

**Final Activity Report**  
**Support to Beneficial Ownership Implementation in Uganda**

**Submitted to**  
**Extractive Industries Transparency Initiative (EITI) International Secretariat**  
**and**  
**Uganda Extractive Industries Transparency Initiative (UGEITI)**

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## Introduction and Context

Uganda has recently joined the EITI and is preparing for the first EITI Reconciliation report. As part of the EITI requirement, Uganda is expected to commence Beneficial Ownership disclosure to promote good governance and accountability, reduce the risk of corruption, and support the fight against money laundering, terrorist financing and financial crimes. In March 2021, the EITI International Secretariat contracted a consultant (Samuel Bekoe) to provide technical assistance to UGEITI and other relevant stakeholders on BO implementation in Uganda. Specifically, to support national level reform of the Companies Act and efforts by the Registrar General to collect and maintain ownership data from companies. The main objective of the assignment was to provide support to Ghana EITI and key government agencies on implementation of beneficial ownership transparency.

The assignment, from March to May 2021, provided overall capacity building and technical assistance support to UGEITI, URSB, and other relevant players. The support focused on the following areas of interrelated work:

- Technical support to Uganda EITI on BO Implementation (BO requirements, best practice examples, data collection and disclosure)
- Stakeholder meetings: Meeting with Uganda EITI national secretariat, MSG, Uganda Registration Services Bureau, and other stakeholders
- Development of policy brief on BOT in Uganda and communication material in collaboration with UG EITI
- Submission of project completion report and recommendations for next steps for Uganda EITI on beneficial ownership transparency

The report contains the overall observations made by the consultant, assessment of context based on meetings with stakeholders and the main findings from the consultant's field trip as well as strategic recommendations on BO implementation in Uganda.

## Context

Beneficial ownership disclosure is not new in Uganda as it has existed in the banking sector in Uganda since the country's commitment to fight money laundering and terrorist financing (ML/TF). ML/TF remains a predicate crime that have evolved into more complex and sophisticated mechanism to conceal monies or gains profited from criminal activities and the origin of those gains. Historically, the banking sector has been the preferred conduit for ML/TF and often the ultimate destination for laundering proceeds from criminal or corrupt activities. BO disclosure is intended not only to prevent or reduce ML/TF risks but also support regulators and law enforcement agencies to effectively carry out their mandates on the fight against other financial crimes. Under FATF recommendations 24 and 25<sup>1</sup>, countries are required to maintain beneficial ownership information and facilitate its access to law enforcement agencies and other competent authorities.

Beneficial ownership transparency implementation in Uganda has been progressive under the Uganda Financial Intelligence Authority (FIA) but slow. Under the FATF Recommendations,

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<sup>1</sup> FATF Guidance on Transparency and Beneficial Ownership

competent authorities are expected to have access to accurate and timely BO information, but this is yet to be fully realized.

The Uganda Anti-Money Laundering Act (2013) and as Amended (2017) provides for legislative basis for the collection of BO information as part of banks customer due diligence. The definition of a beneficial owner is a critical requirement in the implementation of BO disclosure, however the current definition in the AML Act is inadequate as it does not satisfy EITI requirements. In 2016, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) conducted a Mutual Evaluation Report to analyze the level of compliance with FATF Recommendations in Uganda. FATF Recommendation 24 and 25 requires transparency in BO of legal owners and arrangements. The report provided that the definition of BO was not in full compliance with FATF recommendations, however, this has since changed due to the new definition under the Amended law. It is understood that there have been several discussions with the Uganda Registration Services Bureau (URSB) regarding the potential of incorporating BO provisions in the Companies Incorporation law. These discussions have formed the basis for UGEITI's further engagements on BO implementation in the extractive sector.

Currently, there is no BO provisions to empower URSB to collect, maintain, and disclose BO data in Uganda. Initial engagements between FIA and URSB have generated some initial successes, including the urge to amend URSB's legislation to legally mandate URSB to lead in national level BO implementation. Currently, URSB is leading a legal amendments process which calls for an effective stakeholder participatory approach to ensure there is a comprehensive BO provisions to guide its implementation.

UGEITI should begin discussions with relevant stakeholders including URSB and FIA to ensure existing legislation for company incorporation and registration are amended to include BO data collection, maintenance, and disclosure provisions for the extractive sector.

## Technical Support and Capacity Development for UGEITI MSG and other Stakeholders

### Key Deliverables

1. The consultant delivered a capacity training for UGEITI MSG, the UGEITI Secretariat as well as other relevant stakeholder representatives including, URSB and oil and gas and mining sector regulators. The initial training has provided an enhanced understanding and interest in BO disclosure, the theory and practice of BO disclosures under the EITI Standard and FATF requirements. It also presented practical examples on how BO should be integrated into existing national policies, especially under AML/CFT, extractives and anticorruption policies: Specifically,
  - a. Participants representing the various agencies gained the needed understanding of BO disclosure and the need for it to be a national priority. Overall, it was revealed through an informal pre-assessment that participants had little or no knowledge on BO disclosure, hence the need regulators did not have a comprehensive BO assessment process as part of their due diligence
  - b. The consultant provided information on the current BO requirements under EITI and FATF as well as examples on BO disclosure requirements under other regional protocols

- c. Participants explored opportunities to understand some of the socioeconomic reasons behind the implementation of BO disclosure and its risks to both the business and political environment.

#### Consultant's Observations

- BO disclosure is part of EITI Standard requirements; however, it had not received the needed buy in from stakeholders including UGEITI, partly due to the inadequate understanding of the concept of BO and its needed requirements. The training has enhanced their understanding and knowledge on BO disclosure which has in turn build their level of confidence and support.
- The initial training has formed the basis for further capacity building programs; however the scope of participants is limited. To lead national level BO reforms, UGEITI should consider expanding the scope of participants to build a larger crop of champions around BO disclosure.

#### Next Steps on Capacity Development

Activity	Relevance and Content	Targeted Stakeholders
Capacity training on the theory and practice of BO including : Bo definition, consideration of key terminologies, and critical aspects of BO disclosure-	<ul style="list-style-type: none"> <li>• Enhance stakeholders understanding of BO as a concept, policy and tool for business development and anticorruption</li> <li>• Provide contextual analysis and scope for the definition of key terms that form the basis of BO legislation and regulations – Beneficial Owner, entities to report BO, application of thresholds, etc.</li> </ul>	UGEITI MSG and Secretariat Ministry of Mines Petroleum regulatory FIA Law Enforcement Agencies
Stakeholder engagement training to build public support on BO and increase public advocacies	Increase public awareness and understanding of BO disclosure through key infomediaries such as CSOs, media, professional bodies, and selected government agencies (FIA, URSB, etc.)	CSOs Media Professional bodies Relevant government agencies
BO awareness and Data requirement training – Industry players, professional bodies such as the Bar Association and Accounting bodies	Enhance understanding of BO legal requirements, key responsibilities of companies and entities to keep BO information and how to submit same to UGEITI and URSB	Professional bodies Extractive companies Accounting firms

Technical Capacity Training for BO implementation – UGEITI and URSB staff	Provide the implementation training to ensure efficient implementation of BO	UGEITI secretariat URSB FIA – (If necessary)

### Stakeholder Meetings with URSB and FIA

The consultant held meetings with URSB and FIA during his field trip with the aim to deepen his understanding of local context and the existing happenings on BO disclosure. Below are some of the key highlights of the meetings:

- Since 2016, after ESAAMLG (FATF) Mutual Evaluation Review in Uganda, the country has been under intense pressure from FATF to increase its efforts toward AML/CFT corrective measures, including the need for a more comprehensive implementation approach towards BO disclosure.
- FIA has led national level stakeholder discussions on BO disclosure implementation, however, there have not been effective cooperation from extractive sector policy makers. There is a strong support for UGEITI to lead BO implementation in the extractive sector and where necessary support national level implementation
- It is critical that existing coordination and cooperation between FIA, URSB, URA and UGEITI is strengthened to expedite the effectiveness of BO reforms. There have been advanced discussions between FIA and URSB for the latter to lead BO implementation at the national level, however there is yet to see concrete reforms at URSB to demonstrate Uganda's commitment.
- It is understood that Uganda, through URSB, has made a public commitment to amend its Companies Law to incorporate BO disclosure provisions by November 2021. It is understood that URSB is leading the amendments process, however, they have confirmed a need for technical assistance and peer to peer learning. Even though, BO legislative reforms requires comprehensive consultations with relevant stakeholders, the consultant did not get adequate evidence of such consultations

### Consultant's Recommendations on BO Reforms - Strategic Direction and Next Steps

Key Areas	Action/Activities	Lead Agencies	Participating Agencies
Gap Assessment and Development of BO Reform Plan	<ul style="list-style-type: none"> <li>• Conduct a detailed gap assessment and systems assessment of the current BO regime in Uganda. The assessment will cover the adequacy of legislation, policies, existing data collection systems within URSB, UGEITI, URA, Ministry of Finance unit that covers Illicit Financial Flows, departments in charge of petroleum and mining as well as FIA.</li> </ul>	UGEITI URSB	FIA Min of Finance Min of Mines

	<ul style="list-style-type: none"> <li>• Develop a detail BO disclosure implementation plan with detailed responsibilities and timing to guide BO implementation</li> <li>• Develop a clear M&amp;E framework to monitor progress of BO disclosure implementation</li> </ul>		
Legislation and regulations development	<ul style="list-style-type: none"> <li>• Form a national level BO multistakeholder committee to lead the legislative reforms process. Stakeholder should at least include URSB, FIA, UGEITI, URA, Ministry of Mines, Ministry of Justice and Ministry of Finance. UGEITI should endeavor to lead discussions with URSB on the need for a more holistic BO legislative reform process</li> <li>• UGEITI should reach out to URSB and FIA to ensure BO amendments is comprehensive to cover all international and national level requirements including EITI, FATF, EU Anti-money Laundering Directives, OECD Anti-money Laundering Standards.</li> <li>• UGEITI/URSB should acquire the services of a BO expert to support them on BO legislation development, regulation development, administrative procedures, and stakeholder consultations. It is important to note that technical inputs for the legislation development must be guided to assure clarification of certain key terms within the main legislation to ensure stakeholders have equal understanding and direction on the interpretation of BO terms: for instance: <ul style="list-style-type: none"> <li>○ Which entities need to disclose BO</li> <li>○ Details on the definition of a BO with different</li> </ul> </li> </ul>	URSB UGEITI	FIA Min of Finance Min of Mines Min of Justice URA

	<p>dimensions not clearly interpreted by the legislation. BO by direct shareholding and BO with significant control and influence. How to interpret BO with significant control and influence</p> <ul style="list-style-type: none"> <li>○ Setting of thresholds</li> <li>○ How to deal with Publicly Listed Companies</li> <li>○ What information is to be published?</li> <li>○ How to implement BO Sanctions regime</li> <li>○ How to ensure data is reliable</li> <li>○ Validation of BO data</li> </ul> <ul style="list-style-type: none"> <li>● URSB, UGEITI, URA and FIA should work together with the help of an expert to develop a comprehensive BO forms applicable in all sectors. The forms must be integrated into the BO legislative process to receive legal backing</li> </ul>		
Public Engagements and Stakeholder Consultations	<ul style="list-style-type: none"> <li>● Develop a comprehensive stakeholder mapping and consultation on BO legislation before submission to Parliament-consultations should include state actors and non-state actors – particularly private entities who may be required under the BO law to provide their beneficial owners information, professional bodies, etc.</li> </ul>	URSB	FIA UGEITI
Internal Operating Procedures and Training Manuals	<ul style="list-style-type: none"> <li>● Engage the services of a BO expert to develop clear and contextualized BO internal operating procedures and guidance notes for BO data collection, data processing, data validation and data publication to ensure efficient implementation of BO</li> </ul>	UGEITI URSB	

	<ul style="list-style-type: none"> <li>Develop training manuals for URSB staff and UGEITI MSG and secretariat</li> </ul>		
Capacity Building and	Refer to “Next Steps on Capacity Building”		
IT Infrastructure	Engage the services of an IT expert to undertake system assessment, develop system specifications for integration of BO into existing URSB systems	URSB	
Technical Hand Holding Support	Engage the services of a BO expert to provide hand holding support during the implementation of BO including, provision of day to day technical assistance services after the commencement of BO data collection, processing and publication-		