

Business Outlook

▲ 98%

Revenue. According to the third EITI report, only 20 out of 558 companies holding mining licenses in the reporting period contributed to 98 percent of the total revenue. This means that over 500 companies either paid minimal amounts or did not disclose their contributions.

Hopeful. Valued added tax (VAT) emerged as the top revenue source.

The latest report from the Uganda EITI Secretariat, reveals troubling setbacks in the country's push for transparency.

BY RONAH NAHABWE

In 2019, Uganda made a landmark move by committing to the Extractive Industries Transparency Initiative (EITI).

This was in a bid to embrace a global standard that seeks to ensure openness and accountability in managing the country's oil, gas, and mineral resources.

Uganda was officially admitted to the EITI in 2020. The chief goal was to strengthen governance in the extractives sector in a bid to curb corruption, seal revenue leakages, and leverage the EITI standard as a powerful tool for boosting domestic revenue from natural wealth.

The latest report from the Uganda EITI Secretariat, however, reveals troubling setbacks in the country's push for transparency. Compliance degenerated instead of improving after a large number of mining companies failed to revert with their reporting templates.

Ms Gloria Kempaka Mugambe, the head of the Secretariat at Uganda Extractive Industries Transparency Initiative (UGEITI), said the independent assessor for the EITI standard suggested establishing a legal basis for Uganda's EITI reporting process.

This, the assessor reckons, could improve compliance with transparency, a repeated key recommendation from the EITI international secretariat in the first, second and now third report.

All three reports underscore the fact that making companies aware of the legal requirement to submit data and information, particularly accurate data, would enhance adherence to the EITI process, especially among mining companies.

"We have faced challenges with the responsiveness of companies and their ability to engage during the reconciliation phase. When companies are not incentivised to participate in the EITI process, they do not prioritise the activity," Ms Mugambe noted.

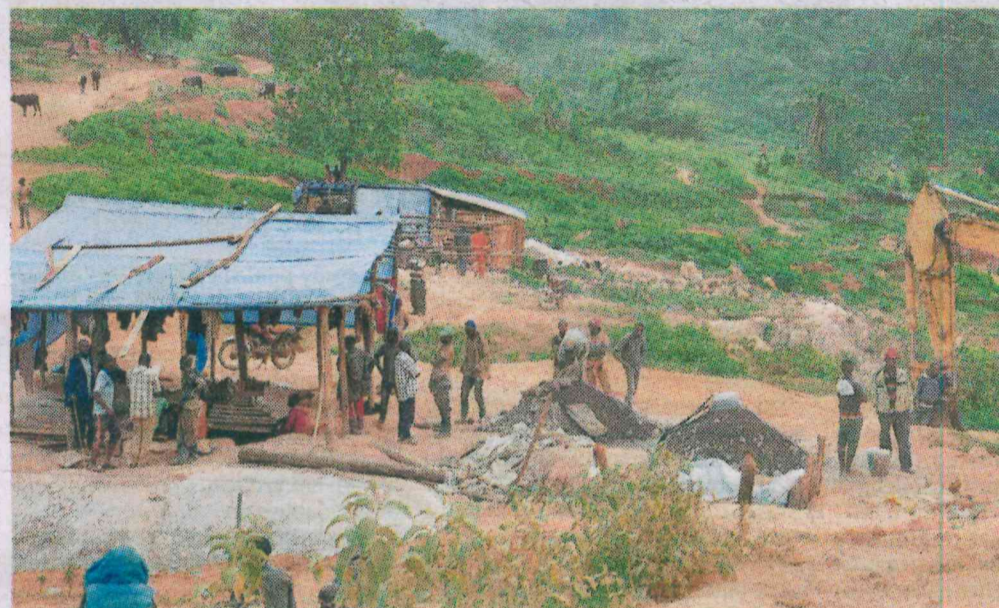
"This has resulted in an incomplete picture of revenues. As a result, we had discrepancies in the figures provided, especially regarding revenues, which is why we ultimately submitted data obtained from the Uganda Revenue Authority (URA)," she added.

Opaqueness

A major issue that impacted Uganda's transparency score during the validation process was the lack of public disclosure of licenses and contracts in the extractive sector.

According to the third EITI report, on-

Report casts extractives sector in negative light



Artisanal miners search for gold at Kisiita mining site Kassanda District on March 18, 2020. Uganda produces between two to three tonnes of gold per year, primarily from artisanal mining operations. PHOTO/FILE

ly 20 out of 558 companies holding mining licenses in the reporting period contributed to 98 percent of the total revenue. This means more than 500 companies either paid minimal amounts or did not disclose their contributions.

The total revenue for the period was Shs411b, with oil and gas accounting for Shs160b and mining generating Shs250b. This is slightly lower than the Shs436b reported in the 2019/2020 fiscal year. Valued added tax (VAT) emerged as the top revenue source, making up more than a third of the total extractive revenues. It was followed by customs duties, withholding tax, and pay-as-you-earn in that order.

The report also showed that in the first reporting year, just over Shs2b was remitted to local governments out of Shs7b in royalties. The following year realised Shs1.47b out of Shs7.36b, and Shs1.3b out of Shs6.49b in the third reporting period.

Ms Mugambe questions the irregular-

ty of these royalty payments, stating: "We need to interrogate the reasons why royalty payments are so inconsistent. While it's possible that there was no production at certain times, we also know there are issues of underreporting and non-responsive mineral dealers who fail to provide adequate information or under-declare their figures. Additionally, there are unpaid royalties that are due but remain unsettled." She added that this issue is especially critical for local governments as these royalties are a vital source of their revenue.

Not adding up

According to the latest report, there has also been an unexplained jump in earnings from minerals. During the 2020/2021 report, UGEITI said production of minerals was worth Shs19b. In the latest report, production in minerals is valued at Shs202b.

Ms Mugambe attributed the big jump in production to the resumption of activ-

ities post-Covid. This, however, rests on a cornerstone of conjecture.

The latest report also notes discrepancies despite the presidential ban on exporting unprocessed minerals. For example, URA recorded exports of vermiculite worth Shs12b and iron ore exports valued at Shs919m. These exports were not reported by the Directorate of Geological Survey and Mines (DGSM).

Mr David Ssebagala, a senior inspector of mines at DGSM, explained that the report captured data that was available before the ban.

Uganda's export destinations are the USA, Spain, Kenya, the UK, Canada and Belgium. The discrepancies between mineral production and export are not limited to vermiculite. They also extend to gold and zinc.

"Gold remained the central issue for discussion," Ms Mugambe said. "Gold exports continue to be much higher than both the gold produced and imported. While URA reported gold exports from

the urgent need for the government to strengthen regulatory frameworks and enforcement mechanisms to ensure compliance with the standards and commitments," he noted.

Mr Kafeero also expressed concern about the irregularities in revenue collection, stating: "The irregularities in revenue collection present a concerning indicator of poor revenue management in the sector, posing significant challenges to Uganda's domestic revenue mobilisation efforts."

Mr Kafeero underscored that these issues reflect broader problems

with data accuracy, quality, and institutional accountability, calling for stronger oversight and governance across ministries, departments, and agencies (MDAs). He also noted that the situation is further exacerbated by a lack of sufficient political will and effective political leadership, which are critical to driving the necessary reforms and ensuring accountability at all levels.

"Without strong commitment from political leaders to champion transparency and enforce compliance, the discrepancies are likely to persist," Mr Kafeero opined.

refineries worth Shs6.3b, one refinery reported gold imports of only Shs1.3b, and DGSM recorded just 15kg of gold production."

Queries about Uganda's gold sub-sector were also raised by the international secretariat, with Ms Mugambe pointing out that concerns about the accuracy of export data and the need for thorough analysis of the gold value chain were key recommendations in both the first and second reports.

All that glitters is...

Mr Ssebagala explained that Uganda is producing between two to three tonnes of gold, primarily from artisanal mining operations. He noted that artisans often underreport their production, even when no royalties are involved.

To address this, the government removed the royalty on gold. It hoped that this would encourage miners to report their full production.

Mr Ssebagala also disclosed that the government has introduced a \$200 (about Shs737,000) per kilogramme export tax on gold, aiming to formalise the industry and prevent smuggling.

While gold exports are tax-exempt, this fee is intended to ensure gold leaving Uganda is legally accounted for.

One of the main issues impacting transparency in Uganda's extractive sector, as noted in the EITI reports, is data quality and assurance.

During the validation process, non-compliance was found among several reporting entities, with many failing to adhere to the assurance process agreed upon by the multi-stakeholder groups. This raised concerns about the authenticity of the data.

Mr Julius Mukunda, an economist, called on the government to address these gaps and loopholes, stressing that, without proper action, the country will miss out on the right revenue.

"You know very well that the extractives industry is one of the most secretive industries. People do not want to disclose how much resources are being generated from our soil so that Ugandans can benefit from them. Yet, all these resources are held in trust by the government for the people of Uganda. We must ensure every resource is accounted for," he said.

Mr Moses Kaggwa, the chairperson of Uganda EITI multi-stakeholder group, said the "government's efforts are underway to ensure the gold that comes in is registered because there are people who bring in the gold to the export hub to export it."

Ms Mugambe said UGEITI "intends to engage the companies well in advance for our next report so that we are not rushing to meet the deadline."

She acknowledged that the process of validation and report preparation affected the timely engagement with companies, but emphasised that the number of reporting companies had been increased from eight to 20 this year.

"Many of these companies have never heard of EITI, so we have to first educate them," Ms Mugambe noted, adding that DGSM's involvement would help persuade companies to engage more fully.