

**JUSTICE AND ACCOUNTABILITY REFORM -
UGANDA**

**Consultancy to Empower and Build the Capacity of the
National Beneficial Ownership Committee to Implement
Beneficial Ownership Reforms in Uganda**

WORKSHOP REPORT

TECHNICAL WORKSHOPS

**CAPACITY BUILDING OF NATIONAL BENEFICIAL OWNERSHIP
COMMITTEE**

**WORKSHOP 1: IMPERIAL ROYALE HOTEL, KAMPALA (8TH
SEPTEMBER 2022)**

**WORKSHOP 2: FAIRWAY HOTEL, KAMPALA (18TH – 19TH OCTOBER
2022)**

WORKSHOP ON BENEFICIAL OWNERSHIP IMPLEMENTATION IN UGANDA



1.0 INTRODUCTION

Since 2013, Uganda has put in place multiple legislative and regulatory frameworks on BO disclosure, including the Anti-Money Laundering Act, 2013 and its Amendments in 2017 and 2022; the Income Tax (Amendments) Act; the Companies (Amendments) Act, 2022; the Trustees Incorporations (Amendments) Act, 2022; the Partnerships (Amendments) Act, 2022; and the Cooperative Societies (Amendments) Act, 2022. The legislations provide for the basis for collection, processing, management, and publication of BO data. Despite the enactments of these legislations, Uganda's implementation of BO disclosure still faces challenges. The legislations still have major gaps compared to international best practices. The institutional framework for BO implementation is not well coordinated despite recent efforts by the Uganda EITI (UGEITI) to improve coordination between relevant agencies. The Uganda Registration Services Bureau (URSB), expected to lead the implementation of BO disclosure, faces capacity challenges. There is no BO central register to collect, process and manage BO data.

After the passage of legislations to support BO implementation in 2022, assessment of BO provision as well as the anticipated institutional structure for its implementation has become necessary to identify areas of strength and weakness to form the basis for the development of regulations. This encompasses an assessment of the key legal provisions against international best practices as well as the readiness of the institutions assigned duties by the law to ensure effective BO disclosure implementation.

Further, UGEITI, in collaboration with URSB and other relevant agencies have established the National Beneficial Ownership Committee (NBOC) to oversee BO implementation in a coordinated manner. This is expected to enhance implementation and prevent any duplicates. The NBOC requires capacity building on BO to be able to execute their responsibilities. The consultant is expected to provide an initial trainings for the NBOC and further use the findings from the study be shared to build their capacity and sensitize them on the key implementation requirements.

2.0 OBJECTIVE OF TECHNICAL SESSION

The technical session was organized to enhance the capacity of NBOC on the key existing legal, regulatory and institutional frameworks that are established for the implementation of BO disclosure in Uganda; identified gaps in existing legal and institutional frameworks with the aim to enhance NBOC's capacity to implement the BO disclosure roadmap.

3.0 VALUE TO JAR Programme

The current Technical Assistance is part of the 11th EDF Justice and Accountability Reform (JAR) Sector Reform Performance Contract (SRPC). The overall objective of the SRPC is “to contribute to the sustainable development and inclusive economic growth of Uganda”.

The assignment relates to Induced Output N° 1: Improved Domestic Revenue Mobilization (DRM) and management for sustainable development through enhanced public sector capacities for tax administration, anti-money laundering investigations and membership in the Extractive Industries Transparency Initiative (EITI) and related Indicator: Membership in Extractive Industries Transparency Initiative (EITI).

4.0 SUMMARY OF ACTIVITIES AT THE TECHNICAL WORKSHOP SESSION

1. The first workshop was organized on Thursday 8th September 2022 at the Imperial Royal Hotel, Kampala. The consultant assessed the participants' knowledge on BO disclosure as a concept, a tool and policy. It was identified that participants' knowledge on BO disclosure and implementation requirements were low. The consultant began with introduction BO as a global concept as well as threw more light on Uganda's commitments on BO disclosure under FATF, EITI, and the EU. Further, the consultant presented other countries examples and experiences on BO implementation including key decisions on the definition of a beneficial owner, thresholds for beneficial ownership disclosure reporting, verification measures, sanctions and enforcements, politically exposed persons status and key decisions on PEPs timelines, and access or publication of BO information. The consultant adopted both power point presentation format, and group exercises as approaches to delivering the training.
2. The second workshop was organized on Tuesday to Wednesday 18th and 19th of October 2022 at the Fairway Hotel, Kampala. The second workshop used identified gaps in the technical report to further provide a more focused capacity building to the NBOC. It

pointed out the detailed gaps in Uganda's legal and institutional framework and further presented options to form the basis for the development of BO regulations, forms. The consultant further enhanced the capacity of the NBOC on the key next steps and BO implementation roadmap as well as guidance on the BO forms. The consultant adopted a mixture of power point presentation and group discussions as the key approaches to deliver. The meeting was a two-day training session.

| DATE | KEY ISSUES COVERED UNDER BO IMPLEMENTATION |
|-------------------------------|--|
| Thursday, September 8 2022 | <p>The team gained understanding on the following:</p> <ul style="list-style-type: none"> • Companies' ownership structures and complexities, including the legal reasons for the establishments of shell companies and complex ownership structures. Further participants' gained understanding on the reasons to use offshore shell companies; how companies conceal their beneficial owners using shell companies; case studies for the concealments of BOs and corruption case studies. • Common methodologies used complex companies' structures to engage in illicit financial flows and the cost of such to Africa and the world • BO implementation progressions structure as per other countries experiences – from commitment to BO to legal framework, systems development, data management and publication, verification an overall impact of BO implementation. • The key principles to guide BO implementation based on global best practices • Global definition of BO in other countries including Ghana, Liberia, Nigeria, Zambia among others • Differences between legal ownership and beneficial ownership and the legal devices such as trusts, contracts and |

| DATE | KEY ISSUES COVERED UNDER BO IMPLEMENTATION |
|---|---|
| | <p>subsidiaries used by companies to undertake complex transactions</p> <ul style="list-style-type: none"> • The emphasis on direct and indirect ownership structures, including ownership through corporate shareholders, trusts, and formal and informal arrangements • The types of interests that individual beneficial owners can have in a legal entity • The definition of beneficial owners in other jurisdictions and how to identify beneficial owners • Definition of thresholds and international trends in other countries; the basis of setting thresholds and how that has been implemented • The concept of politically exposed persons and its implementation with BO disclosure requirements in other countries. The approaches and methods to identify PEPs |
| Tuesday and Wednesday, 18 th to 19 th October, 2022 | <p>The team built their capacity on the following:</p> <ul style="list-style-type: none"> • The key international commitments and protocols on BO disclosure that Uganda has signed up to and required to implement BO disclosure • The key legislative frameworks that require BO data collection and disclosure – companies Act, mining, petroleum, banking, and the Ugandan revenue authority • The key institutions with legal responsibilities to implement BO disclosure in Uganda • Key gaps with the main definition of a Beneficial Owner as per the Companies (Amendments) Act as assessed against international best guidelines • Assessment of thresholds in Uganda’s definition and the gaps associated with the definition |

| DATE | KEY ISSUES COVERED UNDER BO IMPLEMENTATION |
|------|---|
| | <ul style="list-style-type: none"> • Key recommendations on how to address gaps in BO definition and threshold setting in regulations • Key gaps in the overall coverage of Uganda’s legislative framework, including the types of legal entities and structures of companies required to provide beneficial owners information to the URSB <ul style="list-style-type: none"> ○ Limited liability company ○ Partnerships (Limited liability partnership and limited partnership) ○ Anstalt ○ Protected cell companies ○ Joint -stock companies ○ Trust ○ Investment Fund ○ Corporate Protector ○ Not for profit corporations (Foundations and Private Foundations) ○ State owned Enterprises ○ Publicly company • Recommendations on how to enhance Uganda’s BO framework to be comprehensive in terms of coverage • Gaps on the particulars of beneficial owners as per Uganda’s legislation • Recommendations on how to improve data collection on BOs under Uganda’s BO regime • The requirement of developing a central register for BO disclosure including information sharing features, data structure, and processing and storage of BO data |

| DATE | KEY ISSUES COVERED UNDER BO IMPLEMENTATION |
|------|--|
| | <ul style="list-style-type: none"> • Recommendations on how to improve the design of BO register by integrating into existing companies' registry under URSB • Assessment of key gaps on Uganda BO regime and legislative framework on BO data access and publication • Recommendations from other countries and how Uganda can contextualize BO public access • Assessment of BO data verification measures and how that can be integrated into existing URSB central register. Presentation of other countries experience on BO verification measures • Need to define key violations, penalties for sanctions and enforcements under Uganda's BO regime. • Discussion of key recommendations for BO implementation • Discussion of draft BO forms • Assessment of existing procedures and the key gaps in URSB's existing data collection system • Discussion of BO roadmap to focus on key next steps |

5.0 KEY WORKSHOP HIGHLIGHTS

- The definition of beneficial owner in should be expanded to encompass direct and indirect ownership and control. This can be achieved with the use of regulations
- The definition of beneficial owner should be expanded to include individual persons who ultimately enjoys direct and indirect economic benefits from a legal entity, transaction, or legal arrangements
- The definition of beneficial owner should be explicit on the request of Politically Exposed Person's status in line with the Uganda's Anti Money Laundering Act, 2013 and subsequent amendments and regulations

- The definition of a beneficial owner should be expanded to include applicable minimum thresholds. The NBOC should consider a lower threshold to ensure maximum disclosure of beneficial ownership interests and control. The setting of the threshold must be evidenced based and should be well articulated and published in the appropriate procedures to ensure effective implementation as most stakeholders may leverage on loopholes in the BO regime to avoid BO information disclosure.
- The BO regulations should provide clear guidance on how to identify qualifying beneficial owners by providing a non-exhaustive list of examples of ownership and controlling interests and mechanisms through which these interests can be maintained.
- NBOC should get a technical assistance to lead them and direct them on the development of BO regulations
- The BO regulations should explicitly state the legal obligations for all entities organized, or which may be organized or authorized to undertake business in Uganda, either domestic or external companies
- The BO regulations should provide guidance on reporting obligations for all entities and clearly provide any exemptions for BO disclosure
- In practice, URSB could adopt a phased approach to BO implementation by piloting reporting obligations by categories of companies
- The BO regulations should expand the requirements of BO particulars to capture details on beneficial owner, details on company and details on nature of interest, in line with international best practices
- URSB's existing BO forms should be reviewed to include beneficial owner's politically exposed person's status as well as include guidance on how to complete the forms
- The NBOC and URSB should establish a clear legislative framework for the application of sanctions in the BO regulations
- The BO Regulations should establish clear points of breaches and associated sanctions – for instant late submissions, false information, etc.
- The BO Regulations should define sanctions (either monetary and nonmonetary) for each breach, either administrative noncompliance or criminal sanctions
- Define the application of the sanctions, either to the declaring entity or beneficial owner • Define sanction application procedures and timelines

- Indicate how enforcement of sanctions would be done, including clear procedures for both implementing agency (URSB) and potential applicants (declaring entities)

6.0 PROGRAMME SCHEDULE

Uganda BO Implementation – National BO Committee Workshop

Date: Thursday September 8, 2022

Location: Imperial Royale Hotel, Kampala

| Time | Session | Session Leader |
|------------------------------------|---|-------------------|
| 09:00 30 mins | Opening remarks and introduction and expectations | UGEITI |
| 09:30 45 mins | Introduction session: Overall Introduction of BO Implementation | Consultant |
| 30 mins Questions | Setting out the purpose of BO disclosure to Uganda Reviewing Uganda's International Commitments on BO Disclosure Implementation Key benefits of BO Implementation | |
| 10:45 15 mins | Uganda BO Journey so far: The process flow of activities | Consultant |
| 11:00– 11:20 | <i>Coffee break</i> | |
| 11:25 40 mins | Unpacking the Task Ahead Unpacking the National Level Actions and Next Steps on BO Implementation | Consultant/UGEITI |
| Q&A 20 mins | Beyond the Passage of the Companies Amendments Act, What Next for each Agency? Who lead on what in BO Implementation | |
| 12:25 – 13:25 | Lunch | |
| 14:30 40 mins | Discussing the Key Aspects/Component of a Robust BO Legislation/Regulations <ul style="list-style-type: none"> • Scope of Entities to Report BO Details • Politically Exposed Persons • Thresholds • Publicly Listed Companies • Government Owned Companies | Consultant/UGEITI |
| Q&A 20 mins | | |

| | | |
|---------------------------|---|--------------------------|
| 15: 30 30 mins | Group Discussions on Regulations Development | National BO Committee |
| 16:00 – 16:15 | Closing Summary | All participants |
| | | |

Date: 18th and 19th October, 2022

Location: Fairway Hotel Kampala, Uganda

Day 1

| Time | Session | Session Leader |
|----------------------------|--|--------------------------------|
| 09:00 30 mins | Arrival and Registration of participants | UGEITI |
| 09:30 30 mins | Introduction session: Welcome Remarks and Introduction of Participants | UGEITI |
| 10:00 30 mins | Presentation of Report Findings: Assessment of BO Legal and Institutional frameworks | Consultant |
| Q&A 20 mins | Questions and Answers | |
| 10:50 – 11:10 | <i>Coffee break</i> | |
| 11:10 30 mins | Presentation of Report Findings: Assessment of Readiness of URSB Systems and Procedures Forms, Data Processing and Verification | <i>Consultant/UGEITI</i> |
| Q&A 30 mins | Questions and Answers | |
| 12:10 – 13:10 | Lunch | |
| 13:15 40 mins | Presentation of Report Findings: Implementation Roadmap and Institutional Responsibilities | Consultant/UGEITI |
| Q&A 30 mins | Questions and Answers | |
| 14: 30 40 mins | Group Discussions on Key Recommendations | Consultant/All Participants |
| 15:20 | Closing Summary | All participants |
| | | |

Day 2

Date: 19th October, 2022

| Time | Session | Session Leader |
|----------------------------------|---|-----------------------------|
| 09:00 30 mins | Arrival and Registration of participants | UGEITI |
| 09:30 30 mins | Recap of Day 1: Summary of Day 1 | UGEITI |
| 10:00 30 mins | Unpacking the Task Ahead | Consultant |
| Q&A 20 mins | Unpacking the National Level Actions and Next Steps on BO Implementation Beyond the Passage of the Companies Amendments Act, What Next for each Agency? Who lead on what in BO Implementation | |
| 10:50– 11:10 | <i>Coffee break</i> | |
| 11:10 30 mins | Discussing the Key Aspects/Component of a Robust BO Legislation/Regulations | Consultant/UGEITI |
| Q&A 30 mins | <ul style="list-style-type: none"> • Scope of Entities to Report BO Details • Politically Exposed Persons • Thresholds | |
| 12:10 – 13:10 | Lunch | |
| 13:15 40 mins | Discussing the Key Aspects/Component of a Robust BO Legislation/Regulations | Consultant/UGEITI |
| Q&A 30 mins | <ul style="list-style-type: none"> • Publicly Listed Companies • Government Owned Companies • Verification • Sanctions and Enforcements | |
| 14: 30 40 mins | Group Dicussions on Next Steps Beyond the Assessment | Consultant/All Participants |
| 15:20 | Closing Summary | All participants |

7.0 WORKSHOP PARTICIPANTS

| S/N | Agency |
|-----|--------|
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| 1 | Uganda EITI |
| 2 | Bank of Uganda |
| 3 | Uganda Revenue Authority |
| 4 | Financial intelligence Authority |
| 5 | Petroleum Regulatory Authority of Uganda |
| 6 | Directorate of Geological Survey and Mines |
| 7 | Uganda Registration Services Bureau |
| 8 | Ministry of Finance |
| 9 | Ministry of Justice |

Appendix – Photographs







SEATINI UGANDA
@SEATINIUGANDA

Mr. Edwin Kanakulya, representative from EITI Uganda Secretariat: I would like to thank CSOs for supporting the Uganda #EITI Secretariat. We work closely with CSOs on various issues in regards to EITI implementation

#BeneficialOwnershipTransparency
#DRMProgramme

