet started: Inadequate capacity: Reporting & accountability
 - b) Remedies
 - Review of existing laws, Increase URA budget, Training of staff: Increase awareness, Capacity building: Extractive Industries Transparency Initiative (EITI)
- ii) Government activities/decision to explore/extract
 - a) Positive interventions
 - Industrial Parks, Sensitization of Citizens, Value Addition and Infrastructure expansion
 - b) Negative interventions
 - Low levels of Staffing, Information dissemination, Language barrier, Poor coordination of partnerships, Middlemen in land acquisition, Lack of availability of land information, Corruption
- iii) Award of Contracts and Licenses
 - a) Transparency
 - Transparent from bidding rounds with competitive process (Advert through media, Ministry website etc.)
 - b) Access to information is available but with restrictions for data acquisition by fees payment during bidding process.

- c) Award of Licenses-Transparent and fair process
 - d) Challenges
 - Long duration for processing applications(6months-1year),Duration for Licensing round is about 4 years
 - e) Performance gaps-funding for monitoring operations
- iv) Monitoring and Operations
- a) Improvement in monitoring operations
 - Compliance to regulations and guidelines both National and International, Environmental governance tools (ESIA), Involvement of communities to participate in monitoring, Stakeholder engagement across the board for coordination, Capacity challenges
 - b) Risks
 - National Content (Employment), Standards for suppliers (Do they comply), Revenue (stakeholder collaboration)
 - c) The areas that need improvement are those identified under Risks.
- v) Assessment and Collection of Revenues
- vi) Revenue Management and Allocation
- vii) Implementation of Sustainable Policies: Economic, Environmental and Social Concerns
- a) What has government done?
 - National Content, Capacity building through trainings, Compensation of PAPs, Provision of training to PAPs, Livelihood restoration, Good Policies of Climate Change, Good infrastructure development in areas
 - b) Areas that need more attention
 - National Content(In terms of wages, Labour laws, Gender issues), Environmental and Tourism warnings, Monitoring ESIA's, Monitoring companies to employ those trained, Ear mark Oil revenues for Energy Transition, Preserve Wildlife and eco-systems, Sustainability

reporting, Focus on social infrastructure(Education and Health),PSAs to spell out amount of Recoverable Costs

Day 3: Discussion on Electricity Sub-sector and Closing of Session

Friday, 20th January 2023

Day 3 of the symposium commenced with the Moderator Mr. Calvin Kasigwa introducing distinguished guests, a Prayer, and then taking participants through the programme of the day.

21.0 WELCOME REMARKS FROM DA/VFMSA

He welcomed all to the event and said over the course of three days, they had looked at Mining, Oil, Gas and Energy so the symposium had enlightened participants about the sub-sectors. The extractive sector was very critical for economic development of Uganda. In the energy sub-sector, initially there was UEB that was supplying electricity but it was restructured and three sub-sectors were created to form Generation, Transmission and Distribution. There were still some challenges with access to electricity but there was a policy reversal where government had again decided to merge the three companies operating in the sub-sectors. The purpose of the event was to find out more about the challenges in the sector like vandalism and ERA would elaborate more about the risks involved with the merger as well as mitigation measures.

22.0 PRESENTATION ON CITIZEN FEEDBACK PLATFORM

The presentation was made by Can. Dr. Maxwell Poul Ogentho. Participants were taken through the process of installing the App on the phone. It was noted that the application was easy to use such that everyone's voice could be heard.

23.0 KEY SPEAKER-EXECUTIVE DIRECTOR,ELECTRICITY REGULATORY AUTHORITY, "The Electricity sub-sector in Uganda, the challenges, bottlenecks and prospects"

The presentation was made by Mr. Patrick Tutembe, Principal Economist, ERA on behalf of the ED. He said it would mainly focus on the prospects and issues raised in the OAG Reports as well as challenges.

24.0 DISCUSSANTS: MEMD-Commissioner Rural Electricity Programme, UETCL-ED, UEGCL-ED, UEDCL-ED, CSO-Environment (Environment Alert), NEMA

Participants' expectations/comments:

UIA: There was a challenge of availability of electricity for industrial use especially in areas out of Industrial Parks. In the NDP III, the electricity sub-sector was considered a critical growth area which needed to be used to guide investments in relation to opportunities for electricity access verses land availability.

UMEME: For the challenge with industries out of Industrial Parks, it was better to look at the level of development over the years against the amended laws in the sector. There was a challenge with urban areas comprising mostly of settlements. Industrial Parks were a new concept but also most commercial establishments were set up amongst these settlements in the urban areas which affected power supply. There was vandalism, weather, theft etc. which made the costs high. They wanted per capita consumption to reach 500kwh and were looking forward to have Karuma coming on board which would increase generation capacity. They hoped to continue working with Government to reduce the challenges noted.

ACADEMIA: The issues in the sector were theft, accessibility/affordability affecting usage at households, productive use, low per capita electricity consumption compared to other regions and data availability(most of it was old). Are there plans for independent players to supply neighbourhoods?

Reaction from Discussants

MEMD: Access would be possible with increased demand and intervention by Government through the National Electrification Strategy like Solar Energy, promotion of private generation. Most of the challenges were because of the nature of settlements.

There was the Free Connection Policy as a subsidy and Government had also secured about USD 600m from WB to connect about 1m households over a period of 5 years, and Euros 24.5m from Kfw for the construction of mini grids.

Demand/Growth – there was a plan to extend power to productive centers like Industrial Parks, working with Ministry of Agriculture to identify areas with productive use entities such Grain Milling for cheap power supply. Agencies like UIA needed to engage with MEMD, ERA etc., before embarking on land acquisition for Industrial Parks. There was need for integrated planning between all stakeholders.

Vandalism – this affected reliability, quality and led to energy loss. Cabinet created a Joint Inter-Ministerial Committee Strategy which was tasked with the following: - to identify market for vandalized items, motive, joint security operation, and awareness.

Data management - mainstreaming collection and tracking for planning with regular engagement between ERA and Ministry department.

UEGCL: For Power generation, development plans took about 10 years. With Isimba dam, UEGCL has continued to dispatch 3 out of 4 Units of installed capacity. It was not possible to have all Units operating at a time because of the schedule for planned maintenance. Karuma would be commissioned soon. There was need for more investment in transmission and distribution infrastructure. Inadequate involvement of UEGCL in the development of generation plants especially along the Nile was a challenge.

Demand - need to get all electricity produced to reach all consumers especially large consumers in industrial parks etc., regular engagement with all stakeholders and Karuma would be dispatched at a lower cost compared to Bujagali though the cost for Bujagali was under review.

UETCL: There was need to improve planning that's why Government decided to gazette different areas for Industrial Parks because different areas had different voltage demands. Need to avoid speculators such that there's proper planning.

Vandalism - government was strengthening the law with amendments to provide for punitive measures. They spent about UGX 17b to replace destroyed towers but would need about UGX 70-100b to replace all vandalized towers.

Transmission - capacity of the team was built to respond fast and they were exploring other opportunities like technology (Robots, Drones). There was need for more stakeholder engagements. For Deemed Energy, the challenge was with plugging and financing issues competing but Government had since removed the Deemed Energy Clause.

Project delays – these were as a result of funding, right of way acquisition, operation challenges, and compensation.

Energy security – the country was secure; the company had a National Control Centre to manage supply. Mergers were a matter of Government Policy. The window to generate and supply the neighbourhood was possible by law.

UEDCL: Reliability - the role was mainly carried out by Government. There were 8 distributors with Umeme managing the urban areas across the country. The rural areas were handled by Government including Islands.

Energy loss - the first affected entity when there was a loss is the Distributor because it's a business. Over the years there had been loss of time in planning and distribution and this affected quality and volumes of power during distribution but there was a lot of planned investment in the sector. There were also challenges such as the geographical set up, demographic feature where we had scattered settlements which affected supply.

Interventions - Government had secured financing to remedy that, capacity building of staff, awareness raising, amendment of laws with punitive measures, technical loss through investment in transmission and distribution to create demand.

CSO-Environment: Government had done good work investing in the energy sector for social economic development.

Governance - Energy Transition was a reality but we need not to limit ourselves to electricity. The renewable energy mix should be looked at broadly including solar. There was need to review the Renewable Energy Policy and the Act to capture all sources other than limiting it to only electricity. There was over centralization of the energy sector so there was need to have officers down at the local level authorities. Community outreaches could be used as an option for punitive measures (Energy Protection Committees).

Ministry focus vs other sectors - the Ministry needed to incorporate strategies to tap into government projects like PDM which could support energy poverty challenges.

25.0 Question and Answer Session for the Key Speaker and Panel Discussion

Participants raised a number of issues and comments that include:

- Why are Transmission Projects launched and the public doesn't notice?
- What's the cost benefit analysis of most projects considering that about USD 5b was needed for investment in the electricity sub-sector?
- Why was government not providing security for the electricity infrastructure?
- Right of way-speculators were getting information from agencies. What was the remedy for this?
- Lack of capacity to implement Energy Transition Policy and communities having many counterfeit products in the market.
- Low demand in rural areas as a result of lack of decentralization of services.
- What's the role of ERA in regulating off-grid solutions in the market?
- How can academia be utilized to support research for decision making?
- Why was there acute power shortage yet there are many generation projects?
- Most new Health Centers are established with Solar Energy solutions that don't function.

Response

UIA: Planning in relation to setup of Industrial Parks - the agency was no longer buying land for Industrial Parks. All plans were implemented according to NDP III programs. The land for setting up these Parks was provided by the Local Governments. The Energy Sector should get involved in the Local Government Economic and Investment Committees during the planning phase

for projects.

UEGCL: Karuma's installed capacity was 600MW while NDP III stated that the country needed over 3000MW. With the ongoing projects, Government doesn't want to use Thermal Plants again because they were expensive and were decommissioned (AGREKO) though there was a Plant in Namanve for support.

A grant was secured from KfW to refurbish Nalubale Power Plant to operate for more years. More Plants were expected to be commissioned by 2027 including Ayago. There was an option for Geothermal energy though it's very risky in the Western arm of the Rift Valley where there were also Oil Projects. By 2030, there was hope to commission a Nuclear Energy Power Plant with more capacity.

Planning – there was need to have multi-sectoral engagements to align projects. Peak demand was about 850MW but installed capacity was over 1400MW.

UETCL: Publicity for project implementation was going to be improved. For security of infrastructure, the electricity sub-sector was different from other sectors but initially there was an arrangement with security agencies and also cameras were installed on all towers but they were vandalized. Preventive measures were being explored against punitive measures.

Partnerships with academia (MUK) existed for research, planning and solutions but lack of funding was a challenge.

Speculation existed because staff at agencies work with Consultants, stakeholders, communities so information was shared in the process. Acute power shortage was brought about by vandalism. Loss of transmission - demand was always far away from Generation Plants.

UEDCL: Investment of about USD 5b - a study was carried out and there were about 6million households of which only 1.4million had power. Through the WB, there was need to invest in infrastructure such that 50-60% of the 6 million households could get connected. The investment required was for the distribution network, strengthening of the backbone network etc., to include the Rural Electrification Programme.

Embraced technology with the use of phone apps for solving customer issues. Having Officers at the local level authorities was a cost and the solution was the use of technology.

CSO-Environment: Energy Officers on the ground was important because there's a gap which was being exploited by illegal actors. Funding was a challenge but there was need to leverage Oil resources for funding interventions.

MEMD: Centralization - to decentralize, there was need to look at the different functions thus Generation, Transmission and Distribution.

Regional offices for the regulator were to be opened. The Ministry carried out oversight roles that spilled over to the regulator. There's a plan to have Energy Officers at the District level.

Infrastructure Police - may not have enough personnel available but there was a plan to use the Mineral Police in collaboration with the Ministry of Internal Affairs.

Renewable Energy Solutions for Health Centres - During planning at the Ministry of Health, maintenance for the Solar Energy Solutions was not incorporated. There was a proposal to include a maintenance plan such that

after construction, the supplier could manage the equipment. UNBS had been supported to acquire standards for all Renewable Energy Solutions.

Industrial Parks - UIA needed to have a criteria before planning though the land was offered free by Local Governments as well as stakeholder engagements.

ERA: At community level, the entities that carried out distribution were regulated by the agency. For remote areas, there was need to explore the option of constructing mini-grids. There was an MOU with MUBS for research purposes that only needed to be made operational.

Electricity vs Renewable Energy – there was need to have regulation for independent generation (Private players). Electricity was used by Government to support industrialisation for economic growth.

The Feed in Tariff for Independent Suppliers applied to both Solar and Gas with each price set for both at which it could be supplied to the National Grid. For the investment of USD 5b, there was need to identify the need, cost it and carry out a thorough cost benefit analysis to support the figure.

26.0 Break-away Group Discussions and Summary Reporting

27.0 Presentation of Group Summary Discussions and plenary reactions

Remarks by Partners

OAG-Norway: Thanked all for participating in the meaningful discussions and said they had been collaborating with AFROSAI-E and were bound by the same standard. The engagement was important for strengthening accountability by government and being relevant to the public by bringing together all

stakeholders from the sector. The purpose of such events was to make Audit Reports relevant to citizens. They wanted to see the extractive sector viable and adding value to the country. It was interesting to note that over 100,000 people would be employed in the Oil and Gas sector. The launch of CFP was very important for the work of OAG. Norway also had challenges with the sector. So, there was need for regular collaboration with all stakeholders to provide solutions.

AFROSAI-E: They said it was a great engagement and thanked all for attending. It provided a great opportunity for learning with real issues identified for audit purposes. There were a lot of opportunities in the country. Though there were challenges, they do exist in all countries. There was need to look for positives and understand the sector for audit purposes. The symposium was a very important event for engaging in a professional way. The strategic goal of the country was to explore minerals to add value to citizens. The question to ask would be, “What has Uganda done today making it unable to meet the strategic goal for tomorrow?” For OAG,” What Audit has it done today making it unable to meet the strategic goal for tomorrow?” More collaboration was encouraged such that the exploitation of extractive resources provide economic benefit.

28.0 Remarks by AAG/A

He said the OAG was able to achieve the objectives of the engagement. The objectives were to understand the challenges in the sub-sectors which included the Mining Law, proposed reforms in Electricity sub-sector, developments in Oil and Gas where the first Oil Rig was set up with testing expected soon. The developments were important for Auditors and stakeholders.

They had been able to identify risks both financial and other aspects. They performed various audits but with the event, they were going to identify new

area for audits. The event provided an opportunity for developing strong partnerships with citizens, OAG-Norway and stakeholders. There were new Reports that could be accessed from the OAG Website and they included the Engineering, Performance Audit on Management of Electricity Connections (Rural Connections/Electrification), and Performance Audit on Compensation (Albertine Region). In conclusion he thanked all for attending the event.

29.0 Closing Remarks PS-MEMD

The remarks were made by the Commissioner Rural Electrification Programme on behalf of the PS. He said the engagement had been informative and interactive. The sector had been able to listen to all stakeholders and the issues noted were with legal gaps and institutional arrangement. Service delivery was key for the sector and was well noted.

He thanked all for the open engagement and the level of understanding across the board. The interactions would help to improve service delivery and the Ministry was looking forward for more engagements.