MEASURE IT TO MANAGE IT

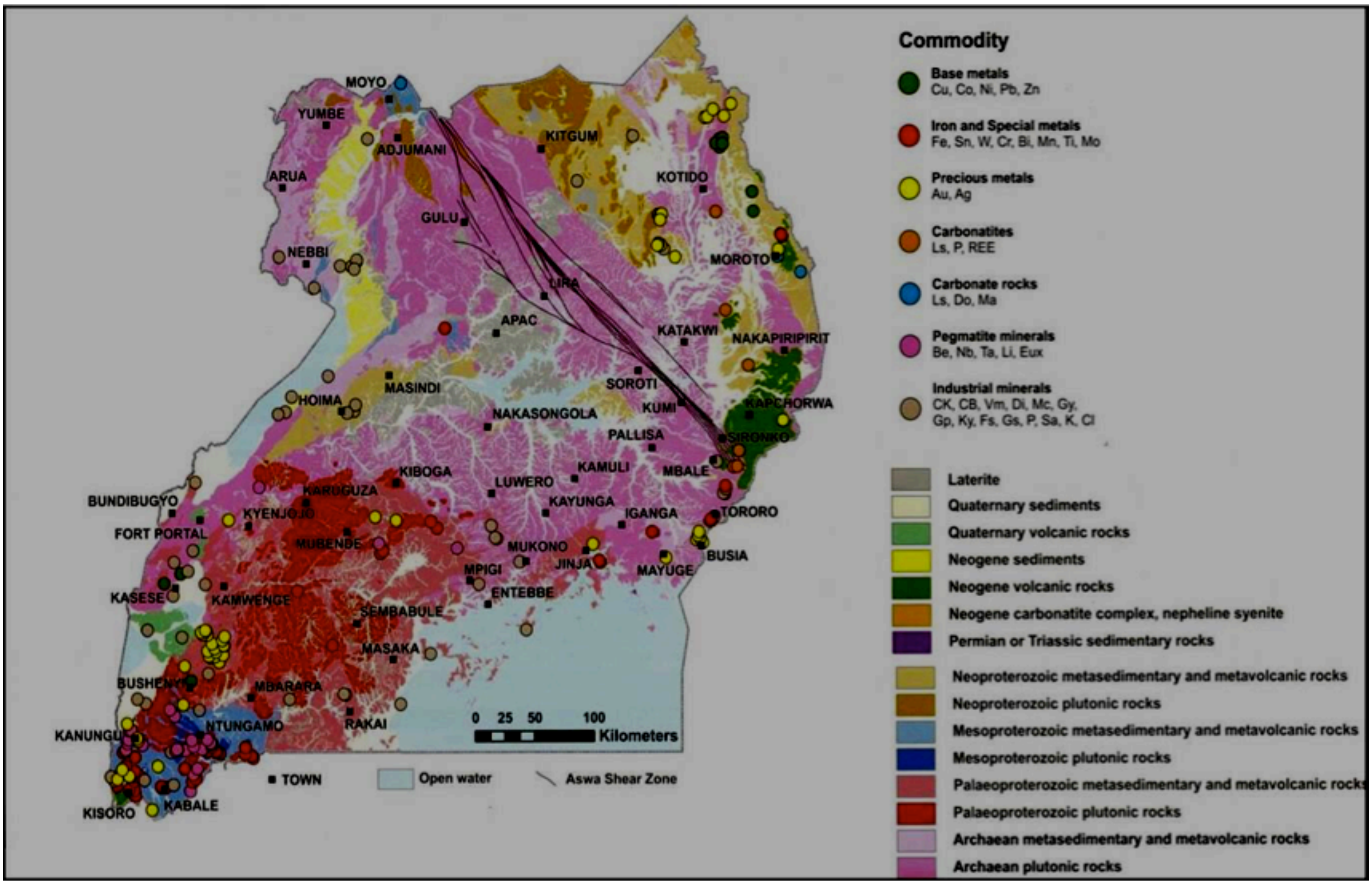
ANNUAL MINERAL DEVELOPMENT SCORECARD

December 2016

Prepared by the
National Planning Authority (NPA) in collaboration with Africa Centre for Energy & Mineral Policy (ACEMP)

ACEMP Africa Centre for Energy and Mineral Policy
DGF Democratic Governance Facility
actionaid

Geology and Mineral Occurrence Map in Uganda



Source: Directorate of Geological Survey and Mines

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LIST OF ACRONYMS AND ABBREVIATIONS

ACEMP	Africa Centre for Energy and Mineral Policy
DGSM	Directorate of Geological Surveys and Mines
EITI	Extractive Industries Transparency Initiative
EMP	Environmental Management Plans
ESIA	Environment and Social Impact Assessment
GMIS	Geological Management Information System
HSE	Health, Safety and Environment
LG	Local Government
MEMD	Ministry of Energy and Mineral Development
MGLSD	Ministry of Gender, Labour and Social Development
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NPA	National Planning Authority
NT	Non Tax Revenue
OAG	Office of the Auditor General
SIA	Strategic Impact Assessment
SMMRP	Sustainable Management of Minerals Resources Project

Executive Summary

The Government of Uganda's 'Vision 2040' launched in April 2013, aims to transform Uganda from a predominantly peasant society to a competitive modern country with a median income of US$ 9,500 by 2040. The Vision acknowledges that socioeconomic transformation can be achieved by prioritising development in key sectors of the economy. As such, the Mining subsector has been identified as one of those priority sectors to drive Uganda's socioeconomic transformation .
Uganda's northwest Karamoja region hosts over 50 different economic minerals, but the mining sector's contribution to gross domestic product (GDP) sunk from six percent in the 1970s to less than 0.5% in 2010; and less than 0.3% in 2013/14. The weak performance of the Mining sector has been attributed to inadequate legal, institutional and policy framework, human resource constraints, unregulated mining activities and inadequate funding, among others.

At the turn of the century, the government has sought to modernize its mining industry by creating a more favourable investment climate by streamlining bureaucracy, transparent allocation of licenses, and heightened use of geological information. International best practice shows that mining can contribute to economic development and poverty reduction if governments enact fiscal, environmental, and social policies in tandem, all of which include broad stakeholder consultation and input.

The National Planning Authority (NPA), together with its partners, the Africa Centre for Energy and Mineral Policy (ACEMP) and ActionAid Uganda, with funding support from the Democratic Governance Facility (DGF) have developed the first ever Annual Minerals Scorecard for Uganda. The purpose of the scorecard is to assess the performance of the subsector at each stage of the value chain and identify key interventional areas aimed at enhancing the contribution of the sector towards achieving the objectives of Vision 2040.

This Scorecard maybe the first of its kind in Uganda but it has been developed in other Mineral rich economies as a tool for assessing and ranking performance across a bench mark of indicators that are aligned with national development priorities. These include: institutional policy and legal framework, sectoral linkages, value addition, local content, and infrastructure development, among others.

Using information from key stakeholders in Uganda's Mineral Subsector, a scorecard tool was developed and used to assess the performance of the subsector. Key findings suggest that the Aggregate Annual Minerals Subsector Score (40.4%) is still very weak and below average across most of the component scores such as institutional, Policy & Legal Framework (54.2%); Reporting Practices (24.2%); Safeguards and Quality Control (57.5%); and the Enabling Environment (38.4%); and indicator scores comprising of Access to Mineral Resources; Revenue Generation and Collection; Revenue Management; Local Content; Health, Safety and Environment Management; Infrastructural Development; Citizens Engagement and Participation; and, Value Addition and Sectoral Linkages. This calls for government to invest in key aspects of the value chain in order to maximise the contribution of the Mineral Subsector to national development. These include: the review of the legal framework on HSE, ESIAs, local content and National participation, transparency in benefits sharing/financial resources from mining activities; value addition, and improved access to information and mineral resources as well as citizen engagement and participation.

Government should urgently address the skills requirements in the Mining subsector to enhance local content participation given that this is one of the poorest indicators of performance. Government must also ensure adequate enforcement of the mineral laws and regulations currently in place to stem out non-compliance by companies.

In addition, there is need to track and monitor the trade in gold by artisanal and small scale miners through the establishment of an indipendent statutory company charged with establishment of regional gold markets in artisanal and small scale backyards. Formalisation and licensing of all Artisanal and Small Miners (ASM) and gold dealers is important for the realisation of the lost value and revenues from the ASM subsector. All gold transactions should be executed through the Central Bank for efficient tracking of the country's share in form of royalties, income tax and rents. This also helps in eliminating false declaration by gold dealers and companies.

Lastly, Government should consider establishment of a statutory indipendent Mining, Minerals and Materials Authority charged with the regulation of the sector leaving the Directorate of Geological Surveys and Mines (DGSM) to focus on the licensing, exploration and development of mineral resources in the country.

Executive Director
National Planning Authority

Executive Director
Africa Centre for Energy and Mineral Policy

1. THE MINERAL SUBSECTOR IN UGANDA: CONTEXTUAL BACKGROUND

The Mineral Subsector in Uganda provides great potential for wealth creation, employment, and stability in the country. The Government policy is to sustainably promote and develop national mineral resources as well as to protect the lives and livelihoods of people. Within the framework of the National Development Plan (NDP) and Uganda Vision 2040, the Uganda government has prioritized mining as one the key priority sectors to contribute to the socioeconomic transformation of Uganda in the next 30 years.

The Government of Uganda's recent efforts to rejuvenate the mineral sector which had declined tremendously in the 1970's through to the 1990's due to political and economic instability are beginning to yield some results. This is evident in increased investment in the sector, increased local participation (mostly in the artisanal and small scale docket), increased collections of Non-Tax Revenue (NTR), and new discoveries of mineral potential targets for exploration. The mining industry in Uganda reached peak levels in the 1950s and 1960s when the sector accounted for up to 30% of Uganda's export earnings. However, political and economic instability rather than resource depletion in the 1970s saw the sector's contribution decline to less than 1% of the Gross Domestic Product (GDP). This triggered the need for sectoral reforms, which were initiated in 1987 when key constraints were identified and intervention mechanisms established.

Uganda has a favourable geological environment that hosts a wide range and variety of minerals and provides an opportunity to develop a strong mining industry. The airborne geophysical surveys, geological mappings and geochemical sampling estimate over 27 types of minerals in significant commercially viable reserves. The mineral sector has a great potential of contributing to economic growth and poverty alleviation through mineral exports and employment generation. Since minerals are non-renewable resources, the potential for the minerals subsector to support sustainable economic development and poverty alleviation faces unique challenges, while providing numerous opportunities.

Economic Performance

According to the background to the Budget (FY 2012/2013), growth in the Mining subsector shrunk by 1.0 percent in the FY 2012/13, compared to a growth of 5.7 percent registered in FY 2011/12. The subsector's contribution to GDP was estimated at 0.3 percent in FY 2012/2013.

Licensing

The number of licenses issued out steadily increased from 164 in 2005, to 229 in 2006, 402 in 2007, 517 in 2008, 515 in 2009, 609 in 2010 and 726 in 2011. A total of 867 licenses and certificates were operational as at 30th June 2013.

Non Tax Revenues

Assessed and collected Non-Tax Revenue (NTR) rose to the tune of 3.98 billion shillings, which exceeded the target of 3 billion shillings by 32.8% in the FY 2012/13. From the FY 2009/2010 to 2012/13, the government has been earning about 3 billion shillings annually from mineral fees, rent and royalty. This is because of the investment government put in geo-data acquisition.

Mineral Exports

Over the past ten years the value of Uganda's mineral industry has grown strongly achieving average annual growth of 5%. In 2007, the value of mineral exports dropped from the previous year due to the drastic drop of vermiculite exports, which subsequently led to the eventual transfer of the mineral right to M/S Rio Tinto Exploration. The closure of both the Busitema gold mine and Kitaka lead-gold mine in the same year contributed to the low export value.

In 2008, there was decline in mineral production due to the persistent low price of vermiculite. However, the value of mineral exports increased as cobalt prices picked up, resulting in the export of

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some stockpiled material. The year 2009 showed very low mineral production, but because of re-exporting the imported gold, the revenues were very high compared with those of the previous year. In 2010, the wolfram price increased to US$ 260 per tonne compared to US$ 60 per tonne in the previous year. Despite being dominated by mineral exploration activities and artisanal and small-scale mining practices, which largely represent lost production and revenue, the mineral subsector performed relatively well between 2010/2011 and 2012/2013.

Mineral commodities, which include limestone, pozzolana, gold, vermiculite, cobalt, wolfram, aggregates, kaolin, and iron ore worth 207.8 billion shillings were produced in the country in 2012/2013 compared to 129.7 billion shillings in 2010/2011. Mineral commodities, which included cobalt, copper, gold, manganese ore, quartz, silver, tin, tungsten and vermiculite worth 69.9 billion shillings were exported during 2012/2013 while gold worth 31.5 billion shillings was imported during FY 2012/2013.

Investments in the Mineral Subsector

In July 2013, the government awarded the concession for the Kilembe mines near the border of the Democratic Republic of the Congo (DRC) to Tibet Hima Industry company Ltd. of China. The mines were abandoned in the 1980s because of low copper prices on the global market and political instability. Tibet Hima and its joint-venture partners plan to invest about $175 million during the first 3 to 5 years of the project.

In September 2013, the government signed an agreement with Guangzhou DongSong Energy Group of China for the development of the Sukulu phosphate rock deposit. Phosphate rock from Sukulu was expected to be consumed in the production of 300,000 tonnes every year of phosphate fertilizers. The government also planned to build a sulfuric acid plant with a capacity of 200,000 tonnes per year. The capital costs of the project were estimated to be $560 million.

Challenges facing the Mining Subsector in Uganda

The mining subsector is faced with a number of challenges that have hindered its performance and contribution to the socioeconomic transformation of Uganda. These include: inadequate establishment of the countries mineral wealth; inadequate infrastructure for mining activities; land tenure system; small scale and informal mining dominated by artisanal miners; inadequate capacity to enhance mineral resources value addition; shortage of mineral data management infrastructure; inadequate human resource; mineral smuggling and non-declarations; weak institutional framework; non-compliance with statutory obligations and with environmental standards and requirements; passive speculation; and regulatory capture.

2.BACKGROUND OF THE MINERALS SUBSECTOR SCORECARD

Uganda has a favourable geological environment that hosts over 27 different minerals, which provide a strong opportunity to develop the mining subsector as a source of revenue, employment, and economic lifeline industries. Thus the Vision 2040 and NDP II identified the mineral sub-sector as a priority economic sector in the "Transformation of the Ugandan Society from a Peasant to a Modern and Prosperous Country in next 30 years".

In this Vision, the mining industry was identified as one of the major drivers in employment creation and GDP growth over the vision period. In addition, the lifeline industries will also spur growth in manufacturing, infrastructure development, agriculture and ICT.

To effectively harness this opportunity, the government will strengthen specific fundamentals such infrastructure development, human resource development, science and technology, the policy, regulatory and institutional

framework, the enabling environment, transparency and good governance; but also ensure that Ugandans have the opportunity to directly and indirectly participate and benefit from their mineral wealth. However, this presents a host of challenges that the government will have to address.

This mining subsector scorecard therefore presents an opportunity for the country to assess and rate the performance of government in managing the challenges presented by the mining subsector; but also to draw urgent attention to issues that need immediate action by the government, the relevant stakeholders and development partners. This scorecard will be prepared annually to assess the trends in mitigating the challenges impeding the achievement of the sectoral and national development goals.

The National Planning Authority (NPA), whose key functions among others includes monitoring and evaluating of public projects and programmes and liaising with the private sector and civil society in the evaluation of government performance; has worked collaboratively with the Africa Centre for Energy and Policy (ACEMP), a leading centre of excellence in research and policy development in the Energy

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minerals which provide a strong opportunity to develop the mining subsector that will be a source of revenue, employment, and economic lifeline industries.

The 2016 Mineral Subsector Scorecard is the first of its kind in Uganda and assesses the performance of the subsector by examining the existence of the requisite institutional & legal frameworks, the reporting practices, safeguards & quality control systems and the enabling environment

and Minerals sector, as well as ActionAid Uganda, an anti-poverty and human rights advocacy organisation, with funding support from the Democratic Governance Facility (DGF) to engage responsible government institutions, agencies, departments and other key sectoral actors to prepare and publish the annual Minerals Sector Scorecard to inform decision making on key issues affecting the mining subsector and to guide sector planning and budgeting processes aimed at achieving overall national goals.

The subsequent scorecards will delve into the operationalization of the various policies and regulatory tools and functioning of the various systems and frameworks created by these tools so as to enhance the sustainable exploitation of the country's mineral resources. The subsequent scorecards will also monitor and evaluate mining industry compliance with national laws and international standards and practices.

3. METHODOLOGY

3.1 Minerals Subsector Scoring Design

The scoring design was conducted at three different levels, each feeding into the other and subsequently into the final minerals subsector score. The framework above shows the analytical framework that generated the minerals subsector score.

The process of scoring started with the analysis of the performance of the subsector along the eight specific indicators namely:

a. Access to Mineral Resources;
b. Revenue Generation and Collection;
c. Revenue Management;
d. Local Content;
e. Health, Safety and Environment Management;
f. Infrastructural Development;
g. Citizens Engagement and Participation; and,
h. Value Addition and Sectoral Linkages.

3.2 Weighting

Each of the above indicators had specific questions which were given a specific score ranging from 0 – 100 depending on the answers chosen by the respondents. These specific scores generated from the indicators were then weighted against all other scores to get the final score for the specific indicator. The scoring and weighting of the questions and indicators was benchmarked with international best practices of scoring performance of the Minerals sector such as the Natural Resource Governance Institute (NRGI) and other reporting mechanisms that have been used in countries such as Norway, South Africa and Australia.

The indicators, depending on the content in their respective questions contributes proportionately to the four components that were considered in this assessment. The components are Institutional, Policy & Legal Framework; Reporting Practices; Safeguards & Quality Control; and Enabling Environment. The performance of the components was then aggregated and weighted to come up with the final composite score of the subsector.

Components are also weighted according to the number of questions that make up each component. This ensures that each question carries a proportionately equal contribution to the overall component score. Thus the weights are:

3.3 Data Collection

The process of collecting data involved two-stages and these were: (i) primary data collection process, which involved engaging key sector players and stakeholders; and, (ii) secondary data collection process which involved reviewing various government documents to augment the data collected in the primary process. The documents included policies and regulations, reports, and various publications on the sector. The collected information/ data was later subjected to scrutiny and analysed using Excel to produce the final score. The questions in the data collection instruments were clustered by indicator as well as by component.

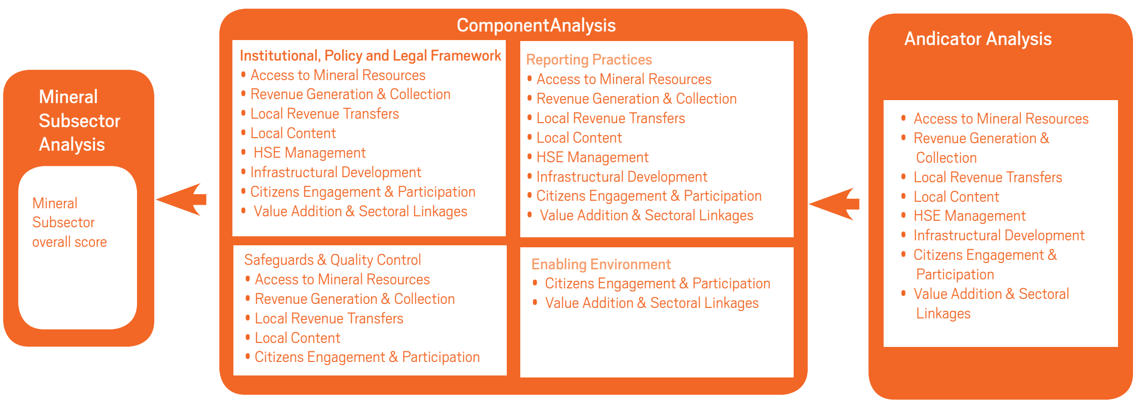


Figure 1: Design Framework

The indicator and component scores are colour coded in four categories according to their performance as shown below:

1.Satisfactory	75-100
2. Partial	51-74
3. Weak	26-50
4. Falling	0-25

3.4 Validation Workshop

A validation workshop was held in June 2016 and was attended by various stakeholders in the sector including the National Planning Authority (NPA), Ministry of Energy & Mineral Development (MEMD), as well as representatives from Civil Society. The comments and suggestions from the validation workshop were incorporated in the final report.

4. PERFORMANCE SCORES

4.1 General Performance of the Mineral Subsector

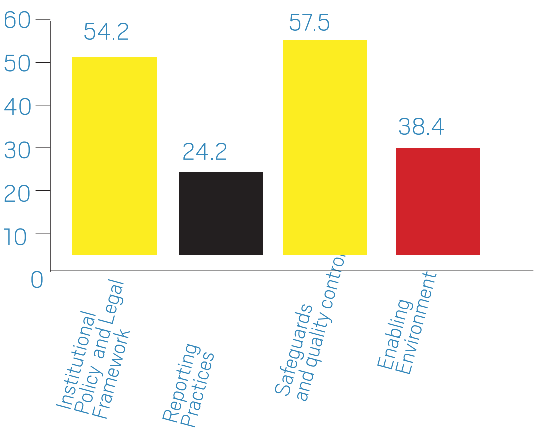
OVERALL SCORE: 40.4/100 – WEAK

The mining sub-sector is faced with a number of challenges and its performance score is unsurprisingly below expectations. Poor scores are exhibited in the components of Reporting practices and Enabling Environment; but also the performance in Institutional, Policy and Legal framework and the Safeguards and Quality control is still average. This explains the sub-sector's insignificant contribution to the GDP with an average of 0.3% placing it at the bottom of Uganda's economic table.

4.2 Component Scores

The scorecard considered four components and these are; Institutional, Policy and Legal Framework; Reporting Practices; Safeguards & Control and Enabling Environment. These components were benchmarked with the international standards of scoring of the mining sector.

Figure 2: Component Score

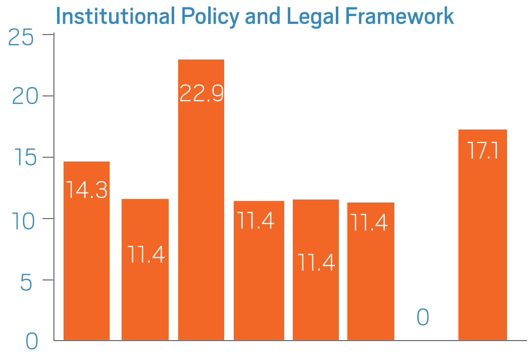


4.2.1Institutional, Policy and Legal \ Framework

SCORE: 54.2/100 – PARTIAL

The Institutional, Policy and Legal Framework earned a Partial Score of 54.2 percent. Under this component, all the eight indicators were considered and each contributed to the final score of the component. The figure below shows the contribution of each indicator to the final score of the component.

Figure 3: Indicators contribution to the Institutional, Policy & Legal Framework Component



Under this component, local revenue transfers contributed 22.9 percent followed by value addition & sectoral linkages (17.1) and Access to Mineral Resources (14.3) indicator. This implies that the institutional, policy and legal framework for these sectors is well established. This is exemplified in the existence of the Constitution, Article 244; the Mining Act, 2003; the Mineral Policy of Uganda, 2001; and the revised Mineral and Mining Policy 2016, which give the basis for guidance and regulation of the Mineral Subsector.

At the institutional level, the Directorate of Geological Survey and Mines (DGSM) under MEMD, provides policy guidance in the development and exploitation of mineral resources; and the creation of an enabling environment in order to attract investment in the development, provision and utilization of mineral resources. Other key players include the National Environment Management Authority (NEMA), Ministry of Water and Environment (MWE), Ministry of Gender, Labour and Social Development, District Authorities, and Uganda Chambers of Mines and Petroleum.

However, citizen's engagement and participation contributed nothing to the performance score of the component. This was attributed to the lack of legislation on citizens' engagement and participation in the decision making process in the mining industry. The lack of policy and legal framework for skills and expertise development

The scoring and weighting of the questions and indicators was benchmarked with international best practices of scoring performance of the Minerals sector such as the Natural Resource Governance Institute (NRGI) and other reporting mechanisms that have been used in countries such as Norway, South Africa and Australia.

partly affected the performance of this component.

The component is also hindered by several other factors such as the Mineral Policy of 2001 which is outdated, unclear legislation to conduct ESIA's by the mining companies, weaknesses in enforcement of the laws by the regulator and non-disclosure of relevant information on beneficial ownership of the mining companies, and others, Indecision of the government to embrace the Extractive Industry Transparency Initiative (EITI), lack of a legal framework for HSE management and the weak institutional, legal and policy framework for development and implementation of value addition and local content; as well as insufficient human resource capacity in government and the private sector for the administration and management of the sector.

The subsector also lacks a clear policy framework for development and implementation of value addition requirements. There is a need to clarify what value addition entails and address constraints to value addition. This calls for an assessment of the Country's key minerals and their reserve base, mineral utilization, domestic, regional and international markets and processing potential along the value chain.

Recommendations to Strengthen the Institutional, Policy & Legal Framework

- Review the legal framework to clarify on EIAs and SIAs;
- Develop the legal framework for National Content;
- Review the outdated Mineral Policy, 2001;
- Initiate Actions to join the EITI;
- Develop legal framework to allow citizens engagement and participation in decision making in the minerals industry;
- Develop the Policy and legal framework on HSE;
- Review the legislations to clarify on the procedural transfer of resources to LGs and conditionality.
- Review the Mining Act 2003 to harmonize it with the National Environment Management Act, and other relevant sector policies and legislation to make it investor friendly whilst addressing the needs of Ugandans in achieving sustainable development
- Build capacity in the mining sector through implementation of a sector specific development strategy.

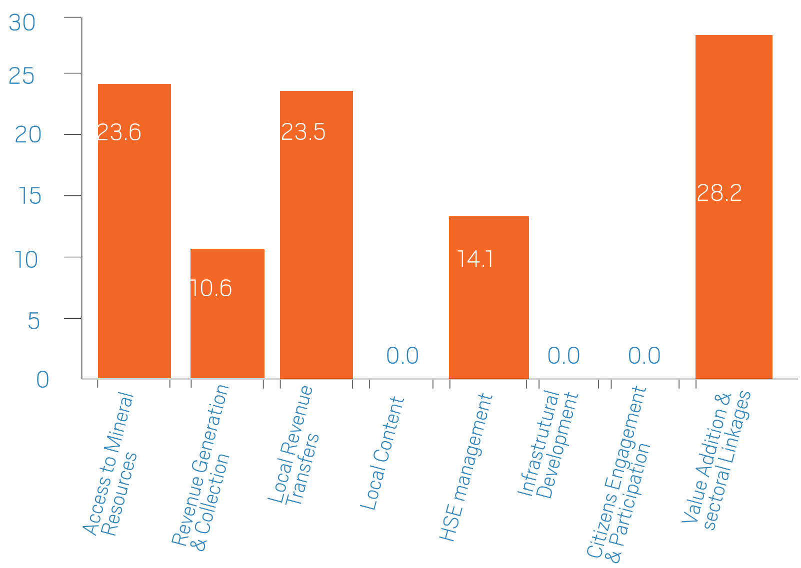
4.2.2 Reporting Practices

SCORE: 24.2/100 – WEAK

This component performed poorly compared to the other four components suggesting that the various reporting mechanisms in the mineral subsector are failing. Figure 4 below shows the contribution of all these indicators to the final score of the subsector under the reporting practices.

In this score, it was found out that some reporting is conducted along the indicators of value addition and sectoral linkage (28.2); access to mineral resources (23.6); local revenue transfers (23.5); HSE management (14.1); and revenue generation and collection (10.6). This is done by publishing reports on legislations such as the mineral legislations and the licensing procedure, the total value of the mineral exports, and the participating mining companies.

Figure 4: Indicators contribution to the Reporting Practices Component



However, there's barely any information that is published and shared with the general public in the mining subsector. Information on local content development and participation, infrastructural development, and citizens' engagement and participation is difficult to come across. This explains why these three indicators contributed nothing to the final score of the component.

The public can hardly access the ESIAs which are prepared by the mining companies; nor do the communities participate in their preparation. Information on production volumes/data, prices, costs, acreage owned, volume exported by the mining companies is not published and can hardly be accessed by the public. Also information about the royalties, shareholding, bonuses, acreage fees, among others is inaccessible

The data also revealed that over 80% of the licenses are for exploration compared to 15% progressive mining licenses. It was found out that local governments do not publish information on royalty sharing and receipts from the central governments. This lack of transparency creates avenues for misappropriation of royalties received from the central government and diminishes the contribution of the mineral subsector to economic development.

Further, there is hardly any engagement of citizens or communities especially those in the mining areas. Some sector reports indicate that the DGSM used to engage some artisanal mining communities, though this was attributed to the World Bank Sustainable Management of Mineral Resources Project (SMMRP). Since the end of this project, there has been minimal interactions between ASM players and Government. There are however some NGO's and CSO's that interact

Recommendations to improve on Reporting Practices

- Promote mining communities' & public participation in Strategic. Environmental Assessment (SEA), Environmental Social Impact Assessments (ESIAs);
- Ensure public access and sharing of information on EIA's and ESIA's prepared by the mining companies before the start of the projects;
- Regularly publish reports on production volumes/data, prices, costs, acreage owned, volume exported, etc. by the mining companies;
- Make public, information on the royalties, shareholding bonuses, acreage fees, etc.;
- Educate the public on HSE standards and rights;
- Publish information on licensing procedures and contracts, including information on invitations to tender and on the award of contracts to allow potential bidders sufficient time to prepare and submit proposals;
- Publish contracts and information about the licensing process after negotiations, agreements negotiated or terms for mineral production;
- Ensure effective communication on mineral royalty sharing and disbursements to LGs.

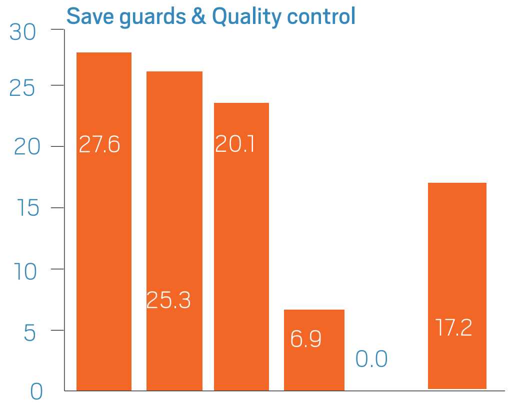
with the mining communities, guiding and educating them on cross cutting issues of HSE, employment and gender, human rights and involving them in policy dialogues. These efforts can hardly be quantified and aren't included into this scoring. However the second scorecard will engage these actors and score their contributions.

4.2.3 Safeguards and Quality Control

SCORE: 57.5 /100 – PARTIAL

The subsector partially scored with 57.5 % in the safeguards and quality control component. Figure 5 shows the percentage contribution of the various indicators to the final score of the safeguards and quality control component.

Figure 5: Indicators contribution to the Safeguards & QualityControl Component



Six indicators were considered into this component and these included access to mineral resources (27.6); revenue generation and collection (25.3); local revenue transfers (20.1); citizen's engagement & participation (17.2); local content (6.9); and HSE Management (0.0).

Under access to minerals, the scoring considered the availability of institutions and the distinction of roles and responsibilities. The DGSM conducts the regulation of the ownership of mineral resources in the country hence regulating the access and exploration of minerals. URA is responsible for the collection of all the tax revenues which are later deposited into the National Treasury which ensures security of all the public revenues, including taxes paid by the mining companies.

The MEMD operates a Non Tax Revenue account with bank of Uganda (BOU) where all collections and receipts from royalties and surface rentals paid by mineral companies are banked. BOU regularly reports these transactions to Parliament. There's however a need for an amendment in the Mineral Act 2003 and the Public Finance Management Act, 2015, to provide for a Special Account/Fund for minerals so that all the revenues collected are deposited into that account. Rules for deposits and withdrawals, and management of the account should be well stipulated.

This account will operate as a stabilization fund or savings fund to preserve revenues generated from the Minerals so as to mitigate the negative consequences that can arise from dependence on these resources. It should aim at facilitating the accumulation of large, volatile and temporary revenues when times are good; stabilize public spending; and finance public spending when the revenues are no longer flowing in.

The Office of the Auditor General (OAG) acts as an independent external agency responsible for validation of internal controls of the agencies managing the revenues from mineral resources and assures the public of integrity of public funds and sound financial management. The OAG has the authority and resources to review and conduct audits on use and disbursement of mining revenues. It also reports its findings to Parliament, which the responsible Parliamentary Committee scrutinizes during audit year.

Efforts are being taken to enhance the skills and expertise of Artisanal miners. Occupational, Health and Safety requirements enforced by the MGLSD have also been considered in scoring the Safeguards and Quality Control component. The sector's score under this component has been affected by inadequacy of legislation. For example, legislation to allow parliamentary oversight in the licensing process, legislation that compels licensing officials to disclose their interest in the minerals activities to expose conflict of interest, and HSE legislation is missing.

Other issues affecting the Mining sector and could have contributed to the poor performance of Safeguards and Quality Control measures include: lack of meaningful equal participation of women and the youth in mining activities, gross human rights violations, use of child labour and lack of gender mainstreaming in the mining subsector; limited efforts to improve the skills of artisanal miners and the inadequate investments in infrastructure to enhance value addition to mineral resources.

Inadequacies associated with low technical capacity in the sector such as the failure to effectively manage the EIA processes including validation of EIA findings and monitoring implementation of Environmental Management

Recommendations

- Review the legislations to ensure that Parliament also has an oversight role in the licensing process of the mining companies;
- Review of the legislations to compel licensing officials to disclose their financial interest in the mining industry; and allow for the disclosure of ownership of the mining companies;
- The minerals and mining policy should provide for a framework that ensures women & the youth have meaningful participation in the mining industry;
- Increase investments in infrastructures in the mining industry, which will ensure value addition to the mineral commodities;
- The government should adequately facilitate the Inspection & Monitoring function in the DGSM. This will help to track financial losses to government as a result of tax avoidance and under declaration of royalties by mining companies; and compliance to ESIA's;
- Strengthen the capacity of the Occupational Health and Safety Department under the MGLSD to effectively monitor compliance to the HSE legal framework in the mining industry;
- Ensure that the National Laboratory in Entebbe is accredited by ISO & can carry out various complex tests;
- Develop & finance the infrastructure maintenance policy in the industry;
- Amend the Mineral Act 2003 to provide for the creation of Mineral subsector stabilization fund to help mitigate the negative consequences associated with mineral dependence.

The participation of nationals in mining projects is also not adequately promoted nor embedded in law. There's a need to employ a multi-stakeholder approach to ensure that communities are actively involved in mining projects.

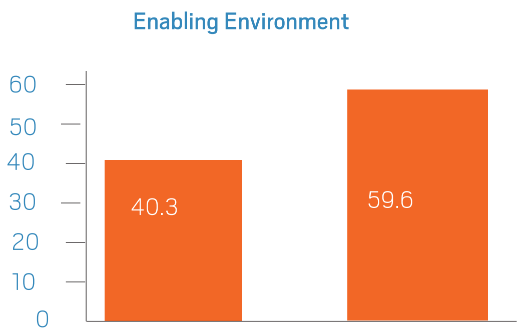
Plans (EMP) until closure and rehabilitation have affected the quality of safeguards and quality in the Mining Subsector. The LGs and communities also receive low percentages of royalties from the central government and these aren't spent on prioritized activities that improve livelihoods making it hard to assess the contribution of mining activities to socioeconomic development in these areas.

4.2.4ENABLING ENVIRONMENT

Score: 38.4/100 – Weak

The score of the subsector under the enabling environment is also still weak. This is particularly because of issues not only related to the Mining subsector's performance, but also to the general country's engagements and activities. Under this component, there are mainly two indicators that were considered, (i) citizens' engagement and participation; and (ii) value addition and sectoral linkages, which contributed 40.3 and 59.6 percent to the final score of the component respectively.

Figure 6: Indicators contribution to the Enabling Environment Component



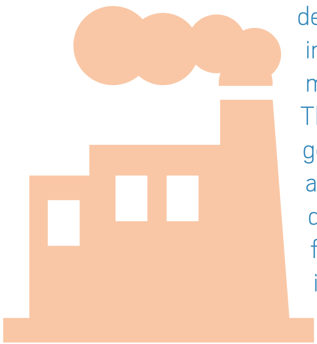
The mining industry has been affected by limited national and community participation in subsector activities. There's inadequate evidence of community participation in mining projects or benefits accruing to them. This is particularly because there are no effective means or channels through which communities in project affected areas can engage in mining subsector activities.

The participation of nationals in mining projects is also not adequately promoted nor embedded in law. There's a need to employ a multi-stakeholder approach to ensure that communities are actively involved in mining projects. Mining companies should also be encouraged to facilitate the participation of mineral host communities for the duration of the mining project through legislation, Community Development Agreements (CDAs) or other mandatory agreements.

The inadequate policy framework for development and implementation of mineral resource value addition and local content requirements hindered the performance of the subsector, partially contributing to the low score. In the National Development Plan (NDP),

Government seeks to rejuvenate the mineral sector performance by increasing the value contribution of mineral resources to growth. The strategy, among others, involves value addition along the value chain from production to processing of semi-finished and finished products in Uganda and within the region. However, there is a need for the strategy to clarify what value addition entails and address constraints to value addition. The establishment of the African Gold Refinery(AGR) the first in the region is a plausible development. Over all this calls for an assessment of mineral utilization and processing potential along the value chain.

Under Sectoral Linkages, the government through the NPA has encouraged all the sectors to develop investment plans that incorporate sectoral linkages. The MEMD developed a sector investment plan (2014/15 – 2018/19). This stipulates the



development agenda in the sector for the mineral industry. This plan is however generic and there's a need for a specific development plan for the minerals industry. The government should institute an adequate policy and legislative framework for the development of the mineral sector in line with national development objectives outlined in the NDP II and Vision 2040.

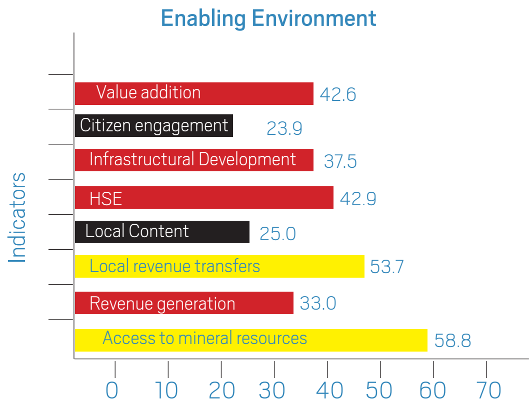
The performance of the Mining subsector is also influenced by Governance and Corruption challenges in the country. According to the 2015 Transparency International (TI) corruption Index, the country scored 25 points and was ranked 139 out of 168 countries/territories around the world. The governance effectiveness reflects perceptions of the quality of public services, the quality of the civil service, the degree of its independence from political pressures, and the quality of existing policies.

According to the Worldwide Governance Indicators (WGI), Uganda's score on governance effectiveness stood at 49.76 in 2014. This indicates that the country is still weak in the area of governance. Governance and corruption issues affect the mining subsector and its contribution to Uganda's aspirations. For example, Mining communities have complained of the government's inadequate capacity at local and national levels to monitor mining companies and activities for compliance; ASMs have complained of politically connected speculators who use their political clout to flout the rules and who always get their licenses automatically renewed outside the legal rules; potential investors have been frustrated and turned away by the unreasonable demands of speculative license touting holders; and failure of the government to control illegal mineral exports and cross-border mineral exploitation, development, production and processing.

4.3 General Performance Indicator Scores

The scoreboard below shows the score of the mineral subsector along the disaggregated 8 key indicators. The green bars show that the performance is satisfactory and the yellow bars show that the performance of the subsector is still partial in that area. The performance of the sector on each of these indicators is analysed below.

1.Satisfactory	75-100	(green)
2. Partial	51-74	(yellow)
3. Weak	26-50	(red)
4. Falling	0-25	(black)



4.3.1 Access to Mineral Resources

Score: 58.8/100 – Partial

The scoring of access to mineral resources is partial at 58.8 owing to various reasons as explained below:

Ownership and licensing of mineral resources: The 1995 Constitution of the Republic of Uganda and Constitution Amendment Act 2005 (Section 43), defines and grants ownership of all Mineral resources to the State.

The legislation does not recognize or guarantee private property rights over mineral resources. The right to grant mineral licensing is placed in the authority of the Commissioner, now Director, Directorate of Geological Survey and Mines.

Section 7 of the Mining Act, 2003 provides for the power of the Commissioner to grant a Mineral Right under the Mining Act. Also Section 4 of the Mining Act provides for acquisition of a Mineral Right following direct negotiations with the Directorate.

The performance of the Mining subsector is also influenced by Governance and Corruption challenges in the country. According to the 2015 Transparency International (TI) corruption Index, the country scored 25 points and was ranked

139

out of

168

countries/territories around the world.

Recommendations to improve the Enabling Environment

- Recommendations to improve the Enabling Environment
- Review the Mining Act 2003 to regulate the participation of nationals in mining projects;
- Develop and Implement a strategy for value addition;
- Develop a policy & legislative framework that will ensure the development of the mining industry in line with national development objectives;
- Ensure regional cooperation to market Uganda's mineral potential; but also to control illegal exploitation, production, processing and exportation of minerals;
- The government should enhance efforts to strengthen good governance and fight corruption;

There's however a need to establish a Minerals Authority to be consistent with the Petroleum Authority of Uganda (PAU) which was established to regulate Petroleum Activities in the Country.

The DGSM publishes Information on the type of licenses and existing licenses are available on the Uganda Mining Cadastre Portal http://portals.flexicadastre.com/uganda/. The information relates to the type of license, license holder, location, date of issuance and expiry, commodities, and area in square kilometers. The directorate however, doesn't distribute information on licensing procedures and contracts, including information on invitations to tender and on the award of contracts to allow potential bidders sufficient time to prepare and submit proposals

. The Directorate does not publish contracts and information about the licensing process after negotiations, agreements negotiated or terms for mineral production.

Section 15 of the Mining Act provides for the independence of the Commissioner in charge of awarding licenses. This practice helps to separate powers and responsibilities but also to ensure transparency in licensing. The licensing process is also open to all qualified companies, and provides for competition based on technical, financial and environmental criteria.

The Commissioner/Director, DGSM, who is in charge of awarding the licenses, is supposed to strictly follow the principles provided by the legislation. Section 118 of the Mining Act also provides for the legal and administrative review by the Minister, and Section 119 provides for the judicial review in case one party is not satisfied with the decision taken by the Commissioner or the Minister, respectively. The Act is however silent on the oversight role of Parliament, even though Parliament receives reports from the Auditor General and discusses them. There is need for more legal involvement and oversight by Parliament into the licensing process of the Mining companies. Absence of Parliamentary oversight on licensing breeds corruption and opacity within the sector.

Fiscal Regime: Under the Mining subsector, the government follows the Royalty as the fiscal regime, where the mining company is granted a right to mine within a specific area for a specified period of time. Mining companies are subjected to pay rentals, royalties, bonuses or taxes. Part X, Section 98 of the Mining Act provides that, all minerals obtained or mined in the course of prospecting, exploration, mining or mineral beneficiation operations shall be subject to the payment of royalties on the gross value of the minerals based on the prevailing market price of the minerals at such rates as shall be prescribed.

The regulatory powers of the mining subsector are placed into the hands of the Commissioner of mines through Section 14 of the Mining Act. The aspects of regulation include compliance with contracts and fiscal obligations, as well as the implementation of the investment commitments and work plans. It should be recalled that the Auditor Generals Annual Report for the Year ended 30th June 2015, pointed out that the DGSM did not conduct adequate inspection and monitoring and thus could not track the performance of all the mineral licenses issued and enforce compliance of mining regulatory framework. Additionally, a New Vision, article reported that underfunding of the Ministry greatly impacted on the ability by the DGSM to effectively monitor mining activities.

The article reveals that there are three field inspectors stationed in Kabale, Mbarara, and Tororo. "Due to limited funds in the mining subsector, each inspector is given a fuel budget of Shs. 300,000 to conduct monitoring activities in five districts. Inadequate monitoring or no monitoring at all has led to loss of billions of potential mining revenue for the country. Adequate funding should be sought and provided for to ensure that the subsector meets its obligations of monitoring compliance to the fiscal regime and implementation of the activities.

Environmental Impact Assessment: Part XI of the Mining Act deals with protection of the environment and Section 108 (2) requires every holder of an exploration license and mining lease to undertake an EIA before undertaking a project. The process is managed by NEMA as the main agency for the management of the environment and for issuing guidelines and regulations. The guidelines however also state that in "accordance with the EIA Regulations 1998, the actual implementation of the EIA process remains a function of the relevant line Ministries and Departments, the private sector, and the public. The implementation of the EIA sectoral guidelines

Section 15 of the Mining Act provides for the independence of the Commissioner in charge of awarding licenses.

Underfunding of the Ministry greatly impacted on the ability by the DGSM to effectively monitor mining activities.

Local revenue transfers scored partially at 53.7%. The IMF recommends that arrangements to share revenues from the mineral resources between the central and local governments be well defined and explicitly reflected in the fiscal policy and macroeconomic objectives. Also clear rules, principles and agreed formulas should be applied in a consistent manner. Part X, Section 98 (2) Minerals Act, 2003, and the Second Schedule indicate that Royalties shall be shared amongst the

Central Government

80%

Local Governments

17%

and land owners or lawful occupiers

3%.

for development projects in the mineral sector is, therefore, a responsibility of MEMD. Also Section 108 (1) of the Mining Act requires a holder of a mining license to conduct operations in accordance with the NEMA Act. The EIA Guidelines for the Mining subsector requires a consultation process. This is however rarely followed by the prospective mining companies. More so, the developed EIAs submitted by the Mining companies are not published and are not accessible by the public.

Social Impact Assessments (SIA's): Part XI of the Mining Act is generally silent on SIA, however under section 109 (1) and (2) an ESIA could be included in the license using discretionary powers of the Commissioner. The regulators take it for granted that the EIA's capture the SIA's component, which practically is not the case. The emerging trends of social conflicts and often violence in the mining areas and surrounding communities have given rise to the need for SIA's, which should be distinct from the EIA's. Prospective mining companies should be legally required to prepare SIA's as well as EIA's. Objective 4 of the Mining Policy acknowledges the likely adverse social and environmental impacts due to Mining but does not provide a specific strategy to ensure ESIAs are conducted.

Disclosure of Information on EIA's and SIA's: The Access to Information Act obliges public bodies to provide information but this is a general legal framework not specific to the mining subsector. Principle II of Objective 1 of the Mining Policy looks to provide for a stable, predictable and competitive fiscal and legal environment but there is still no specific rule requiring disclosure in the extractives sector. There's a need for more openness and transparency in the mining subsector, especially with regards to information on licensing process, EIA's and SIA's to ease decision making and engagement with the public.

While section 7 of the Mining Act requires the name and address of the holder of the mineral right, it's silent on disclosure of the beneficial ownership of the mining companies. The identity of the person(s) who ultimately own and/or control the legal entity, often called beneficial owners, aren't required to be disclosed. These anonymous owners of the companies can use them for money laundering and other illicit activities like financing terrorist activities.

4.3.2 Revenue Generation and Collection

Score: 33.0/100 – Weak

The performance of the subsector under this indicator has been rather weak as reflected by the score of 33%. This is due to a number of reasons as indicated below;

Revenue Generation and Collection: Whilst URA collects revenue on behalf of MEMD, the Act is not clear on the mandate of revenue generation, collection and management. According to URA, it collects License fees; surface rentals (annually); royalties based on production and stamp duty. It also collects income tax; value added tax; and withholding tax. This is legally set out in the legal frameworks; Income Tax Act; Value Added Tax; East African Customs Management Act; Stamp Duty Act; and the Mining Act.

The MEMD operates a Non Tax Revenue Account with Bank of Uganda where collections and receipts from royalties and surface rentals from mineral companies are banked. All the Non Tax Revenue collected is deposited into the National Treasury and no other special arrangements are made. Bank of Uganda then submits to the Parliamentary Committee on Natural Resources. According to the Auditor General's Report for the year ended 30th June 2014, 80% of the royalties collected are supposed to be distributed to the Central Government through the Uganda Consolidated Fund (UCF) and the remaining 20% to other stakeholders (Districts, Urban Councils and land owners) where mining takes place.

According to the Auditor Generals Annual Report for the Year Ended 30th June 2015, the Non-Tax Revenue (NTR) outstanding as at 30th September 2015 totalled 4.4 billion shillings for the period July 2011 to September 2015. This is notwithstanding that the Mining Act, 2003, provided for a penalty to be charged on unpaid royalties and the Commissioner is supposed to prohibit any mineral right holders with unpaid royalties from disposing of minerals exploited from the sites for which they have a license. However, there is no evidence that these provisions are enforced. This leaves the government at the mercy of mining companies and potential loss of revenue.

TAccording to the Auditor Generals Annual Report for the Year Ended 30th June 2015, the Non-Tax Revenue (NTR) outstanding as at 30th September 2015 totalled

shs4.4b

for the period July 2011 to September 2015.

Score: 53.7/100 – Partial

Local revenue transfers scored partially at 53.7%. The IMF recommends that arrangements to share revenues from the mineral resources between the central and local governments be well defined and explicitly reflected in the fiscal policy and macroeconomic objectives. Also clear rules, principles and agreed formulas should be applied in a consistent manner. Part X, Section 98 (2) Minerals Act, 2003, and the Second Schedule indicate that Royalties shall be shared amongst the Central government (80%), Local Governments (17%), and Land Owners or lawful occupiers (3%). The Act is however not elaborate on the procedural transfer of funds to LGs; and whether these revenues are not conditional or earmarked and that LGs use these revenues as part of their regular income. It is necessary to define clear frameworks for the transfer of resources to LGs.

Disclosure of Local Revenue Transfers: The MEMD and the Ministry of Finance, Planning and Economic Development publish quarterly reports and information on transfer of resources related to Mining revenues allocated to LGs. However, these reports lack explanations, references or comparison. Also, LGs don't publish information on transfers received from the central government. The lack of transparency in the management of these revenues at the LG level is likely to breed corruption.

4.3.3 Local Revenue Transfer
4.3.4 Local Content

Score: 25.0/100 – Failing

The performance of the mining subsector is further hindered by failure to enhance local content development which would in turn enhance national participation along the entire mineral value chain. National participation and skills development are critical if Mining is to contribute to socio-economic transformation.

The score of 25% on local content shows mining in Uganda is not using available manpower or the skills for local content participation in the sector. This could be attributed to the following:

Skills Development in the Minerals subsector: Information from the Oil and Gas Skills Council indicates that under the "Green Jobs Programme" there is an apprenticeship component that aims at the development of a national apprenticeship framework and promotion of work place based training.

The Ministry of Gender, Labour and Social Development (MGLSD) is responsible for coordinating all labour and employer relationships. The apprentice program is handled by MGLSD because the skills gap found between the transition from school to employment is fulfilled at the point of work hence the relevance of the labour institution.

Unfortunately, the MGLSD has taken long to develop and implement the apprentice program. This presents an opportunity for technical tertiary institutions to partner with active mining companies in rolling out a mutually beneficial progressive apprenticeship program that would lead to an ecosystem of technical skills development and knowledge transfer between industry and technical institutions.

Development of a policy and strategy, and the regulatory framework for skills development in the minerals subsector: In the Vision 2040, the government committed itself to facilitate and nurture human resource and skills development to support the geo-science industry. The DGSM has been conducting some adhoc training in several parts of the country to enhance skills and capacity development; but these trainings are inadequate, lack the requisite industry certification and are not well-planned .

The government needs to develop a clear plan or strategy to engage the nationals in the mining subsector and enhance their skills and capacity to fully participate in the mineral subsector value chain.

Mining contracts provide for skills development for nationals to participate in the mineral sector. Section 113 (2) of the Mining Act requires preference to employment of Ugandans but does not mention anything about local skills development in the sector; while Sections 28 and 43 provide restrictions on the grant of a mining lease and require adequate proposals for the employment and training of Ugandans. However, the lack of a legal framework for national content makes it difficult to enforce those contractual obligations with the mining companies.

The development of the legal framework is also being hindered by the delay of Cabinet in approving the National Content Policy by Cabinet. In practice, contracts provide for provisions for employment and skills transfer to nationals, thus the DGSM would naturally require recruitment plans from the mining companies.

The Work Force, Skills Development Strategy and Plan (WFSDSP) was prepared by the MEMD but it was not exhaustive enough because unlike MGLSD, the MEMD does not have information on disaggregated data skills and qualification in employment. Additionally, BTVET strategic Plan 2011 – 2020 identifies a skills deficiency but does not specify the skills deficiency specific to the minerals sector.

4.3.5 Health, Safety and Environmental Management

Score: 42.9/100 – Weak

The performance of the mineral subsector in HSE management remains very weak. A score of 42.9% suggests that mining activities are being conducted without compliance to best practices in occupational Health, Safety and Environment Management (HSE). Currently the subsector doesn't have a Policy, Plan or Manual on HSE, but the MGLSD is in the process of developing a manual, code of conduct and other relevant instruments to address HSE issues in the Subsector.

The DGSM uses the Mining Act, regulations and guidelines from MLGSD and NEMA to address HSE issues. These are benchmarked with international standards in the management of HSE.
Monitoring Compliance to HSE is a mandate of the Occupational Safety and Health Department in the MGLSD.

However, the department lacks the capacity to effectively monitor HSE issues in all the mining operations because of inadequate financial, technical and human resources.

The DGSM has a HSE officer who complements the work of other agencies. For NEMA, it trains, designates and publishes Environmental Inspectors pursuant to section 79 of the NEMA Act e.g. "The National Environmental (Designation of Environmental Inspectors) Notice 2014." It is hoped that in the proposed amendment to the Mining Act, the proposals for HSE improvement will be made in the principal Act and Regulations.

The 2015 Auditor General's Report cited some anomalies in the management of HSE in the mining subsector. It noted that lack of Personal Protective Equipment (PPE) for the workers in mines exposed them to health risks and injury. Inadequate safety measures and absence of environmental performance bonds exposes the miners to health risks and damage to the environment.

The MGLSD prepared a checklist that is used to report all HSE issues in the industry but it is inadequate and does not capture all HSE issues in the industry. Efforts are required to publish information regarding HSE issues in the country. The country has a general legal framework for HSE, but lacks the specific one for the minerals subsector. The legal and regulatory framework for Operational Safety and Health (OSH) is published online and in the compendium of the Laws of Uganda. The framework is a general one that covers all work places.

4.3.6 Infrastructural Development

Score: 37.5/100 – Weak

Infrastructural developments in the subsector scores are still weak at 37.5%. Generally, infrastructure in the subsector is still lacking. It's anticipated that the development of a new Mineral and Mining Policy will inform development of infrastructure in the subsector. Currently, a few of the developments in infrastructure include;

i) New and refurbished office and rock storage buildings at DGSM headquarters;

ii) Two (2) refurbished labs (assay and mineral dressing), and one (1) new geochemistry laboratory;

iii) Several new equipment and reagents from the labs;

iv) The Mining Cadastre and Registry System Operationalized;

v) A data base on ASMs from a baseline study that was put in place in 2006;

vi) Database for Environmental and Social Management and Information System (ESMIS);

vii) A computerized Environmental and Social Management Information System (ESMIS);

viii) 648,400 line Km of magnetic and radiometric surveys and 22,709-line Km of Electromagnetic (EM) surveys were acquired representing 100% of the planned activity covering 80% of the country's landmass up from 50% in 2004;

ix) All existing published and unpublished maps of 1:100,000, 1: 50,000 and 1: 250,000 have been digitized and all metadata for these maps has been captured on GMIS and made available to investors

x) A fully operational Modern Documentation Centre has been put in place at DGSM; as well as a Geological and Mineral Information System (GMIS);

xi) Two seismological vaults at Butologo (Mubende District) and Nakawuka (Wakiso District) have been constructed. The instruments are also equipped with modern technology and have a broad-band high dynamic range; and,

xii) The storage buildings have been rehabilitated and equipment procured ready for installation, training on job and commissioning.

Anomalies in the Management and Maintenance of Mining Equipment: The OAG's annual report of 2015, noted that the national mineral laboratory capacity in Entebbe only conducts a few tests and analyses as it is not yet accredited by ISO. Mining companies operating in Uganda were compelled to export samples abroad for complex mineral tests and analyses. There were no measures to track the results of tests conducted out of the country.

The report also revealed that in the financial year 2014/2015, MEMD purchased geophysical equipment worth 1.5 billion shillings but the equipment has since 'gone missing' from the Ministry. According to the report, the equipment was procured from Phoenix Geophysics Limited in Canada and was dully delivered to the DGSM. The report noted that the same equipment was hired out to a private individual soon after it was delivered. There was however, no hire register maintained to record details and terms of the hire, no evidence of payment of fees for hiring, date of return or the person hired the equipment.

The report further revealed that in 2012, the DGSM acquired an X-ray Fluorescence (XRF) machine and an Atomic Absorption Spectrophotometer (AAS) at a combined cost of approximately 465 million shillings but the equipment was found non-operational less than three years later. The report placed the blame on the absence of a maintenance policy although management attributed the breakdown of the machines to power fluctuations and lack of sufficient funds for the maintenance of the equipment. There is urgent need to have in place a budget for the maintenance of mining equipment and infrastructure in the subsector.

4.3.7 Citizens Engagement and Participation

Score: 23.9/100 – Failing

This indicator measures the engagement and participation of the citizens in the decision making process in the minerals subsector. A score of 23.9% suggest that the subsector is failing to address citizen engagement and participation issues. It was found that there is actually no provision for citizen's engagement under the Mining Act.

There is a need for citizen participation to be provided for as this would encourage engagement with the sector. This can be achieved through the establishment of a comprehensive legal framework allowing for citizen participation in decision-making.

On a good note though, the proposed amendment to the Mining Act provides for, among other things, a model agreement, and development of regulations for citizens' participation in the sector; support to SMEs to access credit through legislation; public engagement with institutions of higher learning; trade enhancement in minerals through emphasizing value addition to iron ore and copper.

Citizens' Engagement and Participation in Development Planning: There is need to engage the citizens in developing the long-term development plans of the country. This will promote buy-in and ownership in development and implementation of these plans. Currently, at the NPA level consultations are made with sectors. At the sector level there are consultations with constituents of the respective sectors. In various sectors, some sections of the general public may be consulted to give their input. Developed plans can be shared with the public through the media. However, sharing of sectoral plans with the general public is still limited. Abridged versions of sectoral development plans should be made available to the public or shared with local governments which can distribute such information.

4.3.8 Value Addition and Sectoral Linkages

Score: 42.6 – Partial

A score of 42.6% suggests that the mining subsector is not characterized with strong sectoral linkages. In addition, linkages of value addition associated with mining that could be traced in other sectors are not strong. These linkages include use of other mining sector outputs as inputs in other sectors, and use of other sectors output as inputs in the mining subsector.

Alignment of Sector Development Plans to National Planning Frameworks: The NPA is mandated to offer a Certificate of Compliance to those sectors that have aligned their annual Sectoral and Strategic Plans with the National Development Plan (NDP II) and Uganda Vision 2040.
According to the NPA, the Mineral subsector is aligned to the NDP. It was assessed to be 54.6% compliant with the NDP II and 72.9% compliant with relevant planning frameworks in the NDP.

This indicates that the mineral subsector activities are linked to other sectoral activities, and the wider economy but this linkage is not strong. However, the spending of the revenues from the minerals subsector is yet to be aligned to the long-term planning and MTEF of the country. This is because the tracking framework of the inflow of these revenues isn't clear and on several occasions the government has lost significant revenues because of the irregularities in the reinforcement of compliance to royalties.

Value Addition to Mineral Resources: The Mineral Policy in Objective 7 aspires to add value to minerals through the following strategies; licensing mineral dealers; (b) availing market information; (c) assisting in the determination of the mineral values; and (d) conducting awareness campaigns for stakeholders and other law enforcement agencies.

The objective is implemented. However, there are challenges in monitoring and regulation of the sector and inadequate funding. According to the NPA and Uganda Vision 2040 "Certificate of Compliance" report, 2015, value addition function was allocated only 460 million shillings under Vote Function 0305. There's a need to develop a clear strategic plan on value addition in the minerals subsector if the subsector is to attract funds and enhance value addition.

Government should develop guidelines and regulations pertaining to citizens engagement and public participation in mining activities to increase transparency and accountability

5. SUGGESTED RECOMMENDATIONS/INTERVENTIONS

The performance of the mineral subsector is overall very weak and below average. A number of issues responsible for this poor performance have been well articulated and presented in this study. The subsector scored zero (0) in local content, infrastructure development and citizen's engagement and participation. Government needs to address the following to enable the mineral subsector to meaningfully contribute to the socioeconomic transformation of Uganda.

01 Fast track the review of the Mining Act 2003 and establish the National Content Law and Policy to enable Ugandans and Ugandan firms with the required skills and technical expertise to participate in mining activities (local content development);

02 Government should put in place a Health, Safety and Environmental (HSE) Policy for the mining industry to help operationalize the existing regulations and guidelines and equip regulatory and monitoring agencies with the required training and equipment to effectively monitor mining activities in the country;

03 Develop guidelines and regulations pertaining to citizens engagement and public participation in mining activities to increase transparency and accountability;

04 Develop and implement a clear strategy and plan for value addition in the mining subsector. This will strengthen the linkages between the mineral subsector and other sectors of the economy;

05 Train , equip and retain skilled manpower in the subsector;

06 Develop and implement a clear strategy and plan for infrastructure development in mining to enhance value addition and to promote investment in the mineral subsector;

07 Promote good governance and fight corruption. Uganda should demonstrate willingness to join the Extractives Industry Transparency Initiative (EITI) to promote transparency and accountability in mineral subsector

6.0 CONCLUSION

The Annual Minerals Subsector Scorecard is the first of its kind in Uganda but it has been developed in other mineral rich economies as a tool for assessing and ranking performance across a bench mark of indicators that are aligned with national development priorities.

These include: institutional policy and legal framework, sectoral linkages, value addition, local content, and infrastructure development among others. A scorecard tool was developed to assess Uganda's mineral subsector. Key findings suggest that the Aggregate Annual Minerals Subsector performance score of 40.4% is still very weak.

The performance contribution of other indicators to the aggregate score is generally weak. Low scores are observed for component scores of Institutional, Policy & Legal Framework; Reporting Practices; Safeguards and Quality Control; and the Enabling Environment (38.4%); and indicator scores comprising of Access to Mineral Resources; Revenue Generation and Collection; Revenue Management; Local Content; Health, Safety and Environment Management; Infrastructural Development; Citizens Engagement and Participation; and, Value Addition and Sectoral Linkages.

There is urgent need to implement the recommendations/interventions identified in section 5 of this report to enhance the performance of the Mineral subsector and to enable the subsector to contribute to Uganda's socioeconomic transformation enshrined in the NDP II and Uganda's Vision 2040.

ANNEX 1: REFERENCES

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8. National Planning Authority (2016); Certificate of Compliance, for the Annual Budget, FY 2015/16
9. NEMA Act.
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15. Uganda BTVET strategic Plan 2011 – 2020
16. Uganda Bureau of Statistics (2015); Statistical Abstract 2015
17. Uganda Mineral Resources Management and Capacity Building Project: Project Completion Report, May 2013.
18. Uganda Mining Regulations, 2012

ANNEX 2: LIST OF INSTITUTIONS AND OFFICES CONSULTED

1. Directorate of Petroleum, Ministry of Energy and Mineral Development.
2. Geological Survey and Mines Department (GSMD), Ministry of Energy and Mineral Development.
3. Uganda Revenue Authority (URA), Manager Strategy Development and Management
4. Ministry of Gender, Labour and Social Development (MGLSD), Chairperson, Oil and Gas Skills Council.
5.National Planning Authority (NPA)
6. Ministry of Finance Planning and Economic Development (MF-PED)
7. Office of the Auditor General (OAG).
8. Bank of Uganda (BoU).
9. National Environment Management Authority (NEMA).
10. Ministry of Education and Sports.

ANNEX 3: KEY QUESTIONS

Section 1: Access to Mineral Resources

1. What licensing practices does the government commonly follow in the Mining Industry?
2. What is the fiscal system for the minerals?
3. What information does the government publish on the licensing?
4. Does legislation require that mining projects prepare an environment impact assessment prior to the award on any mineral rights?
5. Are ESIA's for mining projects published and is there a consultation process?
6. Does Parliament have any oversight role regarding contracts and licenses in the mining subsector?

Section 2: Revenue Generation and Collection

1. What authority actually collects payments from mineral companies?
2. Does the Ministry of Finance Planning & Economic Development, Ministry of Energy & Mineral Development, Bank of Uganda, Uganda Chamber of Mines and Petroleum, Office of the Auditor General, publish some or all of the information on revenue generation?
3. Are all mineral-related revenues, including those collected by regulatory agencies, ministries, special funds or by URA placed in the national treasury?
4. Does the Office of the Auditor General report regularly to the Parliament on its findings, including an objective analysis of agencies in charge of managing resource revenues, and are these reports published?
5. Is Uganda an EITI candidate or compliant country?

Section 3: Local Revenue Transfer

1. Does the central government transfer resources to local governments based on extraction of mineral resources?
2. Does the central government publish comprehensive information on transfers of resource related revenues to LGs?
3. Do LGs publish information on transfers received from central governments?

Section 4: Local Content

1. Are there arrangements such as a policy, plan or strategy to enhance the skills & capacity of the nationals to fully participate in the activities of the minerals subsector?
2. Do women and the youth have equal opportunities to participate in the activities of the minerals subsector?

Section 5: HSE Management

1. Does the country have a HSE policy, plan or Manual?
2. Does the institution responsible with monitoring compliance to HSE Policy framework in the minerals subsector have the required capacity (skills and resources)?
3. Is there a legal, regulatory and policy framework on HSE Management in the minerals subsector; and is it published and available to the general public?

Section 6: Infrastructural Development

1. Are there adequate investments in infrastructural development in the minerals subsector?
2. Does the country has & implements a strategy or plan for infrastructural development in the minerals subsector?

Section 7: Citizens Engagement & Participation

1. Are there informed citizen's engagement and participation forums in policy and legislative development in the minerals subsector?
2. Does the government publish and informs the public about the decisions concerning minerals activities?
3. Does the country have a legal framework that enables the citizens to participate in the decision making process about the operation of the minerals subsector?

Section 8: Value Addition & Sectoral Linkages

1. Has the government and all its sectors developed long-term development plans?
2. Has the spending of revenues from the minerals subsector been aligned to the long-term planning and spending framework of the government such as the MTEF, NDPs, and Vision 2040?
3. Is there a strategy or plan to add value on the minerals produced and strengthening the industrial sector?

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