

MEASURE IT TO MANAGE IT

THE SECOND ANNUAL MINING AND MINERAL SECTOR DEVELOPMENT SCORECARD FY 2017/2018



National Planning Authority (NPA) in Collaboration With
Africa Centre For Energy & Mineral Policy (ACEMP)





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ANNUAL MINING
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SCORECARD
FY 2017/2018**

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LIST OF ACRONYMS

ACEMP	Africa Centre for Energy & Mineral Policy
ACP	African, Caribbean and Pacific
ASGM	Artisanal and Small scale Gold Mining
ASM	Artisanal Small scale Mining
BOU	Bank of Uganda
CAO	Chief Administrative Officer
CDO	Community Development Officer
CSO	Civil Society Organisation
DGSM	Directorate of Geological Survey and Mines
DOP	Director of Petroleum
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
ESIA	Environment and Social Impact Assessment
ESMPs	Environmental and Social Management Plans
FGDs	Focus Group Discussions
GBV	Gender Based Violence
GDP	Gross Domestic Product
HSE	Health Safety and Environment
ICGLR	International Conference on the Great Lakes Regions
KII	Key Informant Interview
LG	Local Government
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NEMA	National Environment Management Authority
NPA	National Planning Authority
NTR	Non – Tax Revenue
OAG	Office of the Auditor General
OHS	Occupational Health and Safety
PAPs	Project Affected Persons
RAP	Resettlement Action Plan
SIAs	Social Impact Assessments
SMEs	Small and Medium Enterprises
SMMRP	Sustainable Management of Mineral Resources Project
TI	Transparency Initiative
UBOS	Uganda Bureau of Statistics
UNCST	Uganda National Council for Science and Technology
URA	Uganda Revenue Authority
UWA	Uganda Wildlife Authority
WGI	Worldwide Governance Index



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 and minerals subsector has been identified as one of those priority sectors to drive Uganda's socioeconomic transformation¹.

The minerals sector has a great potential of contributing to economic growth and poverty alleviation through mineral exports, local consumption, manufacturing employment generation and diversification of the economy. Exploitation of minerals and materials will provide vital resources needed to fund the backlog of infrastructure investments and addressing our core macro-economic aspirations. This subsector is projected to be a major driver in employment creation and GDP growth over the medium term through value addition. Uganda's northwest Karamoja region hosts over 50 different economic and commercially exploitable minerals, but the mineral sector's contribution to Gross Domestic Product (GDP) sunk from 6% in the 1970s to less than 0.5% in 2010; and has since stagnated at an average of 0.5% for the last seven years.

The weak performance of the mining and minerals sector has been attributed to inadequate legal, institutional and policy framework, human resource constraints, unregulated artisanal and small-scale mining activities, inability to access international markets due to restrictive mineral traceability requirements and OECD and ICGLR standards,

shrinking exploration funding from investors and a failure to access capital financing from local and regional commercial banks among others.

This collaboration between NPA and ACEMP therefore seeks to monitor the annual planning, budgeting and overall governance of the mining and minerals sub-sector and its contribution to Uganda's development aspirations as underscored in the National Development Plans and Vision 2040. Inter alia purpose of the Annual Minerals subsector 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 the Vision.

The second edition of this scorecard assessed the operationalization and functioning of the systems and frameworks for the subsequent achievement of sustainable development in the country. Using both secondary and primary data, engagement of stakeholders in the sector, the scorecard assessment analysed the performance of the sub-sector. Key findings suggest that the overall average performance of the sector is at 43.7%, which is a slight improvement from the 40.4% registered in the inaugural scorecard launched in 2016. Nevertheless, performance of the mining and minerals sub-sector remains below average though there are slight improvements in some areas. Specifically, the subsector scores were below average along some key performance indicators which include; minerals production, revenue generation, collection and management (19.7%); Institutional Establishment and Development (31.8%); Gender Equity and Social Inclusion and Participation (37.5%); minerals value addition and marketing (45.8%); and Health, Safety and Environment conservation and management (46.4%), while above average performance was registered in the following areas: access to mineral resources (52.3%); local content development and participation (55.4%), infrastructural development (52.8%); and regional and international initiatives (51.4%).

¹ NDPII (2015) and Uganda Vision 2040 (April 2013).



The scorecard identifies gaps in all areas that need to be addressed so as to improve the sub-sector's performance and the subsequent achievement of the sector objectives. Critically, the responsible Ministry of Energy and Mineral Development needs to address the following: ensure that that ICGLR mineral certification mechanism is fully domesticated in order to plug capital flight and leakages in the exploitation of Tin, Tantalum and Tungsten and Gold (3TGs) to enable miners and exporters access international markets and reducing rampant mineral smuggling; full operationalization of the minerals and mining policy (2017); strengthening infrastructural development in the sector especially in the Karamoja region so as to ease access to the diverse mineral potential in the region; full regulation and formalisation of ASMs activities across the country; improving revenue collection from the sector by introducing online self-assessments and compliance by mining companies; introduction of weigh bridges on all mining regional routes to monitor mineral production and declarations by companies; enforcement of regulations and termination of all non-performing exploration and mining licenses; amend the constitution and the regulatory framework to bring sand mining, rocks (stones), murrum and clay under the ambit of the mining and

mineral policy and regulatory framework; improved transparency and disclosure of all the required information, training and skilling of the ASMs, promotion and awareness creation of the environment issues within the mining areas, among others.

In the 2015/16 and 2016/17 certificate of Compliance issued to the Ministry of Energy and Mineral Development (MEMD) the areas of non-compliance identified included: weak monitoring and regulation in the mining sector; undeveloped Rare Earth Elements (REE) resources; Implementation of the strategy for restoration of derelict and abandoned mines; weaknesses in updating and maintaining the Mining Cadastre and Registry System; and non-prioritization of key interventions in the mineral sector such as, the failure to establish the mineral potential of Karamoja; lack of an operational mining certification institution respectively among others. As a result of these and other sector challenges the overall sector-weighted score was 53.4% in 2015/16 fiscal year while sector performance declined 41.9% in the 2016/17 fiscal year. The overall average sector performance in the last two years was 48.5% and falls within the margins of the overall weighted score of 43.7% registered in this year's Mining and Minerals Sector scorecard. The consistence of these scores therefore underlines Government's failure and stagnation in addressing underlying sector challenges and that unless these issues are addressed NDP-II and Vision 2040 objectives may not be achieved as has been projected.

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01

BACKGROUND OF THE MINING AND MINERAL SUBSECTOR IN UGANDA

Uganda has a favorable geological environment that hosts over 27 commercially exploitable mineral resources. Thus, the mineral development sector in Uganda has a strong opportunity to sustainably contribute to economic growth of the country through providing employment, and supporting industrialization through backward, lateral and forward linkages.

The Vision 2040 and the NDP II identified the mining sub-sector as fundamental and a driver in the achievement of **“A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years.”** It is projected that the sub-sector will generate revenues that will be used to spur growth in other sectors, create employment, infrastructure and human resource development in the process enriching the country’s Gross Domestic Product (GDP).

The National Planning Authority (NPA), whose key functions among others include:

Monitoring and evaluating of Public Projects and Programmes and Liaising with the private sector and civil society in the evaluation of Government performance collaboratively works with the Africa Centre for Energy and Policy (ACEMP), to annually produce and disseminate the Mining and Mineral sub-sector development scorecard, to inform decision making at policy level on key issues affecting the sub-sector and to guide sector planning and budgeting processes.

The first edition of the scorecard, which was launched in 2016, examined the existence of the requisite institutional and legal frameworks, the reporting frameworks, the enabling environment and safeguards and control systems. It revealed fundamental issues that impact the performance of the sub-sector, which required urgent attention by the relevant stakeholders. Results in the first scorecard indicated the aggregate Annual Minerals Subsector Score² (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. It recommended 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, ESIA, local content and National participation, transparency in benefits sharing/financial resources from mining activities; value addition, and improved access to information and mineral resources and citizen engagement and participation, and address the skills requirements in the Mining subsector to enhance local content participation given that this was one of the poorest indicator of performance.

This second edition presents an opportunity for the country to assess the progress made since the last scorecard, monitor and evaluate the performance towards the achievement of the sector goals. It also draws urgent attention to issues that need immediate action by the government, the relevant stakeholders and partners. It assesses the operationalization and functioning of the systems and frameworks for the subsequent achievement of sustainable development in the country.

² Annual Mineral Scorecard 2015/16



1.1 Justification of the Annual Minerals and Mining Scorecard



According to the Public Finance Management Act, 2015 under S.13 (6) all ministerial annual budgets are required to be consistent with the National Development Plan, the Charter of Fiscal Responsibility and the Budget Framework Paper. Under S.13 (7), the annual budget should be accompanied by a Certificate of Compliance issued by the National Planning Authority.

The Scorecard provides the National Planning Authority with the evidence of performance of the Mining and Minerals subsector, which informs part of the NPA's decision in the awarding of the Certificate of Compliance to Energy and Mineral Development Sector. The Public Finance and Management Act 2015, Section 13 (7), requires NPA to issue a Certificate of Compliance for the Annual Budget of the previous financial year. It is aimed at harmonizing and entrenching strategic planning and budgeting towards the stated National Development Plan (NDP) goals and annual budget strategies and objectives. Therefore, this requirement guarantees that planning and budgeting frameworks are aligned to achieve the overall national strategic goals as agreed in the Uganda Vision 2040 and NDPII.

As part of the assessment process, a comprehensive assessment framework was developed in consultation with other relevant stakeholders and used by NPA to guide and standardize assessment, in terms of the consistency and compliance between the Annual Budget with the NDP, the Charter of Fiscal Responsibility and the National Budget Framework Paper. The assessment covered all sectors.

NDP-II identifies the Mining Sub-Sector as one of

the priority areas for investment in the country's quest for a middle-income status and much as this mineral development scorecard is tailor made to monitor the holistic sustainable development of the mineral sector, it is envisaged that the same shall be a key tool used to guide the National Planning Authority in ensuring that strategic planning and budgeting within the Ministry of Energy and Mineral Development facilitates the achievement of the objectives of the government as outlined in the NDP-II.

The certificate of Compliance issued by the National Planning Authority for the Annual Budget FY2015/16 rated the overall performance of the Ministry of Energy and Mineral Development at 53.4%. Notably the National Planning Authority also observed that though the Ministry had put in place a Strategic Development Plan, the same had not been aligned with NDP-II. It further noted that the ministry had underperformed in the monitoring and regulation of the mining sector, promotion of rare earth elements, failed in the implementation of the strategy for the restoration of derelict and abandoned mines as well as in updating and maintaining the mining cadaster and the registry system among others.

1.2. Recent Key Policy Developments in the Mining and Minerals Sub-Sector

a) Cabinet endorsed the White Paper on for the new Mining and Minerals Policy, 2018 on the 7th of May 2018 soon to be followed by the review of Mining Act, 2003

b) A draft geothermal policy was also prepared and consultations with key stakeholders is ongoing and in advanced stages.

c) The bill for Regional Certification of Mineral mainly conflict minerals in line with the International Conference on the Great Lakes Region (ICGLR) Protocol Against the Illegal Exploitation of Natural Resources was passed by parliament in May 2017



1.3 Lost Opportunities (Sand, Clay, Rock / Stones and Murram Mining)

Section 2 of the Mining Act 2003 defines a “Mineral” as any substance, whether in solid, liquid or gaseous form occurring naturally in or on the earth, formed by or subject to a geological process, but does not include petroleum...”.

Therefore in principle, sand, clay, rocks/stones and murram are minerals geologically and scientifically by definition and by the nature of their geological formation.

S. 2 of the Mining Act, 2003 also defines, “Building Mineral” to mean rock, clay, gravel, laterite, murram, sand, sandstone and slate, which is mined by a person from land owned or lawfully occupied by him other than for his or her own domestic use in Uganda for building, or mined by a person for his or her own use for road making, and includes such other minerals as the Minister may from time to time declare by notice published in the Gazette to be building materials.

Article 244 (4) of the 1995 Constitutional (Amendment) Act, 2005 defines a “mineral” to mean any substance, other than petroleum, whether in solid, liquid or gaseous form occurring naturally in or on the earth, formed by or subject to a geological process.

Genesis of the legal crisis created Article 244(5) for the purposes of this article, “mineral” does not include clay, murram, sand or any stone commonly used for building or similar

purposes. Article 244(6) further stipulates that Parliament may regulate the exploitation of any substance excluded from the definition of mineral under this article (implying article 244(5)) when exploited for commercial purposes.

Findings

While the intention of the framers of this constitutional provision appear to have been to protect and ring-fence “domestic” exploitation of these minerals or substances from regulation with the exclusion of “Commercial” exploitation of the same, the intention seems to have been ousted with exclusion of the same from the definition of minerals and in so doing, ousted the regulatory functions of DGSM over the same.

Commercial mining of sand, murram, clay, rocks (stones) has for the last 13 years been unregulated. This was because of the exclusion of these materials from the definition of minerals and/or due to Government’s failure to interpret parliamentary intentions or provision for a special regulatory regime for the same. As court cases pile up against government and UNRA, the economy continues to lose billions of shillings in taxes from unregulated sand mining, which has a heavy footprint on lakes, rivers and threatens food supply from the fishing industry.

Billions have also been lost to road constructors billing government billions for access to these materials only to pay a fraction of the same to unsuspecting landowners. In some cases, projects have been delayed as mining speculators with the aid of lawyers increase the cost of road and infrastructural developments by demanding for hefty compensations for rocks and stones.

Resolving this crisis necessitates the following actions:

- a) Amending the constitution to include the excluded substances in the definition of minerals; or,
- b) Taking out a constitutional interpretation suit for purposes of ensuring that commercial exploitation of these substances is regulated by the DGSM; and/or
- c) Ensuring that parliament puts in place a special regulatory regime for these substances as stipulated in Article 244(6) whichever is easily attainable of these options.



02 | METHODOLOGY



2.1 Scorecard Design



the level of performance. It was then weighted against the prescribed weight; depending on the assumed influence it has on the subsector to achieve its objectives. For each of the KRA, the total sum of scores from each question is divided by the maximum total scores that can be scored by the KRA and divided by 100 to arrive at the percentage score of the KRA. The average scores for the KRA make up the indicator score. The average scores for all the indicators make up the final score for the subsector. The scoring and weighting of the questions and indicators was benchmarked with international best practices of scoring the performance of the extractive sectors as used in other resource-rich countries such as Norway, Chile, South Africa, and Australia.

The assessment was both quantitative and qualitative in nature. It relied on three main categories of data: routine and non-routine, all collected and processed by the various MDA's in Uganda. Routine or administrative data is collected as a part of the regular monitoring process by the responsible MDAs; while non-routine data is collected on a periodical basis, often annually, or as a part of the national statistical studies commissioned by government, and mostly carried out by the Uganda Bureau of Statistics (UBOS). The third source was the primary data collection, where the data collectors engaged various MDA's and stakeholders such as communities and the local leaders in areas where mineral activities and developments are being undertaken.

MEASUREMENT CRITERIA

Point on the scale	Weight.	Range (%)	Colour Code
Not Addressed/ Milestone, target or standard Not attained	0	0	
Inadequately addressed/ Milestone, target or standard inadequately attained	1	25	
Partially addressed/ Milestone, target or standard partially attained	2	26 - 50	
Mostly addressed/ Milestone, target or standard mostly attained	3	51 - 75	
Fully addressed/ Milestone, target or standard attained	4	76 - 100	

2.2 Weighting and Scoring

Each of these indicators has various key result areas (KRA) that were assessed; and each area has various questions that feed into its score. Each question under these indicators was be given a specific score ranging from 0 – 100 depending on

The assessment of the observed values or qualities or quantities of performance were conducted to determine whether the indicator performance is fully addressed, mostly addressed, partially addressed, inadequately addressed or not addressed for the non-numeric indicators. Where the observed value is



numeric, the assessment will test the trend of performance if the: Milestone, target or standard was not attained; Milestone, target or standard inadequately attained; Milestone, target or standard partially attained; Milestone, target or standard mostly attained; Milestone, target or standard attained. Once this is done, an indicator was assigned a performance weight based on the assessment criteria described for both numeric and non-numeric indicators as indicated in the table 1 above.

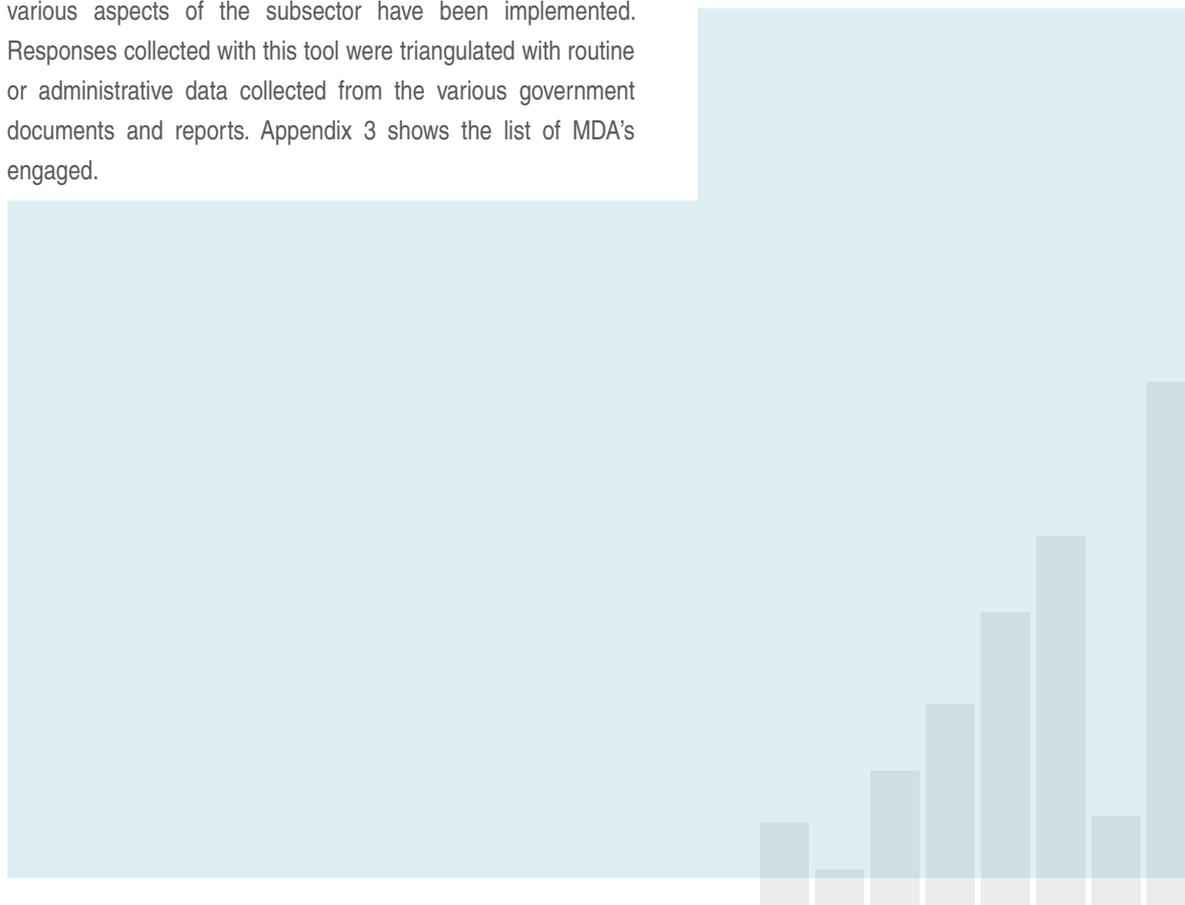
2.3 Data Collection, Entry and Analysis

The assessment involved the collection of both secondary and primary data. Secondary data collection included the review of national documents, the policies, laws, regulations, guidelines and reports. The primary data involved interviewing of key stakeholders, such as government institutions, the private sector, project affected communities and the civil society. Data collection tools were jointly developed by NPA and ACEMP with other sector stakeholders and used to collect primary data.

Quantitative data was collected with a data collection tool that was administered to the various MDA's relevant to the mineral subsector. The tool endeavored to assess the extent to which the various aspects of the subsector have been implemented. Responses collected with this tool were triangulated with routine or administrative data collected from the various government documents and reports. Appendix 3 shows the list of MDA's engaged.

Qualitative data was collected through focus group discussions with the communities in the sampled districts, using a guiding tool. The groups were categorized according to females, males, and youths. In all, 18 FGDs were conducted in the sampled districts of Moroto, Namayingo, Busia, Kabale, and Ntungamo. Appendix 1 shows the list of sampled villages engaged in the FGDs. Key informants (appendix 2) interviews were also conducted with the various political and technical local leaders within the sampled districts. Appendix 3 shows the key informants Interview guide and Appendix 4 shows the FGD guide.

Data collected was entered into an inbuilt excel database which analyzed and produced the results (scores) and the various graphs presented in the table. These were later used to write the report alongside the qualitative data and information from the various reports and documents. The draft scorecard was validated by all participating government institutions and other key stakeholders to produce the final scorecard of the sector; and subsequently a report produced and launched.





03

RESULTS



3.1. Subsector General Scores

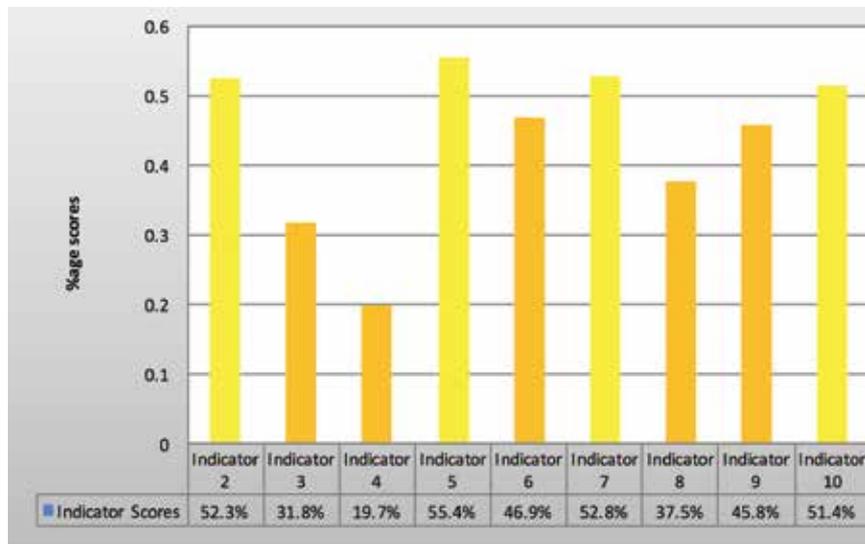
**OVERALL SCORE OF THE SUBSECTOR:
43.7% - Partially addressed**

This indicates that the subsector has partially addressed most of the key issues raised in this scorecard. However, there are some outstanding issues that still need to be addressed. These are clarified in the next section.

3.2. Key Performance Indicator Scores

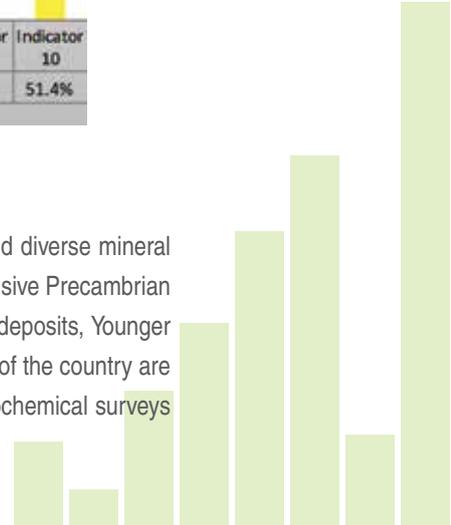
The figure below shows the performance of the subsector along the key indicators that were assessed under this scorecard. Detailed explanation of the performance of each indicator is provided as well.

Fig 1: Performance of the Minerals and Mining subsector along key indicators



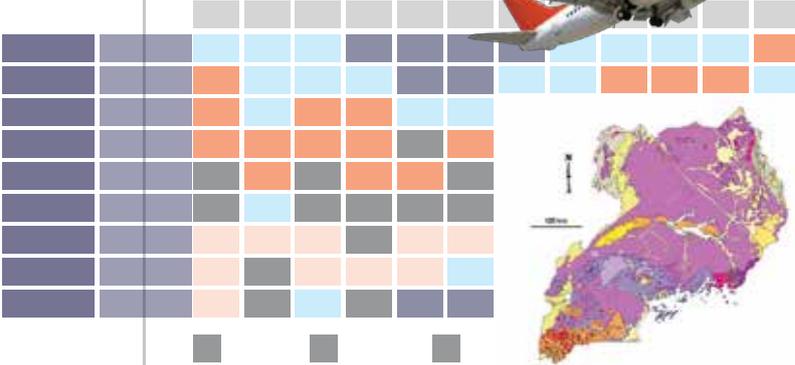
3.2.1. Mineral Resources/Reserves

Uganda is endowed with favourable geological conditions associated with a rich and diverse mineral resource base and with substantial economic potential. Uganda is underlain by extensive Precambrian (4,500 – 600 million years) rocks, which are host to a wide variety of mineral deposits, Younger Cenozoic (65 million years – Present) sediments and volcanics in the west and east of the country are also host to mineral deposits. Recent geophysical surveys, geological mapping, geochemical surveys



and mineral resources assessment under Sustainable Management of Mineral Resources Project (SMMRP, 2003-2011) identified new potential mineral target areas for exploration and development.

Geological Survey Calendar



The airborne geophysical survey, geological mapping and geochemical sampling estimates over 27 types of minerals in significant commercial viable reserves.

For example,

Iron ore deposits in Kabale and Kisoro areas are estimated to be over 300 million tonnes.

Other minerals include; Beryl, Bismuth, Columbite Tantalite, Copper, Chromite, Diamond, Gold, Tin (cassiterite), Wolfram (Tungsten), Asbestos, Clay, Rare Earth Elements, Aluminous Clays, Diatomite, feldspar, Granite Gneiss, Graphite, Gypsum, Kaolin, Kyanite, Limestone, Marble, Mica, Phosphates, Rock Salt, Silica Sand, Building Sand, Talc, Cobalt, Lead, Zinc, Platinum Group Metals (PGM), Uranium, Vermiculite and Nickel among others (NPA, 2010)

New geological, geochemical and airborne geophysical data covering 80% of the country led to the discovery of a total of eighteen (18) new mineral targets; ten (10) new uranium priority anomalies; 300 million tonnes of proven iron ore deposits in the country (with inferred reserves of up to a billion tonnes); increase in Vermiculite reserves from 5 million tonnes

to 54.9 million tonnes; increase in Limestone and marble reserves from 30 million tonnes to more than 500 million tonnes; 7.8 million ounces of gold in Busia, Kamalenge, Mashonga, Kampano and Alupe; 1.7 billion tonnes of graphite Orom, Kitgum, 3 billion tonnes of aluminous clay rich in Rare Earth Elements (REE) in Makuutu, Iganga; 230Mt of Phosphate and Iron for the Sukulu phosphates and steel project which is under development.

Geological Surveys and mineral appraisals in 2016/17 Financial Year

More mineral targets of gold, Iron ore, bentonite and Uranium were identified. Three uranium priority potential targets with anomalies; 48.2ppm in Kiboga district, 904ppm of uranium in Buhweju district and 450.6 ppm in Kyambogo Ssembabule district were mapped. Radioactive anomalies with equivalent Uranium Concentration up to 4500 ppm were discovered in Buhweju.

1,253,331 tonnes of Bentonite at Kaiso Tonya, Hoima district and 30 million tonnes of iron ore in Rutenga were established. Surveys were also conducted in Hoima, Bundibugyo, Kasese and Nebbi districts. Findings at Buranga and Kibiro indicated subsurface temperatures suitable for electricity, agriculture and spas in hotels.

A large part of Uganda remains geologically unexplored and the mineral potential of the country is yet to be evaluated, while 20% of Karamoja was not covered due to the insecurity in the region at the time. However, some resource estimates have been made on a number of minerals reserves subject to confirmation by project developers.



Fig 2: Geological Map of Moroto, Karamoja Region.

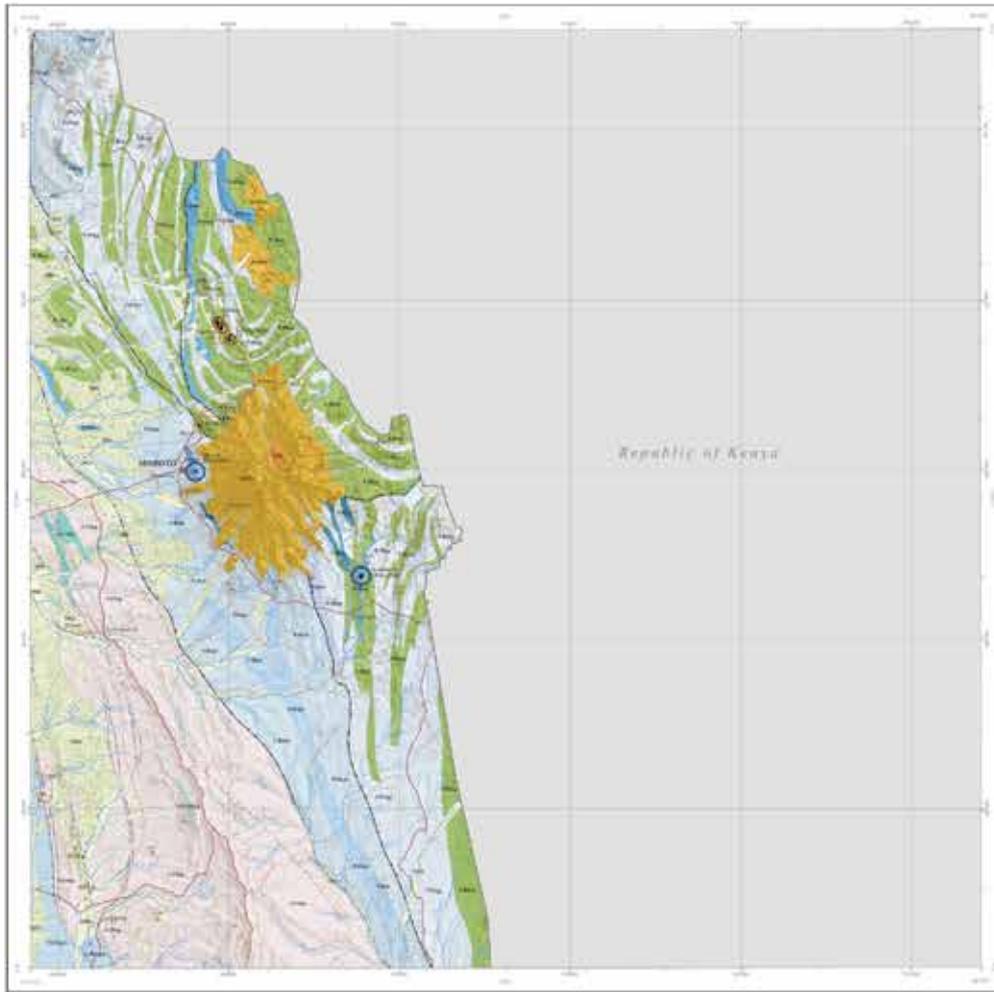


Fig 3: Geological Map of Hoima

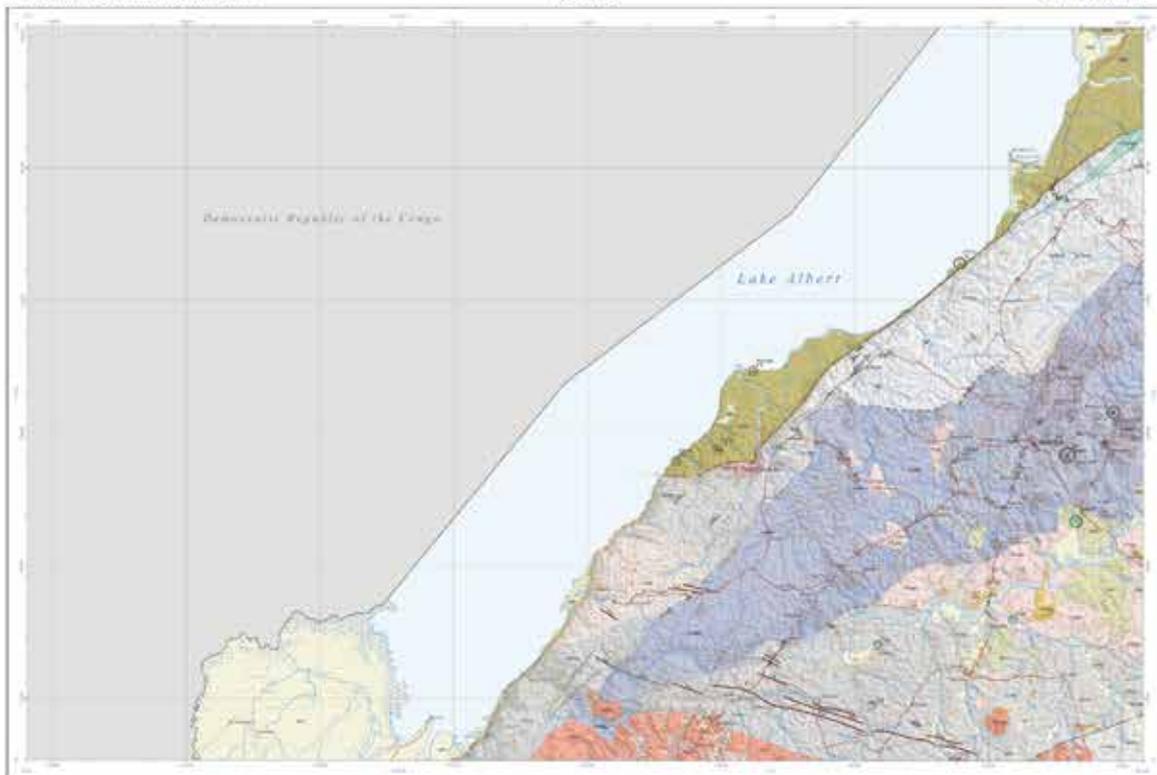
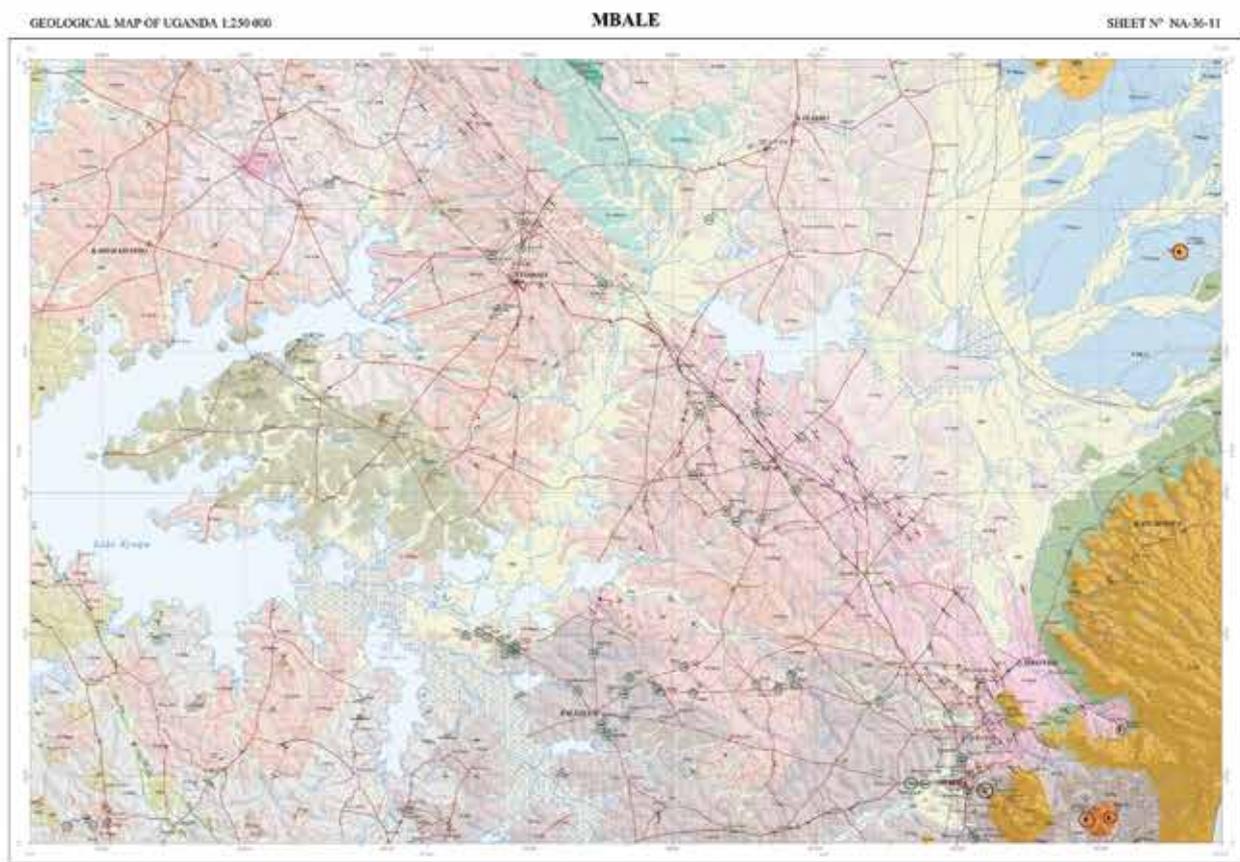
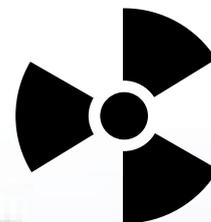


Fig 4: Geological Map of Mbale



Nuclear Power Development

- Preliminary survey of potential sites for nuclear power development was conducted in Buyende, Mubende, Nakasongola, Kiruhura and Lamwo Districts.
- IAEA expert mission on Site and External Events Design (SEED) was received to review the siting process for nuclear power plants in Uganda.
- Policy, legal and institutional frameworks were reviewed and consultation on the draft Nuclear Energy Policy is in advanced stages.





RESULTS

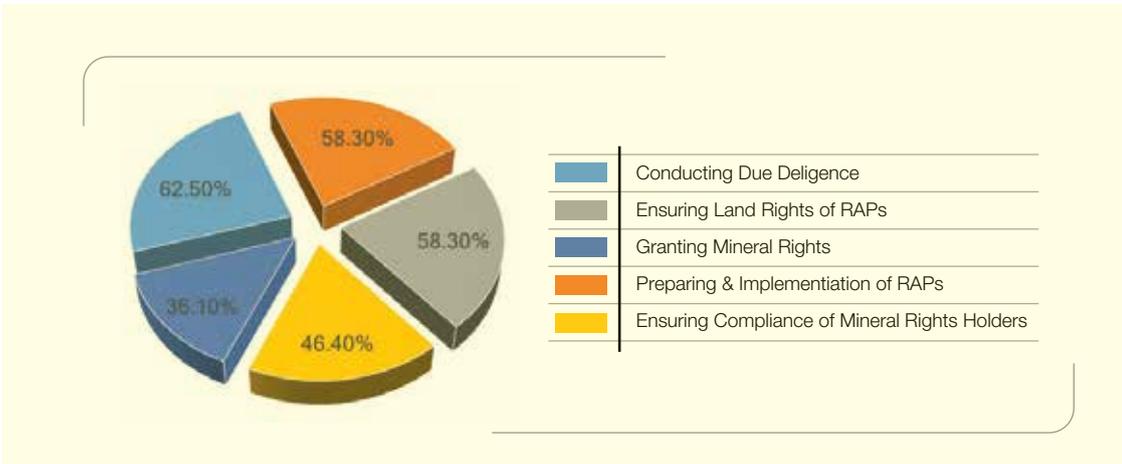


3.2.2. Access to Mineral Resources

**INDICATOR SCORE:
52.3% - Mostly Addressed**

Under this indicator, the sector scored 52.3% and has addressed most of the key issues that were considered. Below are the key assessment areas that were considered and their percentage contribution;

Fig 5: Performance of the subsector under Key Results Areas in indicator 2



(i) Conducting Due diligence (62.5 %)

DGSM is credited for conducting due diligence on all mining companies applying for mining licenses in the mining industry. It was however noted that, the department is limited by resources to carryout conclusive diligence and provide reports for every company. **The Mining Act, 2003**, provides for the criteria followed by the DGSM to conduct the due diligence on these companies.

The government should provide enough funds for due diligence in the mining industry. This will help to avoid quack investors that apply for mining rights.

(ii) Granting of Mineral Rights (36.1 %)

Section 4 of the **Mining Act 2003** provides for the Acquisition of the Mining Rights in Uganda. The government follows the rule of “**first-come first-served**” to grant mineral licenses, while royalties and taxes are set by legislation. This eliminates the advantages of competitive bidding.





Mineral Licensing Status

A total of 371 Mineral Licenses were granted in 2016. These include; 155 Prospecting Licenses (PL), 126 Exploration Licenses (EL), 98 Mineral Dealers Licenses (MDL), 5 Mining Leases (ML) and 19 Location Licenses (LL). Notably there were Retention Licenses (RL) issues in 2016. At the beginning of 2016, 638 Licenses existed in the Mineral sub-sector. Within the course of the year, 371 were revoked and by the end of December 2016, the Sub-Sector had a total of 710 operating Licenses.

The computerised mining Cadastre and registry system encouraged and improved online transactions and led to a reduction of bureaucracy in the Licensing Process.

government introduces the investors to the district and it's between the district and the investor to determine how to acquire the land. To determine the mode of acquisition, the investors are guided by the RAPs, which are sometimes not prepared in consultation with all the stakeholders. This has created chaos and misunderstandings between the investors and landowners, and eventually some projects have failed to take off due to land wrangles.

The government should therefore put in place the procedures and regulations for the acquisition of land by the mineral rights holders and see to it that the public/ communities are sensitized on the regulations. This will help reduce losses on the side of the investors and land wrangles in the mining area.

Mineral Licensing

Type of License	Status as at 01/01/2016	Granted	Renewed	Expired	Revoked	Status as at 31/12/2016
PL	149	155	0	152	0	155
EL	402	126	33	211	0	402
RL	3	0	0	0	0	3
LL	44	19	9	18	0	44
ML	40	5	2	0	1	40
MDL	0	98	N/A	N/A	N/A	98
TOTAL	638	371	64	408	1	710

In most cases, it has been found that people without the required capacity have taken up the mineral rights. They sometimes can't utilise them and have left the exploitation of such minerals redundant.

There is need to revisit this process, such that mineral rights acquisition is competed for and firms/people with the required qualifications to exploration granted the rights. The government should conduct open bidding rounds with a sealed bid process and a decision made against an established criteria, such that the best bidder is granted the mining rights.

The government established a prescribed procedure and requirements for mineral rights applications. It was however noted that the government does not have an established procedure for acquisition of land for mining operations. The

(iii) Preparing and Implementation of RAPs (58.3 %)

Section 82 of the Mineral Act 2003 requires the compensation for disturbance rights of the lawful owner or occupier of the land. This is done on any disturbance or damages done on crops, trees, building and works damaged during the course of such operations. To ease doing this mineral, rights holders prepare RAPs in consultation with stakeholders and host communities and are required to fairly and adequately compensate the communities.

RESULTS

During this assessment, it was noted that Mining Companies prepare RAPs but rarely do they follow them during the projects implementation. Land occupiers found themselves in situations where they are not compensated. Based on this, the government set up the Mineral Police to accompany teams that go to the field for monitoring and inspection. Mining operations may also lead to significant environmental damage and degradation. The mineral holder rights should also be held liable for any contributions to social and environmental harm. The rights holder should pay appropriate compensation not only for displacements, but any disturbance or negative environmental impact caused by mining operations if and when they arise.

There is need to review section 82(1) of the mining act such that compensating for environmental damage is considered as the responsibility of the mineral rights holder.

(iv) Ensuring compliance of the Mineral Rights holders (46.4 %)

In Uganda, all scientific investigations and studies to be carried out must be approved by the Uganda National Council for Science and Technology (UNCST). Therefore, the best practices recommend that all companies or persons authorised to undertake exploration or prospecting operations without mineral rights in the course of scientific investigations should receive approval from the Uganda National Council for Science and Technology. This assessment however, found out that this is not undertaken and thus studies are conducted without the approval of UNCST.

Therefore, as the government is looking forward to increasing investment in Research and Development through the mineral value chain, it should strongly regulate the environment in which research is done, thereby promoting quality investments in the mining sector.

Section 6 of the Mineral Act, 2003, provides the framework in which the mineral rights can be transferred from one holder to another. To transfer the mineral rights, it requires authorization for a transfer of shares, which is important because it is the Ministry's right to approve or disapprove of any individual applying to hold a mineral right, as is the case with new applicants. This eliminates the transfer of rights to unqualified persons or companies.

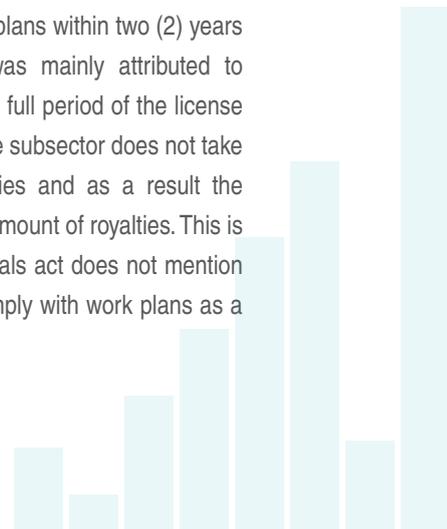
However, the new companies that have acquired the mineral rights should, on top of meeting other requirements as stated in section 5 of the Mineral Act, submit details of their technical and financial standing, work plans and beneficial ownership as is the case for new applications to DGSM.

Some companies were found to take advantage of this loophole to withhold this information from DGSM.

There is no oversight body that provides scrutiny in regards to granting, renewing, revoking and approval of transfer of the mineral rights by DGSM. Decisions are taken internally because the law does not provide for external persons; though the directorate has an internal committee that reviews all the decisions taken.

To avoid cases of conflicts of interest, being that officials don't declare their interests in the mining industry, its good practice that an external oversight body should be instituted to scrutinise the process of granting, renewing, revoking and approval of transfer of the mineral rights.

The scorecard assessment noted that there are some mineral rights holders who don't make full beneficial use of the licenses as per approved work plans within two (2) years from granting the license. This was mainly attributed to speculators holding licenses for the full period of the license without undertaking any activity. The subsector does not take any action against these companies and as a result the government has lost a substantial amount of royalties. This is because section 90(1) of the minerals act does not mention failure to use a mineral right or comply with work plans as a ground for cancellation of rights.



There is need to review the Act to incorporate an article, which compels the subsector to cancel or terminate the license in case the holder fails to make full beneficial use of the license as per the approved work plan.

This will also help to reduce cases of speculators holding licenses for the full period of the license without undertaking activity. It will also provide recourse to the subsector to intervene before the expiry of the license.

The Directorate of Geological Surveys and Mines (DGSM) continued to monitor some notable flagship projects such as the Osukuru Phosphates Project in Eastern Uganda, which is expected to commence full production by the end of 2018. However, Tibet Hima management of Kilembe Mines had a setback that culminated in the termination of its contract due to under performance. The Ugandan government therefore continues to miss out on the current global FDI in the Cobalt/Copper industry spurred by the increased demand for electric motor vehicles as an alternative to fossil fuels. It is therefore important that a new developer is sourced at the earliest opportune time.

The Mining Act 2003 provides for the establishment of the mining register. While the subsector has established a physical register housed at the DGSM, an online, publicly available version of this information is still not yet established and should therefore be made available through the online Mining Cadastre. In order to bring the act up to date with international standards, an online database of mining contracts should be established. The current register system is inadequate as it is not accessible for most citizens. Contract transparency and associated access to information efforts have been recognized as critical keys to success in the extractive industries . While Uganda has not yet made extractive industry contracts public, government has committed to publishing contracts as well as signing onto the EITI Global Standard.

To provide true access to important documents regarding mineral sector activity, contracts and all accompanying documents should be made available online.

(v) Ensuring Land rights of the Land owners (58.3 %)

In order to ensure that the land rights of the landowners are upheld, Section 83 of the Mining Act 2003 provides for the compensation of the landowners, and first schedule indicates that lawful landowners are entitled to 3% of the royalties. On a good note, the practice allows the landowners to appeal to the minister, or the high court until when justice is achieved in this matter.

However, it has also been noted that most mineral rights holders have local agents helping them buy off land in advance and they eventually own this land. This means that the 3% royalty for the landowner goes back to the company. Thus, the government has been advising bonafide landowners to lease land as opposed to outright selling it off. This way, Ugandans will be able to benefit from mining.

It has also been noted that the Mining Act (2003) does not provide clear mechanisms to regulate access or acquisition of land by mineral license holders to carry out prospecting, exploration and mining operations. The dispute and compensation mechanisms for disturbance of land use to land owners as provided for in the Mining Act (2003) are also insufficient. And the sector is yet to sensitise the landowners on the issues of surface land rights versus mineral rights holders.

It has however been noted that in most mining areas, there have been severe environmental damages and land degradation, yet the rights holders seem not to be responsible. The mining act should be reviewed to clearly make the rights holder accountable to environmental and land degradation.

The mineral holder should be held liable for any contributions to social and environmental harm. The rights holder should pay appropriate compensation not only for certain disturbances, but any disturbance or negative environmental impact caused by mining operations if and when they arise⁶.

⁶For guidance, see Section 87 of the Zambia Minerals Act which outlines a mineral rights holder's liability for harm or damage caused by operations including harm or damage caused to the environment, biological diversity, human and animal health and socio economic conditions.

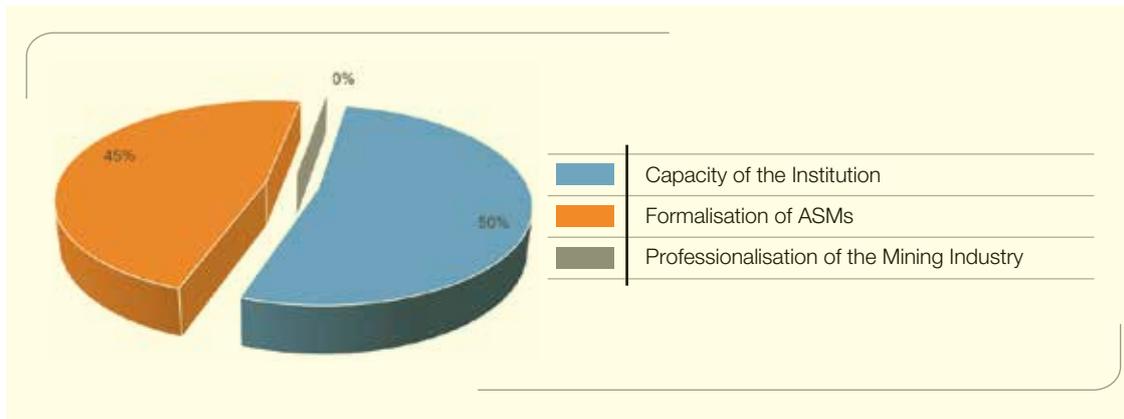


RESULTS

3.2.3. Institutional Establishment and Development

INDICATOR SCORE:
31.8% – Partially Addressed

Fig 6: Performance of the subsector under Key Result Areas in Indicator 3



(i) Formalization of ASMs (45 %)

The sector hasn't yet developed the Mineral Development Master Plan. However, the framework for licensing, regulation and monitoring of mining activities is being developed. This will enhance the formalisation of Artisanal Small Scale Miners in the country. There are collaborative arrangements between DGSM, development partners and civil society to promote best practices in the ASM subsector. Notable CSOs involved in these arrangements include: Africa Centre for Energy and Mineral Policy (ACEMP), ActionAid Uganda, Ecological Christian Organisation, Saferworld and Global Rights Alert.

The Government has amended the Mining

Policy, 2001 and replaced it with a new Mining and Minerals Policy 2018, which was endorsed by Cabinet on the 7th of May 2018. This shall be followed by the review of the Mining Act 2003, to address gaps in the overall governance of the Mining Sub-Sector. Key among the 10 objectives of the new Mining and Minerals Policy, 2018 addresses the issue of artisanal miners. Government recognizes the participation and contribution of small scale and artisanal miners and therefore the need to formalise their operations to allow legally supported operations in areas where large-scale mining is not warranted. Artisanal miners' operations are often nomadic in nature; in the case of gold that comprises the highest population of artisanal miners, operations are mainly triggered by gold rushes. Under this arrangement, the government will ensure that ASM activities are a preserve of only Ugandans.

This scorecard acknowledges the fact that the sub-sector has already embarked on the process of registering all the ASMs

operations in the country, and as a result, miners in Mubende, Busia, Namayingo, Karamoja region, and Ntungamo and other notable mining regions have been encouraged to form Associations and secure their operations with acquisition of Location licenses. The Ministry of Energy and Mineral Development is in advanced stages of procuring a consultant to undertake biometric registration of all ASMs in the country ASM and assist in the Management of their operations.

In order to have proper arrangements of formalising ASM activities, the sub sector should accurately map out all bonafide ASMs, register them, and make arrangements to develop their skills in modern mining methods and practices. The current arrangements to develop the skills of ASM are not yet operationalized due to the informal nature of Artisanal miners. It was also established that the Ministry of Energy and Mineral Development (MEMD) is in advanced stages of procuring consultancy services to carry out registration and assist in the management of Artisanal & Small-scale miners across the country.

(ii) Capacity of the Sector Institutions (50 %)

It was noted that although the DGSM has the required capacity (skilled staff) to efficiently carryout its mandate, the subsector requires to continue building the institutional capacity to develop and strengthen local capacity for mineral development in the country. Of recent, there has been a high employee turnover which has led to brain drain for greener pastures. This is coupled with understaffing of the DGSM with many vacant positions available. Only three (3) positions in the GRD are substantively filled leaving twenty-four (24) vacant positions.

In terms of financial resources, the subsector has been grappling with inadequate funding for mineral exploration, monitoring and inspection of mining activities. The subsector also grapples with lack of equipment, maintenance of the information system and other infrastructures required.

(iii) Professionalization of the Mining Industry (0.0%)

Currently, there have been no efforts to professionalise the mining industry in Uganda. As a result, there is no established database of professionals in the mining industry. The society of Geoscientists was pushed for establishment but it is still non-existent. The law regulating activities of geoscientists doesn't exist because there is no register of the people to be regulated, neither a professional registration body for geoscientists in Uganda. However, under Objective four (4) of the new Mining and Minerals Policy, 2018 Government has committed to enact a law that shall regulate geoscientists and its associate professionals; as well as set up a professional registration body for geoscientists in Uganda.

It should also be noted that aside from the Department of Geology at Makerere University, which is charged with the training of Geologists and Busitema University in Eastern Uganda, which trains mining engineers, there are limited opportunities for Ugandans seeking for a career in the Mining and Minerals Sub-sector. Majority of the experts at DGSM have are all graduates of Dar salaam University in Tanzania. There are limited skills on the market for the private sector and this has to a large extent led some staff within the regulatory body of the ministry to double as part-time consultants for the private sector leading to a conflict of interest and corruption in the execution of their oversight responsibilities over the mineral rights holders.

It is therefore recommended that Tertiary Institutions and Universities in Uganda need to be encouraged to introduce mining activity related courses to fill the ever increasing job market for mining geo-scientists, geologists, engineers, economists and other sector related job opportunities.



RESULTS

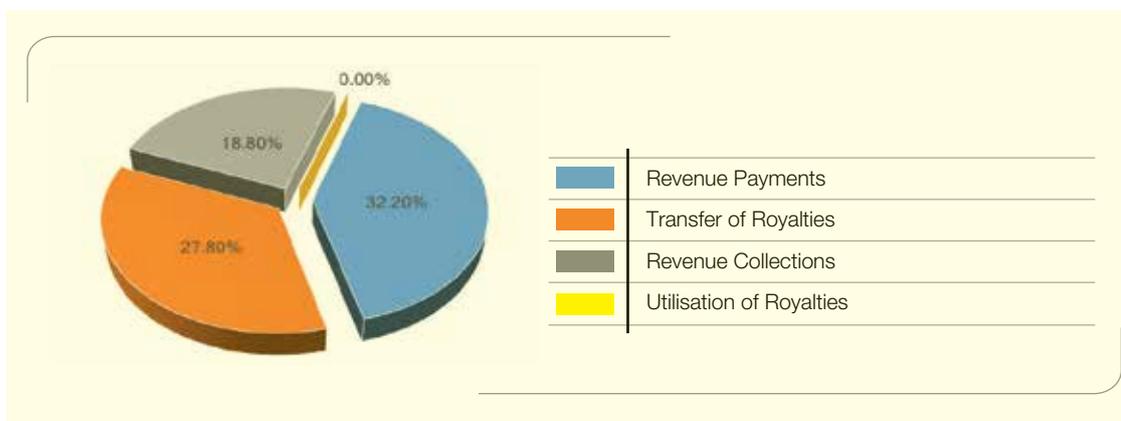
3.3.4. Mineral Production, Revenue Generation, Collection and Management

Indicator Score:
19.7% - Inadequately Addressed

Mineral Production

The minerals produced in 2016 were valued at UGX 175,928,000,000/=. The major minerals produced include limestone, valued at UGX 144,369,000,000/=: Pozollana valued at UGX 17,780,000,000/= and Kaolin valued at UGX 4,590,000,000/=. Compared to 2015, value of minerals produced in 2016 increased by 2.8%.

Fig 7: Performance of the subsector under Key Results Areas in Indicator 4



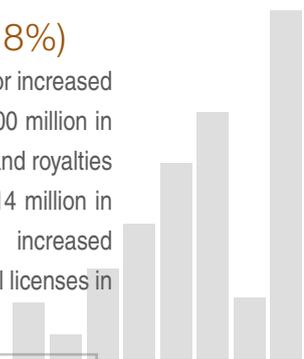
However, it was noted that the value of minerals produced and exported declined from UGX 101 Billion registered in the 2015/16 financial year to UGX 99 Billion in the 2016/17 financial year. This was largely attributed to the falling commodity prices on the international market as well as lack of mineral certification for Tin, Tantalum, Tungsten and Gold (3TGs).

This indicator score is at 19.7%, showing that the government has inadequately addressed the issues assessed under this indicator. These issues include

Revenue collections, Revenue payments by the mining companies, and Royalty transfer to local governments. The performance of the subsector under each of these areas is elaborated below;

(i) Revenue Collections (18.8%)

Foreign Direct Investment (FDI) in the mineral sector increased from US\$5 million in 2003 to an estimated US\$ 800 million in FY 2016/17. Similarly, revenues from license fees and royalties increased from US\$0.5 million in 2003 to US\$ 4.14 million in 2016/17, mineral rights (licenses) issued, increased dramatically over the same period from 100 mineral licenses in



2003 to over 818 by the end of FY 2016/17.

Over all, the mineral sub-sector attracted USD 1.63 billion in capital investments by the private sector in key projects including:

a) **The Guangzhou Dong Song phosphate plant** at Sukulu in Tororo planned for commissioning by end 2018 and for steel by 2019, with a total investment of USD 620 Million;

b) **African Panther** were reported to have commenced mining and processing of tin in Isingiro;

c) **Increased limestone and cement production** by four cement factories namely Tororo Cement, Hima Cement, Simba Cement, National Cement, Kampala Cement, together with a combined investment of USD 500 Million.

d) **Consolidated African Mineral Resources** has invested about USD 5 Million to process 60 metric tonnes of high-grade graphite.

The government collects royalties, fees and rents on top of the various taxes from the mining companies. However, the government has until now failed to track or collect revenues from the exploitation of substances that are not defined by Article 244(5) of the Constitution of the Republic of Uganda, such as the stones aggregates, sand, clay and murrum which in the mining policy of 2018 have been defined as minerals. This is because there was no legal provision for regulating and collecting of revenues from these substances.

There is urgent need regulate commercial exploitation of sand, stone (Rocks), clay and murrum, excluded from the definition of the word "mineral" in Article 244(5) of the Constitution. The exclusion led to confusion as to whether these minerals should be regulated or not, yet the Ugandan government continues to lose billions of shillings from speculators in the infrastructure corridors, road constructors that present exorbitant bills of quantities for the purchase of these construction materials but proceed to acquire the same from unsuspecting land owners at a fraction of their bills of quantities. This has led to limited revenue generation from this

category of minerals to support socio-economic development and in some cases has led to stoppage of some road constructions due to litigation. Regulation of these minerals and materials could see the Mining and Minerals sector contribute to between 3% - 5% to GDP.⁷

- The current legal framework encourages extensive speculation and confers a lot of discretionary powers and unclear guidelines to the Commissioner which has often resulted into unnecessary litigations;
- ASM has remained largely unregulated and its contribution not accounted for, partly explaining the less than 1% contribution of the sector to GDP. From the current illegal mining in Mubende, Buhweju, Busia, Namayingo, Nakapiripirit, Amudat, Kaabong, Abim and Moroto Districts, its estimated that about 200 kgs of gold equivalent to USD 8m (current price of USD 40,000 per Kg), is being illegally mined per month (Baseline Assessment of Development Minerals in Uganda, 2018) compared to Non Tax Revenue (NTR) of USD 3.2m collected annually;
- The need to promote in-country value addition of strategic minerals such as iron ore, base metals, precious metals and battery minerals;
- The need to restrict any investor from blasting rocks that are connected to the ecological system and those with historical significance;
- The ambiguity surrounding the regulation, certification and traceability of regional conflict minerals such as Tin, Tungsten, Tantalite and Gold.

Even though Article 244(6) of the Constitution gives Parliament powers to regulate the exploitation of any

⁷ Baseline Assessment of Development Minerals in Uganda, 2018.



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substance excluded from the definition of mineral under article 244(5) when exploited for commercial purposes. Until the Mining Policy of 2018, the existing mining legal frameworks did not provide for the regulation of the above (substances) exploited for commercial purposes. This regulatory gap resulted into inadequate optimization of fiscal benefits, significant health, safety and environmental impacts to the exploiters and surrounding communities.

There is need to amend the constitution and or seek constitutional interpretation on the intentions of the legislators whichever is faster to address the legal conundrum created under Art.244 (5) & (6).

The government was also faulted for not publishing the actual amount of revenues collected disaggregated by source form the mining industry. The government instead provides information on the block figure as NTR that is collected rather than disaggregated sources of these revenues.

(ii) Revenue Payments by the Mining Companies (32.2 %)

The assessment noted that DGSM does not audit the NTR returns submitted by the mining companies, and therefore, it depends on the only these submissions to ascertain the amount of NTR to be paid. This creates a gap that could be exploited by the companies to submit inaccurate reports. There is need to regularly audit these submissions so as to ensure accuracy of the information submitted. There is also need to establish a coordination mechanism to reconcile

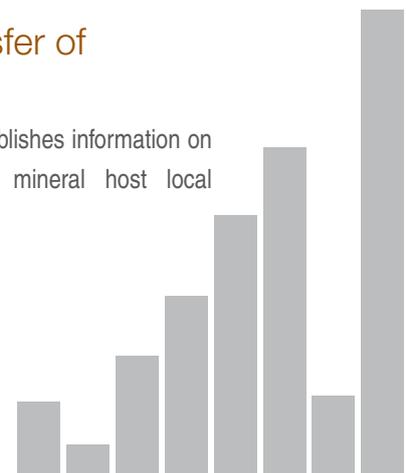
the NTR assessed by DGSM and collected by URA, such that the right amounts are always collected as inconsistencies in returns are reduced. For companies that are found submitting inaccurate NTR returns, penalties commensurate to their false declarations should be imposed.

Even though the government has put in place mechanisms to collect royalties from gold exports, there have also been outstanding defaults on royalties collected from the gold exports as required by sections 71 of the Mining Act 2003. For instance, according to the reports from the Auditor General's Report of 2016, during the financial year 2015/16, the management assessed royalty and awarded export permits for only 93kgs of gold worth UGX.11, 822,178,756. However, collaborative reports from the Customs and Excise Department of Uganda Revenue Authority indicated that 5,316 kgs of gold had been exported with a total value of UGX.698, 096,530,839. Accordingly, Government should have collected UGX.6, 980,965,308 or UGX.34, 904,826,541 in royalties using the applicable rates of 1% and 5% for the imported or locally mined gold respectively. There was no evidence of any action taken on the offenders as required by the law.

Section 105 of the Mining requires leaseholders to pay annual rent fees upon every annual anniversary. It has however been noted that, even though some companies do pay these fees, a few of the companies are still non-compliant. Government has continuously been cautioning these companies but with little success. Strong penalties need to be taken against such companies for their continued non-compliance to revenue payments, with the option of litigation being the imminent one.

(iii) Reporting on Transfer of Royalties (27.8 %)

Even though it was noted that MEMD publishes information on transfers of mining royalties to the mineral host local



governments; this information is only of aggregated data, without giving a detailed breakdown of these transfers. It doesn't include definitions of the main concepts and explanations and sources of these royalties for the broader public consumption. It was also noted that recipient local governments too, do not publish information on transfers of mining royalties received from the central government. This inhibits transparency and accountability requirements for the extractive transparency initiatives.

There is need to enhance transparency and accountability by encouraging both central and local governments to publish detailed information on all the royalty shares.

Another challenge discovered by this scorecard is the distribution of revenues from minerals among central government, local governments and local communities and landowners. This remains a contentious issue, which continues to create tensions, suspicions, political mistrust and could if left unaddressed lead to conflicts between mineral rich host communities, mining companies, local governments and the central government.

What is common is the splitting of earnings between the mining company and the central government thus leaving little benefits to the local communities. Communities interviewed across the country lacked knowledge on how to access their royalties and there was also little evidence of disbursements of these royalties to the actual beneficiaries. Majority of mining Districts lacked knowledge about their entitlements to royalties while in some districts in the Karamoja region it was discovered that some Local Government officials and sub-county chairmen had been collecting royalties (fees) from companies and not remitting the same to their Districts. Yet, equitable distribution of mineral wealth is one of the prerequisites for more sustainable societies, making this only an important but also social issue for the desired transformation of the Ugandan society.

From the engagements with the local governments, it was noted that some don't receive and majority of the mining districts are not aware of what is due to them from the central government. The formula for royalty sharing is not known to all the LGs. The Chief Finance Officer (CFO), Kabale district noted that;

"We last got royalties in 2016. And it was the first time anything like royalties reflected in our revenues. It came in two instalments of 14m and 8m. We included the royalties in our revenue enhancement plan in the budget. We do not provide accountability to central government but treat it as a revenue source. We however do not know what we're supposed to get as a district and how much is supposed to go to lower local governments."

(iv) Utilisation of Royalties (0%)

The assessment observed that in local governments; royalties are spent on non-developmental activities, which aren't aligned to the development objectives of the country. The local governments which are beneficiaries of these royalties don't submit work plans or budgets before the royalty funds are released by Treasury. They thus have no clear plans on how to utilise these resources, hence spending them on recurrent budgets.

There is need to develop an expenditure framework that will require royalties to be spent on the development of durable and wealth creating socio-economic infrastructure as identified in the National Development Plans and Vision 2040. The framework should also require the beneficiary local government to submit work plans and budgets before funds are remitted and carry out subsequent accountability before further releases.

This will help to ascertain whether the plans are aligned to the NDP and Vision 2040, before the royalties are released.



RESULTS

Fig 8: Uganda's Minig Cadstral Portal

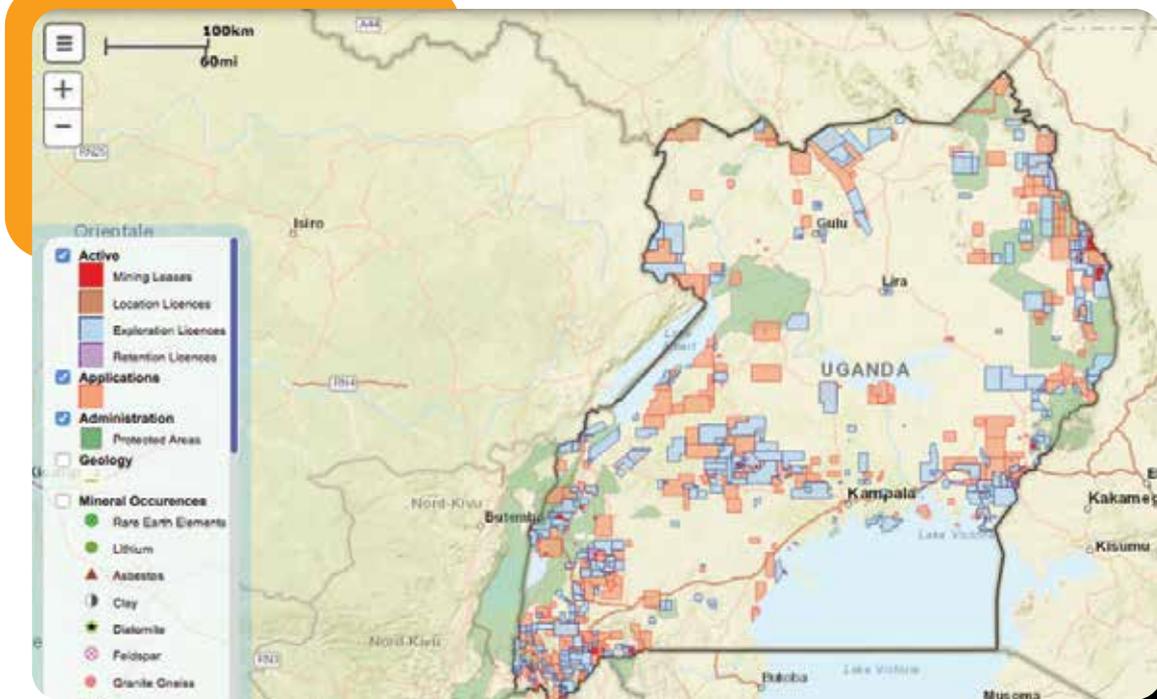
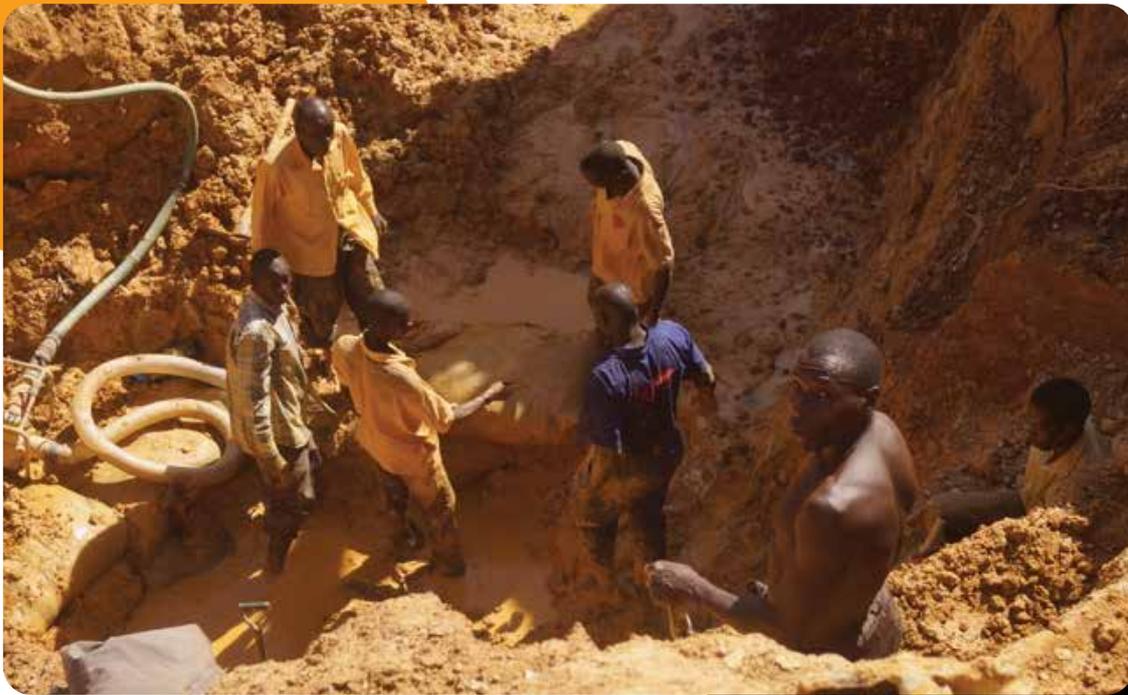


Fig 9: Gold Mining in Buhweju



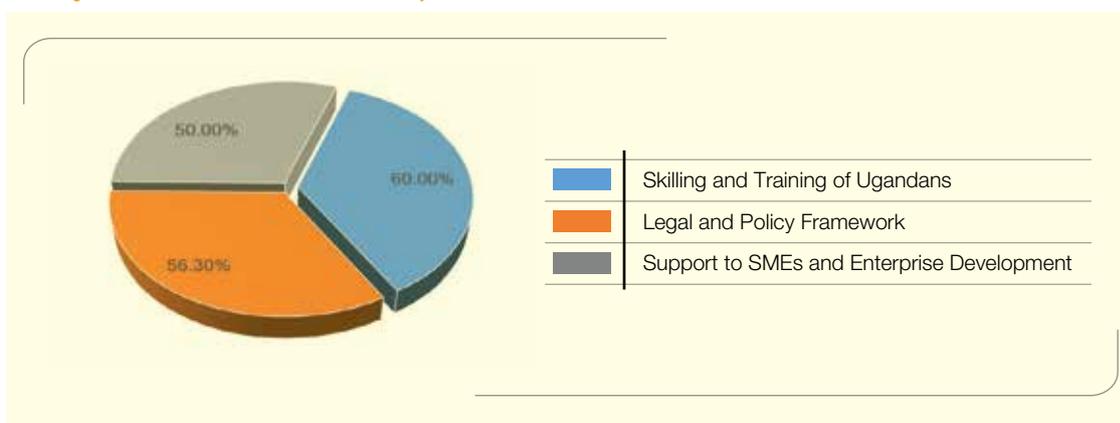


3.2.5. Local Content Development and Participation

Indicator Score:
55.4% - Mostly Addressed

Under this indicator, the subsector mostly addressed the key issues that were assessed. There are however some areas that require improvement to enable Ugandans fully participate and benefit from the industry.

Fig 10: Performance of the subsector under Key Result Areas in Indicator 5



(i) Legal and policy framework for local content development (56.3%)

Section 113 of the Mineral Act 2003 provides for the utilisation and prioritisation of Ugandan products and Ugandans by the mineral rights holders. This provision though should specifically state that mineral rights holders should only procure goods and services out of the country in the case that they cannot be locally sourced. Countries around the world are ensuring that citizens benefit from resource extraction by introducing local content requirements for foreign operators.

Similar to Section 25 of the Upstream Act, the rights holder should be required to submit an annual report detailing its achievements in utilizing Ugandan goods and services with a list accompanied by justifications for cases in which the rights holder failed to procure a local good and/or service and had to procure the good or service abroad. According to the UN Conference on Trade and

Development, this helps “foster the development of an industrial and manufacturing capacity in host countries.”⁸

The review in the act must introduce local content requirements in order to maximize use of Ugandan goods and services as much as possible.

Even though there is an established mechanism for Ugandans to participate independently or in collaboration with foreign investors in the mining industry (Partnerships and Joint Ventures) – location licenses are not allowed for foreigners, they have to make sure locals have 50% shares; Ugandans hardly raise the requirements to invest in the industry, and these foreigners end up using them (Ugandans) to disguise as shareholders in the companies, to gain the right to acquire location licenses.

For more information, see Extractive Industries: Optimizing Value Retention in Host Countries, United Nations Conference on Trade and Development, available from: http://unctad.xii.org/en/SessionDocument/suc201211_en.pdf



(ii) Skilling and Training of Ugandans (60 %)

Interviews with some small-scale mining companies indicated that the sub-sector faces a challenge finding qualified and skilled manpower in the various aspects of the mineral value chain. It was discovered that most of the skilled manpower are concentrated within the Directorate of Geological Surveys and Mines forcing mining companies to rely on the same human resource as part-time consultants. This compromises the regulatory mandate of the Directorate charged with overseeing the overall governance of the sector and largely leads to non-compliance by the mineral rights owners. Therefore, investing in human capital through higher education, technical trainings, apprenticeship and transferable skills development is important for the competitiveness of the sector.

The mineral Act 2003 requires that applicants for all the various licenses in the mining sector provides for the employment and training of Ugandan citizens. It is a contractual obligation for the mineral license holders to provide preference to Ugandans in employment but also training them with various skills required for the mining industry.

To increase on the skills level in the country, there are various training institutions that support the development of the mineral industry. Makerere University has a department that trains Geologists, though enrolment is still low. The highest number enrolled was 21 students in the 1990's. Busitema University also produces mining engineers. These graduates however still lack the required technical skills. There are no skilling institutions in which they can acquire hands-on experience in mining skills.

The subsector should explore the possibilities of establishing mineral beneficiation centres to act as training institutions for Artisanal Miners and improve the skills level, so as to support value addition.

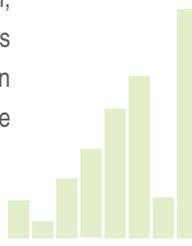
Fig 11: Members of Rupa Community Development Trust on a study tour



The subsector should also conduct a skills gap assessment study to ascertain the available and the required skills in the mining industry in the country. From the study, the subsector should develop a database of available and missing skills in the country. This will make it easier for the licensees to find the required skills to employ, than sourcing from outside the country. The database/skills gap study will inform the subsector on the areas that require urgent attention and training.

(iii) Support to SMEs and Enterprise Development in the mining industry (50 %)

The Mining and Minerals sector in Uganda is driven by the artisanal and small scale players who are credited for production of over 90% of the country's produced mineral and materials, employing close to 400,000 Ugandans directly and impacting lives of over 2 million Ugandans. These employment opportunities provided by the sub-sector can be substantial and in some cases critical in addressing the rampant youth unemployment in Uganda. The study discovered that no deliberate attempts were being undertaken by the few medium scale mining projects to build SME's. This means that local communities are less likely to benefit from new jobs and business opportunities linked to these new mining projects. The scorecard observes that capacity building through education, training and skills development could help overcome the skills shortage forecast challenges and would in the long-run contribute towards more sustainable communities, beyond the life of these mining projects.



The assessment acknowledges the fact that mining companies procure goods and services available in Uganda and sold by Ugandan companies, entities and individuals. To a limited extent though, the mining companies do support the development of Small and Medium Enterprises, through buying from them. For instance, the Sukulu phosphate company procures all its logistics from local companies. However, the company has not provided the required capacity to the local SMEs to provide the goods of the required quantity, quality and set standards. This thus denies the local SMEs the opportunity to supply the company.

SMEs lack the required collateral to access these resources. They are therefore limited by financial resources to even provide the required goods and services to the mining companies.

The government should soften on the requirements needed by the local SMEs to access the financial support from the \$12m set aside for the development of private enterprises in the mining industry. The mining companies should also be encouraged to enter into Community Development Agreements (CDAs) with the host communities such that they supply the required goods, so as to benefit from the resources within their community.

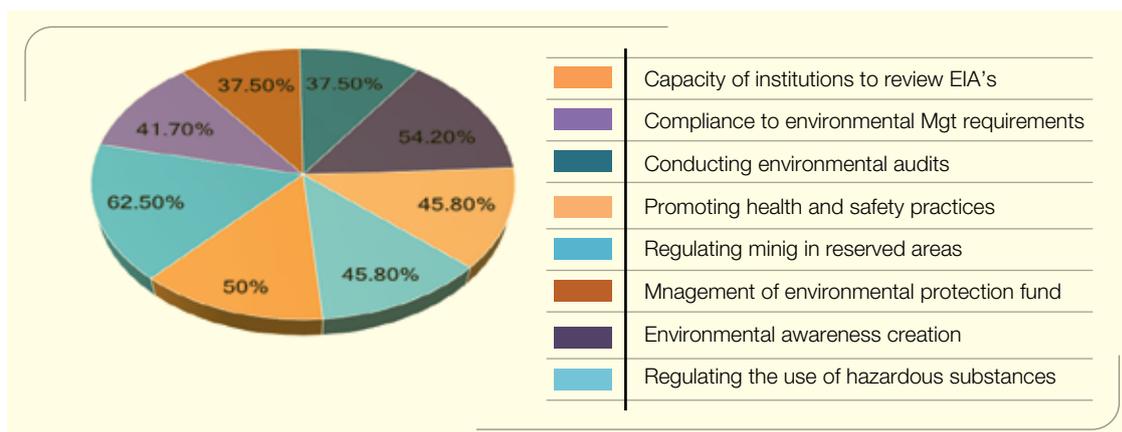
Even though the local SME companies are provided with timely information on investment opportunities, jobs and contracts for provision of services available in the mining industry, they in most cases lack the necessary financial services to support their contracts execution. Even though the government set aside 12 million dollars to support local SMEs to invest in mineral development activities and provide the required services, the local

3.2.6. Health, Safety and Environment Conservation and Management

**Indicator Score:
46.9% - Partially Addressed**

The subsector scored 53.6% under this indicator implying that some of the issues assessed have been implemented. The areas assessed are the capacity of the institutions in the mining subsector to review the ESIA's, regulating of the Mining Activities in the Reserved Areas, compliance of the mining companies to environment management requirements, the management of the environmental protection fund, conducting of environmental audits, environmental awareness creation, promoting health and safety practices, and regulating the use of hazardous mining substances. Below is a detailed explanation of how the sector has performed under these areas assessed in indicator 6;

Fig 12: Performance of the Subsector under Key Results Areas in Indicator 6





(i) Capacity of the institutions in the mining subsector to review the ESIA's (50%)

Both DGSM / NEMA have the mandate to support each other in reviewing of the Environmental and Social Impact Assessments (ESIA's) before they are approved. They are both meant to have the institutional capacity to review ESIA's of mineral right applicants and holders. It was however noted that EIAs are done by NEMA and sent to DGSM for review. NEMA however does not have the capacity for reviewing ESIA's in the mining subsector, and thus they are done by DGSM.

It was also noted that due to capacity gaps, both human resource and financial gaps, both DGSM and NEMA do not have the required capacity to monitor compliance with ESIA's and Environmental and Social Management Plans (ESMPs) during projects implementation. NEMA and DGSM participate jointly during the preliminary phases in ensuring that mining companies meet the required Environmental Impact Assessment standards prior to commencement of the project, but follow-up on compliance in the course mining projects and post-mining was found to be lacking.

Fig 13: Mercury contaminated water flowing into farmland at a gold mining site in Amudat



(ii) Regulating of the Mining Activities in the Reserved Areas (62.5 %)

The Institutions responsible for the management of forest reserves, game reserves and national parks are mandated to monitor mining activities within their territories. This research noticed that these institutions have developed and disseminated regulations to safeguard natural resources in the mining areas. Mining projects can be undertaken in environmentally sensitive areas provided pre-requisite environmental considerations have been undertaken and authorisation sought from the responsible government agency. A case in point is the on-going Dura Limestone Quarry in the Ruwenzori National Park servicing Hima Cement in Kasese. However, the actual monitoring of these mining activities by the UWA and NFA is not fully conducted and hence compliance to regulations is not fully enforced.

Section 21(1)(b) of the Mining Act 2003 provides for the Restriction on a prospecting license and Section 78(1)(g)(h), provides for the Restrictions on exercise of mineral rights. These sections restrict the holder of the mineral rights to prospect over an area of land that is, or forms part of forest reserve, game reserve, national park, etc. unless the holder has first given notice to and obtained permission from the relevant authorities. The act however doesn't grant rights to the relevant authority to conduct oversight and monitoring to ensure that the holder abides by the conditions on which permission was granted.

Forest reserves, game reserves, and national parks are all endowed with specific authorities to oversee and manage their territories.

Therefore, these authorities should have rights to monitor mining activities occurring within the territory to ensure continuous compliance with the conditions on which the permission to mine was granted instead of stopping on disseminating regulations. Inter-agency coordination in the monitoring of these mining projects to ensure compliance with the ESIA's is also important and needs to be improved.

Section 78 (1) (i) calls for respect of or on any land, which is held communally for cultural rites, without the written consent

of the community concerned. It has been noted that in some areas mining activities have taken place in cultural places without the consent of the community, antagonising the cultural heritage of the area. For instance, mining has been taking place in Athapanun, Rupa in Moroto district. This is the place where ritual practices of initiation were conducted. It has since then been diluted, according to the community members. Furthermore, Loorung, in Rupa, is an area of cultural heritage and thus a potential tourist site but it has since been affected by mining activities. Free, Prior and Informed Consent, as well as other forms of pre-project community consultation are recognized as international best practice that must be undertaken prior to any project related land acquisition or land use⁶.

An applicant should not be granted mineral rights in any case without obtaining community consent. License holders need a Social License to Operate. Without community consent, this shouldn't be secured. Requiring such community consultations will prevent negative relations between the community and the license holder and will ensure that the community is aware and in support of an upcoming project.

(iii) Compliance of the mining companies to environment management requirements (41.7%)

Section 41, Section 108 and Section 110 of the Mining Act, 2003, provide that an application for a mining right should indicate and provide specific information (set requirements) which includes Environment Impact Assessment, Annual Environment Audits and an Environment Restoration Plan. The scorecard assessment however noted that mining companies have not developed comprehensive environment management plans nor do they operate according to their environment management policy.

Fig 14: Effects of Illegal Sand Mining on Land in Lwera Swamp, Masaka Road



According to the Auditor General's Report on regulation, monitoring and promotion of the mining sector 2015, some of the companies did not conform to any of the set requirements. At the time of the assessment, none of the companies had submitted annual environmental audits and audited accounts to DGSM and there was no evidence to show that DGSM followed up with the applicants after issuing the licenses.

There is need for close monitoring and supervision of the licensee operations to ensure that rights holders abide by the environmental requirements and standards. Mining companies should also continue submitting environmental performance bonds for the fulfilment of the required environmental management and management of environmental issues once the companies exit the mining areas without handling the issues.

The Mining of developmental minerals has also had serious effects on the environment causing degradation in areas where it is conducted. The Principal Assistant Secretary to the CAO in Rubanda district, on behalf of the CAO, noted that,

"There is the mining of these development minerals for construction; this activity is done on small scale but has environmental implications because it's unregulated. Take an example here of Kiyorwa where degradation is affecting L. Bunyonyi. The president intervened and stopped the mining of sand but wanainchi crying out to him that they are unemployed."

(iv) Management of the environmental protection fund (37.5%)

Depletion of mineral resources and environmental externalities as a result of air emissions, discharges of liquid effluents, use of hazardous chemicals such as Mercury and cyanide in the extraction of minerals such as gold and generation of large volumes of solid waste are the most important environmental issues for Uganda's mining and minerals sub-sector. It emerged that mineral extraction activities have a visual impact on the landscape and has led to the destruction or disturbance of surrounding and

⁶According to the "Free, Prior and Informed Consent" guidelines, investors must obtain free, prior and informed consent from affected communities before the mineral right can be granted. For more information, see the UN-REDD Guidelines on Free, Prior and Informed Consent (2013) available from: http://www.unredd.org/Newsletter39/FPIC_GuidelinesLaunch/tabid/129671/Default.aspx . Also see FPIC and the extractive industries (2013) published by International Institute for Environment and Development (UK), available from: <http://pubs.iied.org/pdfs/16530IIED.pdf>



03 RESULTS

neighbouring habitats and in some cases leading to a loss of biodiversity. Furthermore, some effluents generated by mining activities contain large and dangerous toxic substances such as cyanide and heavy metals, which pose significant human health and ecological risks. The study also discovered a number of abandoned mining sites and unrestored mining quarries as testament to the unsatisfactory environmental performance of the mining and minerals sub-sector state of affairs.

The National Environment Act Cap 153, Section 88 provides for the establishment of the environment protection fund. This fund supports in the replenishing the environment. Replenishing mine sites and mine environments is one of the key factors that will ultimately protect the mine's impact on the environment. Simple solutions like replenishing native soils and grasses, cleaning excess waste, proper waste removal, site inspections and replanting trees and natural forestry can rejuvenate a long-term ecosystem repair and sustain the environment for years beyond when the mine is no longer operating. The entire reclamation process should include: removing hazardous materials, reshaping land, restoring topsoil, and planting native grasses, trees or ground cover natural to the site. In cases where the miner hasn't replenished the environment, this fund would be used to support this activity.

Even though the fund receives funding from disbursements from the Government; fees charged under this Act; fines collected as a result of the breach of the provisions of this Act or any statutory instrument made under this Act,

there is need to review the act such that the mining companies are able to deposit funds into the Environment Protection Fund as a security for decommissioning, restoration of derelict lands and orderly post-mine

disclosure. In several cases, miners have abandoned mine sites without restoring them and

the government had to incur a cost for restoration. This should be borne by the miners, in form of a security deposited in the environment protection fund.

Fig 15: An Abandoned Cyanide Plant in Amudat District



(v) Conducting of environmental audits (37.5%)

Section 22 (1) of the National Environmental Act, Cap 153 provides for NEMA to commission an independent audit to verify the credibility of the annual environment audit conducted by the mineral rights holders. It was noted that NEMA rarely exercises this mandate and when it's done, mining companies rarely inform the authority on the action taken to mitigate the undesirable environment effects identified. This is because Section 108(3) of the Mining Act 2003 doesn't provide NEMA with the power to conduct an independent audit, in case of credible concerns of non-compliance of the license holder. Sometimes when NEMA conducts an independent audit, mining companies don't provide feedback to NEMA on the mitigation measures that were taken to handle the identified undesirable environmental effects.

NEMA should exercise its powers provided in NEMA Act Cap 153 to prevail over the mining companies to ensure that they mitigate the identified undesirable effects and regularly report to the authority.

There is also need for the review of the Mineral Act 2003 so as to clarify on NEMA's powers to use the information presented in the audit to require remedial action. The Act, like the NEMA Act,

Cap 153, should give NEMA the right to request the license holder to commission an independent third party to conduct an environmental audit to be submitted to NEMA for review in cases where NEMA has credible cause for concern that the license holder may be non-compliant. The act currently does not stipulate that an audit must be undertaken by an independent third party. Environmental audits are critical tools that allow the sector and license holders to work together to continuously mitigate environmental harm if the right processes are in place.

(vi) Environmental awareness creation (54.2%)

NEMA is mandated to raise awareness on environmental matters and share information with the public on matters relating to the impacts of mining activities. This has been however left in the hands of CSOs and other interest groups to promote awareness in the mining areas. The miners hardly know what to do, coupled with low rates of supervision, puts the management of environment issues in jeopardy. There is need for NEMA to come up with a clear strategy of awareness creation and promotion on environment issues generally in the country and more specific in the mining areas.

Dispute resolution mechanism is a requirement for every project developer. It forms part of the requirements in the certificates of approval for all mining projects. Mineral rights holders are in the process of establishing mechanisms for addressing environmental and social grievances, disputes and conflicts arising from exploration and mining activities. Disputes arise from a range of issues, including land, misunderstanding of the laws governing mining, environment degradation, and royalty sharing, among others.

Mining companies and government should set up alternative ways of resolving disputes. Before project implementation, Social Impact Assessments (SIAs) should be prepared and these will facilitate the identification of mechanisms to address peoples' grievances to prevent latent conflict hitting crisis levels. Regular reviews of the SIAs should be conducted to help identify sources of conflict in places where mining is being considered. SIAs should identify the context, the drivers and possible social, political and environmental causes of conflict and investors be guided on how to operate in the context without exacerbating tensions. The process of preparing

SIAs should be consultative between mining companies, host communities and other stakeholders.

Companies should also identify Community Engagement Personnel to work as linkages with the community and act as conflict monitors within the mining areas to help identify and alert government structures and companies about brewing conflict. Failure to address the causes of conflict negatively affects business and destroys communities.

(vii) Promoting health and safety practices in the mining industry (45.8%)

In addition to wages and benefits that are universally important in the mining and minerals industry, one other significant issue is the occupational health and safety. Accident statistics show that the industry poses above-average risks to employees. Unprotected underground metalliferous mines were reported to have the highest incidents of fatalities most of which are never reported by mine owners and artisanal miners for fear of shutdown of their mining operations. Underground gold mining in the Mubende region was reported to have the highest number of fatalities with an estimated 10 fatalities per year followed by Tin mining in the Western region with an estimated 7-8 fatalities on an annual basis. Statistics here could not be verified because the victims' families and the owners of the mines are reluctant to disclose these fatalities for fear of imprisonment and also due to the illegal nature of their activities, especially those in artisanal and small-scale mining operations.



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Fig 16: A miner in Chepkararat (Amudat District) mining without any protective gear



Workers are also exposed to a number of health hazards due to hostile mining environments. These include chronic occupational diseases due to dust inhalation common in gold mining and processing as well as in the stone quarrying sectors. Most of the mining workers interviewed were found to be oblivious of the imminent danger and exposure to diseases such as pneumoconiosis, silicosis and lung cancer.

Some mining activities also endanger the lives of mining communities due air pollution, releases of toxic substances to water streams and food chains. Unprotected access to abandoned and sometimes even active pits also pose a safety risk to communities and their livestock in some parts of the country.

The sector has no specific established occupational health and safety requirements followed by the mineral rights holders with regard to employers and employees in the mining industry. The mineral rights holders are required to comply with the Occupational Health and Safety Act 2006. However, despite government efforts to improve safety and health of all workers in the country through funding enforcement of OSH activities, limited impact has been registered due to inadequate enforcement of the OSH Act of 2006.

Fig 17: A miner in Amudat using mercury to separate gold from gold dust.



Although Uganda's economy has registered a number of achievements, various aspects of occupational safety and health (OSH) have not been adequately addressed. Management of the OSH issues at workplaces continue to be left unattended to by different sectors of government and private sector. The mining sector isn't immune to this situation and hence the miners are found to work in environments that are not palatable with humanity. This is attributed to a number reasons such as the lack of well trained and facilitated inspectors to fully inspect mining areas to ensure application of OSH requirements, no sensitisation and trainings of miners on the required OSH standards, mining work places aren't registered and certified, lack of coordination between NEMA and MGLSD before approving of EIAs, among others.

There is however an effort to try and train the ASMs, but because of their informal nature, it is difficult to improve their health and safety standards. Under the African, Caribbean and Pacific (ACP-EU) project funded by UNDP, ASMs are being identified and trained in appropriate technology, environment management, and occupational health and safety standards. Formalisation of the ASMs has to be fast-tracked, if the ASMs are to benefit from such programs. Working in an informal setting will inevitably make them less adoptable and trainable with in HSE and use of modern technology.

In some communities where mining is conducted, the members highlighted several social and health concerns that require immediate attention such as; sexual exploitation of workers in mines; exploitation of the ASMs by buying minerals from them cheaply; employee exploitation by the mining companies; failure to provide protective gear and medical care to local miners and employees; injuries on the mining sites; employing foreigners instead of giving the opportunity to locals; among others. The community members also complained about the increasing social discord and the erosion of moral values in mining areas. This has been exacerbated by the increased prostitution, alcoholism, HIV/Aids, sexual abuse of young girls and family breakdown as causes of conflict from increased capital flowing into mining areas as a result emigration.

(viii) Regulating the use of hazardous mining substances (45.8%)

NEMA developed the National environment (waste management) regulations to mitigate waste management in the mining industry. Along with the Explosives Act Cap 298, the sector has a legal framework for the handling, transportation, storage and usage of hazardous chemicals and, explosives used in exploration, mining activities, and radioactive materials, tailings and toxic effluents and emissions resulting from such activities.

Uganda is also on course to ratifying the Minamata Convention on Mercury. The Convention aims at protecting human health and the environment from anthropogenic emissions and releases of mercury and mercury compounds. Mercury is a highly toxic substance that possesses some unique chemical properties that are hard to find anywhere else in nature. In Uganda, the most prevalent use of mercury is in the Artisanal and Small scale Gold Mining (ASGM) sector. Its use still remains highly popular and highly unregulated in the ASGM industry.

The National Environment Management Authority (NEMA) concluded the compilation of the national mercury inventory as required by the Minamata Convention on mercury. Mercury, despite its uses, poses many health risks including; loss of peripheral vision, "pins and needles" feelings, usually in the hands, feet, and around the mouth, lack of coordination of

movements, impairment of speech, hearing, walking and muscle weakness.

In a quest to curb the spread of mercury use, some organisations like Environmental Women in Action for Development (EWAD) is championing Africa's first certified Fairtrade gold producer, a mining group in Busia called Syanyonja Artisanal Miners' Alliance to produce gold using an entirely mercury free process. This if made a national program and rolled out over the mining areas in the country, would help curb the use and effects of mercury in gold mining in the country.

Fig 18: A gold kacha in Busia used to eliminate mercury from the gold mining process





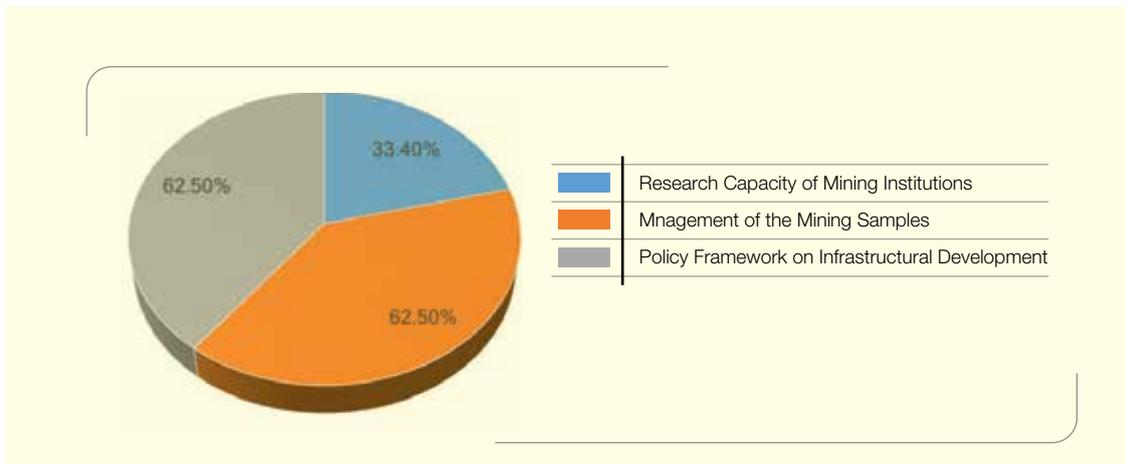
RESULTS

3.2.7. Infrastructural Development

**Indicator Score:
52.8% - Mostly Addressed**

The subsector scored 52.8% under this indicator implying that most of the areas had assessed performed relatively well. The areas assessed included capacity of the institutions to perform its mandate, the policy framework for infrastructural development and the management of mining samples. Below is how the subsector performed in each of the key areas assessed under this indicator;

Fig 19: Performance of the subsector under Key Result Areas in indicator 7



(i) Research Capacity of Mining Institutions to improve value addition (33.4%)

There is on-going global pressure to improve social, developmental, and environmental performance in the mineral industry. This calls for increased expenditure on Research and Development through the mineral value chain. This will improve on the ability to provide evidence based decisions and policy based recommendations in the mining areas; share and use of mineral revenue by local

governments and mineral host communities; cross-sectoral linkages and multiplier effects and local content development in the mineral industry, among others. Though it was established that DGSM is developing a well-maintained modern internationally certified mineral analysis and beneficiation laboratory, the efforts to support the research and development theme in the mining industry is still lacking.

The directorate has a modern computerized mining cadastre but it was noted that is not regularly maintained and updated. It also has an effective system for collection, analysis, archiving and dissemination of data and information about the mineral

industry in Uganda; though it still requires some improvement in the way data is kept and disseminated to the users.

Due to gaps that are identified as still existing at the directorate and the lack of research and development; there are little efforts geared towards adding value on the minerals that are produced in the country.

This calls for increased budget and expenditure on research and development in the mining industry, along the minerals value chain, and establishment of a unit to coordinate and promote research and development. This will help the country to have maximum benefit from the mineral resources.

(ii) Policy framework on Infrastructural development in Mining Subsector (62.5%)

The scorecard noted that the government has an agenda to develop infrastructure required to develop mineral resources. This includes development of roads that reach to various parts of the country such as the Tororo-Malaba road for the Sukulu project, establishing a modern and internationally certified mineral analysis and beneficiation laboratory, among others. However, DGSM does not have a policy framework on the management and maintenance of mineral equipment at the directorate headquarters.

There have been massive investments in the acquisition of various equipment required in mining exploration and development; these are however left in the hands of individual departments and utilised or lent out to private firms at will, without the knowledge of the directorate. There should be a clear policy on asset management and an asset registry established in order to avoid loss and vandalising of the equipment at the hands of the individuals.

The National Development Plan II provides for prioritisation of mineral development through establishment of the mining master plan containing the country's mining vision in accordance with the African Mining Vision. The purpose of the master plan is to clearly provide the detailed strategic direction and guidance for the mining sector during the NDP period and beyond. It was, however noted that the master plan had not been developed. Without adequate

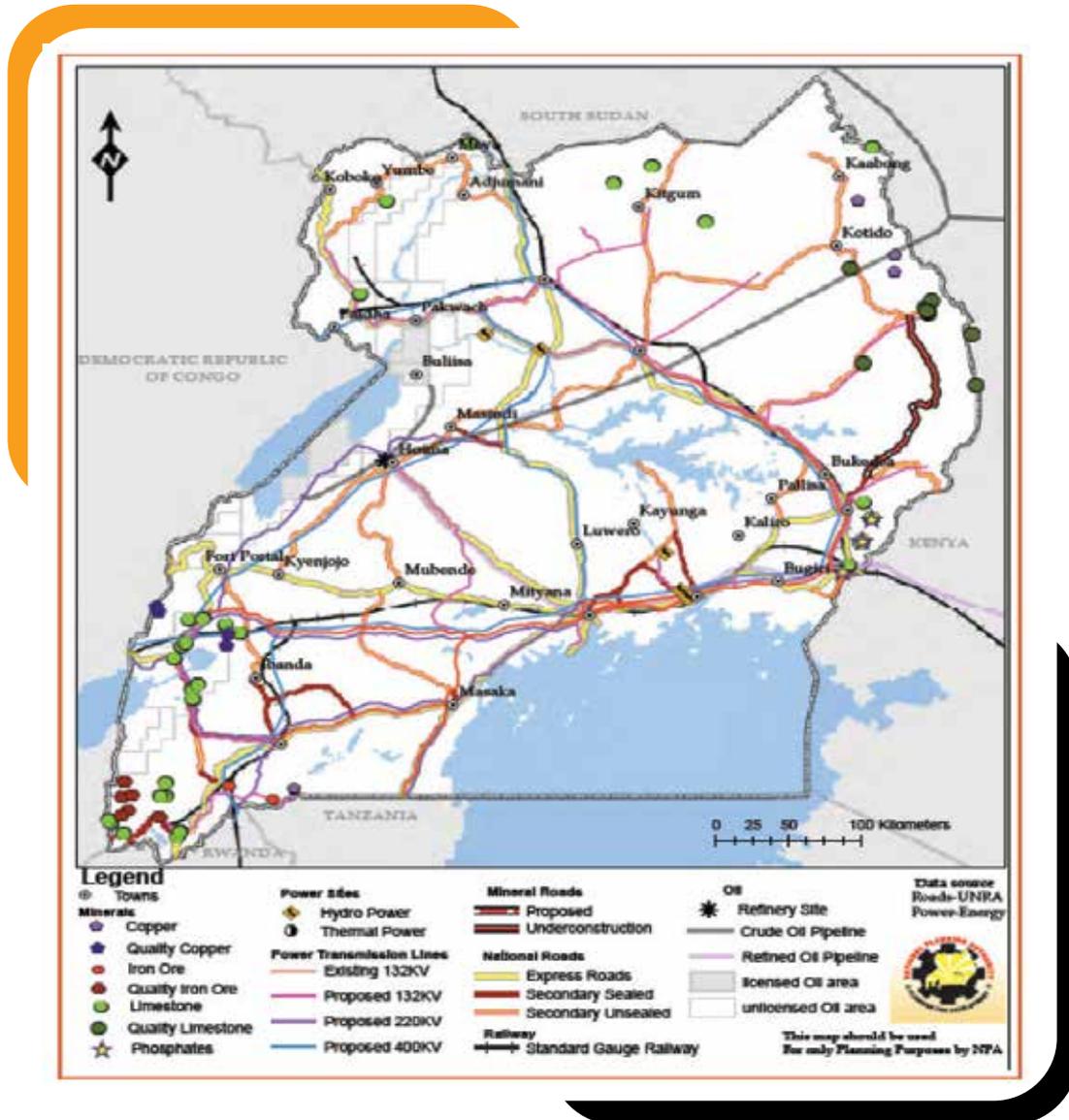
strategic direction, the anticipated benefits of mining to the country may not be effectively achieved. DGSM should prioritise development of the minerals master plan.





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Fig 20: Map of Uganda showing the NDP II proposed Minerals & Requisite Infrastructure



(iii) Management of Mining Samples (62.5%)

Though the subsector has established a criterion for the monitoring of mining samples exported out of the country, there are no clear guidelines to this effect. Section 98 (3) of the Mining Act 2003 allows for exemption of royalties on samples in quantities that shall be determined by the Commissioner. According to the OAG report, 2006, a review of the mining regulations however revealed that there were no guidelines in terms of the minimum or maximum

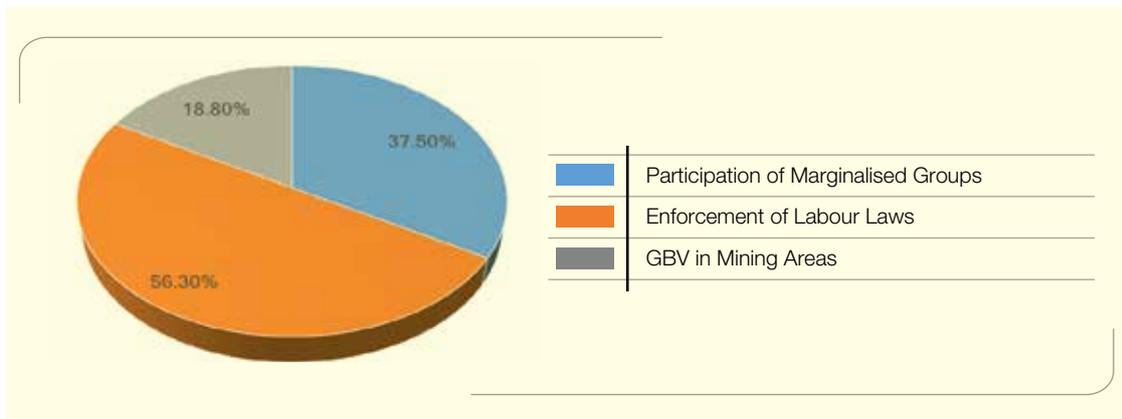
quantities to be exempted. Without guidelines, there is risk of abusing the law whereby mining companies may export minerals under the pretext of samples to evade payment of royalties causing loss of revenues. However, the new policy remains silent on the management of samples apart from requiring drilling companies under the ministry of water and environment to avail samples and logs to DGSM. Government should therefore expedite the development of the policy, regulations and guidelines to support the mining subsector in regulating the export on mineral samples.

3.2.8. Gender, Equity, Social Inclusion and Participation

Indicator Score:
37.5% - Partially addressed

The subsector scored 37.5% under this indicator implying that the subsector has partially addressed the areas assessed under this indicator. The areas assessed included the participation of the marginalised and vulnerable groups in the mining industry, enforcement of the laws related to employment and child labour, and issues of gender based violence in the mining areas. Below is how the subsector scored in each of these areas;

Fig 21: Performance of the subsector under Key Result Areas in indicator 8



(i) Participation of the marginalised and vulnerable groups in the mining industry (37.5%)

There are significant barriers to the full participation and benefiting of vulnerable and marginalised groups in the mining industry. These include inequities in access to resources including capital, information, education and training; mobility; and legal, socio-cultural and financial constraints. There is a mechanism that ensures an inclusive participation of disadvantaged and vulnerable people in the mineral industry. For instance, section 114 of the Minerals Act 2003, provides for women to be employed to do underground work in any mine or

any mining operation. Companies should hire female staff in different types of work on the mine site, not only underground.

According to the District Community Development Officer, Busia, women are mainly involved in carrying soils/ores out of the pits, engaged in sieving gold, and in gold trading. When it comes to negotiating for compensation, the people interviewed in the various FGDs indicated that very few groups of vulnerable and marginalised people participate in compensation negotiations for land access or acquisition for mineral activities.



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In an FGD at Loorung Lolet Kalemureng Village in Moroto Village, one female participant noted that;

“We are not allowed to engage in the lucrative task of gold mining. We are restricted to picking loose ore to crash.”

One elderly woman in Hamurwa TC, in Rubanda district, where Iron Ore is mined, revealed that,

“Even we women can carry that heavy iron ore, and after breaking it into smaller pieces. We can do the work ourselves. We even load those tippers that come for iron ore. We might work at a slower pace but we do the work ourselves. Here it is survival for the fittest. The days when we could hire people to do work for us are gone, everyone does any task.”

This calls for a need for deliberate efforts, to empower by skilling and training of women to participate in the mining activities, such that they can apply skills others than efforts in the mining areas.

(ii) Enforcement of the laws related to employment and Child Labour (56.3%)

Whereas child labour is illegal in Uganda, the use of child labour in mining operation has been identified as one of the critical social issues in the industry. Child labour is associated with many potential health consequences to child labourers including over-exertion, respiratory ailments, headaches, joint problems, hearing and vision loss.

The Employment Act No. 6, 2006 (32) provides for:
(i) not employing of all children under the age of 12 years in any business, undertaking or work place.
(ii) Not employing or work in places which are injurious to his or her health, dangerous or hazardous or otherwise unsuitable. The Children Act Cap 59, 2000 in section 8 of the Act states that no child shall be employed or engaged in any

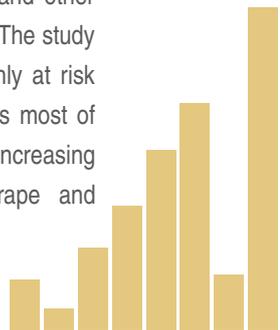
activity that may be harmful to his or her health, education or mental, physical or moral development.

Fig 22: A child miner in Rupa mining area, Karamoja region.



It was however noted that in most mining areas, there has been rampant involvement of children in the mining activities which puts their lives in danger, even though the government has not moved forward to enforce the various regulations available. According to the report “No Golden Future” published by Centre for Research on Multinational Corporations in April 2016, the number of child gold miners was estimated between 10,000 to 15,000 across gold mines in Uganda in some of the rich mineral districts like Moroto, Mubende Namayingo, Buhweju etc. The International Labour Organization categorizes mining as hazardous work to children and defines it as the worst form of child labour.

During the mapping exercise on child labour in mining conducted by Ecological Christian Organization (ECO) in gold and marble rich Rupa and Katikekile Sub County in Moroto district, it was noted that children go to the mines to get money to buy food, pay school fees, scholastic materials and other needs since UPE comes with other additional costs. The study also revealed that the plight of the girl child is highly at risk because of the dangers eminent at the mining sites most of which are characterized by alcoholism, hence increasing chances of early pregnancies, HIV/AIDs and rape and defilement.



The government therefore should holistically tackle child labour in the country. Actions on ensuring food security of families, provision of alternative livelihoods, enforcing legal provisions, raising awareness and providing comprehensive education support for children including meals without any additional costs should be considered.

(iii) Gender Based violence in the mining areas (18.8%)

Sustainable mineral development of Uganda's mining and minerals sub-sector requires the recognition and provision of equal opportunities to all regardless of their gender, tribe or disabilities. One of the equality issues of concern is that the mining and minerals sub-sector in Uganda like any other mineral rich economy remains traditionally a male-dominated industry with few women employed in the less paying sections of the value chain in the sector. For example, some widows in Busia and Namayingo region made allegations of the existence of discrimination and abuse by their male counterparts in these mining camps.

Other problems that are often associated with mining and affected women are disrupted family life, increased prostitution, alcoholism, domestic violence and loss of land rights. The scorecard identified gender disparity as one of the important issues that needs to be addressed by the industry, including attracting more women into professional jobs through the training and skilling of more female mining engineers, geologists, scientists, policy analysts, lawyers and economists as well as equalising remuneration for men and women through the value chain in addition to ensuring that women in local communities benefit from mining activities.

Protection of human rights is another relevant social concern raised by mineral rich host communities,

most especially in the Karamoja region. There have been accusations that some mining companies abuse human rights of the indigenous communities either independently or in collusion with local and central governments. Such human rights include but are not limited to paying mineral loaders unfairly low wages, denying employees the right to organise themselves in

trade unions, ignoring the use of child labour in mining activities, discrimination against women, violation of indigenous rights, land grabbing without adequate compensation.

According to the various respondents interviewed in both the FGDs and KIIs, GBV is very prevalent in the mining areas. One Community Development Officer at Rupa Sub County noted that,

"There is prevalent gender based violence as a result of alcoholism. Some of the miners in the area spend their income obtained from mining on alcohol." Logiel Anthony Abbot Moroto Rupa CDO

In an FGD for men at Loorung Lolet Kalemureng, in Moroto district, one participant revealed that,

Because of alcohol and the young men have money they mistreat women. They intimidate and harass women because of alcoholism.

A woman in an FGD at Buhweju revealed that,

All of us you see here are widows (Effakazi). These dealers of ore take advantage of us because they see us as vulnerable people who cannot manage life on our own. Single parenthood is also a difficult situation; you have to fend for your children alone.

The role of women in artisanal mining cannot be ignored, even though the challenges are enormous. The incomes they earn play an important role in improving the livelihoods of their families. There is need make reforms in order to promote women's empowerment in the Artisanal mining sector. More so, mining companies should put in place mechanisms to mitigate gender based violence amongst their employees.



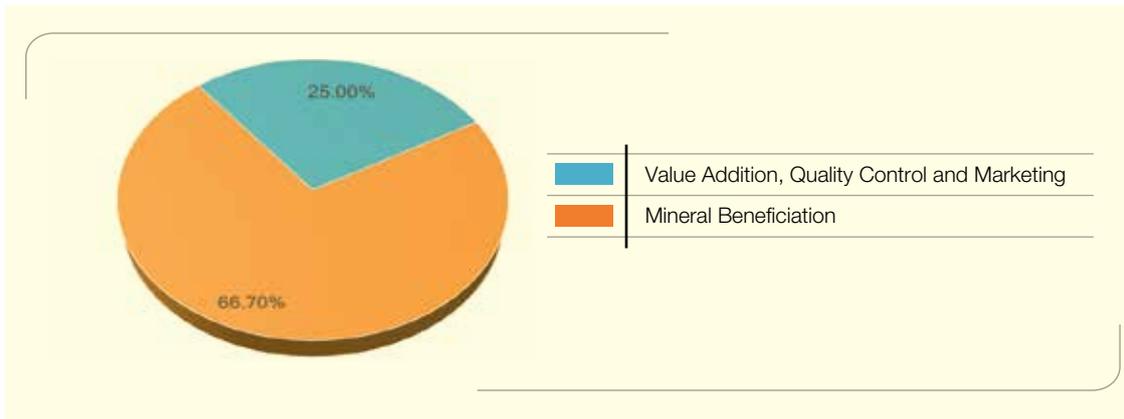
RESULTS

3.2.9. Minerals Value Addition and Marketing

Indicator Score:
45.8% - Partially addressed

The subsector scored 45.8% under this indicator implying that the subsector has partially addressed the areas assessed. The areas assessed included mineral beneficiation, and Value Addition, Quality Control and Marketing in the Mining Industry. Below is how each of these areas contributed to the score of this indicator;

Fig 23: Performance of the subsector under Key Result Areas in indicator 9



(i) Mineral Beneficiation (66.7%)

Regarding beneficiation, government undertakes to invest in strengthening the mineral dressing laboratory (value addition laboratory) in the Department of Geological Surveys and Mine (DGSM) to enable it carry out laboratory tests to help in various mineral beneficiation processes. As a strategy to reduce the export of raw minerals, priority for issuance of exploration and mining licenses would go to projects that include the establishment of processing and refining plants in Uganda and use of modern technology, as well as, adherence to environmental standards.

The sector has specific benchmarks for beneficiation and value addition based on analysis of the full mineral value chain for each individual mineral. The current mineral policy framework

encourages it reason for which a ban was put on the export of unprocessed iron ore and copper. Uganda will be exporting finished products. There are incentives that have been put in place to encourage the establishment of processing and other beneficiation industries. Plant and machinery for refining gold are exempted from import duty, and VAT is deferred for a period of one year. Some of the companies that have benefited include Elgon Mineral Resources, which brought US\$300 million to invest in a gold mining and processing facility in Busia by 2019. This will be the second firm after African Gold Refinery that recently invested \$15 million beneficiation facility that can refine gold up to 99.9% purity.

However, there are no skilling programs for mineral beneficiation and value addition in the country. These need to be established and supported to ensure that the country fully benefits from the mining industry.

(ii) Value Addition, Quality Control and Marketing in the Mining Industry (25.5%)

Mineral development and value addition comes with benefits derived from mining, processing and assembling. It also encompasses the multiplier effect of those industries that benefit the service and supply industry, i.e., construction, energy, engineering and environmental services, equipment parts and supplies, financial and legal expertise, among others.

Through NDP, the government proposed various interventions in the minerals sub-sector that would have significant impact on the economy, which include:

- (i) Development of the iron smelting plant, which would have positive spill-over effects on steel manufacturing within the region and;
- (ii) Processing of phosphates into fertilizers, which would have positive benefits especially for the agriculture sector.

It is projected that value addition in mineral development would contribute on average 0.5 percent to total GDP per annum.

According to this scorecard, achieving this target remains far-fetched due to various reasons. There is no framework and structures for the regulation of mineral processing and marketing. The current law does not provide for this and the sector is still having issues with AGR. The scorecard noted that there

are no established processing and buying centres for mineral commodities from Artisanal and Small Scale Miners. The existing arrangements are informal, set up by the business people themselves. It was also noted that there are no collaborative arrangements with the private sector to develop and improve training institutions in mineral marketing, grading and valuation. The marketing and selling of mineral products in Uganda is characterised by transfer pricing, and under invoicing to evade taxes.

To control these irregularities, there is need to establish a minerals selling and marketing agency or corporation to control and carry out sales and exports of all minerals produced in Uganda; to minimize opportunities for underhand and dishonest dealings such as, transfer pricing, under invoicing and related problems; to monitor international mineral markets and trends and technological changes to the best advantage of the Government; and to protect the interests of the country and of producers and the industry.

Access to financing by the ASMs in Uganda has also been a stumbling block to the development of the mining industry in the country. This is because of the informal nature of the ASMs activities.

There are mechanisms to control and regulate the quality of minerals produced in Uganda. When someone is applying for a mining lease, there are a number of expectations, which they must fulfil as stipulated in Mineral Act 2003. These are however loosely monitored due to lack of the necessary human resource to monitor for compliance.

There have been efforts to attract investors to add value to mineral products produced from Uganda. Tin (African Panther) commenced mining and processing of tin with value addition of concentrating the ore up to 75% as the first phase with at least USD 10M investment. The second phase will include a tin smelter. More however needs to be done.



RESULTS

Recommendation

The government should provide finances to equip and build capacity of mineral laboratories for value addition. This should involve providing for repairing and servicing the major equipment, i.e., Atomic Absorption Spectrometer (AAS) and X-Ray Fluorescence (XRF) spectrometer, which developed faults due to power surges.

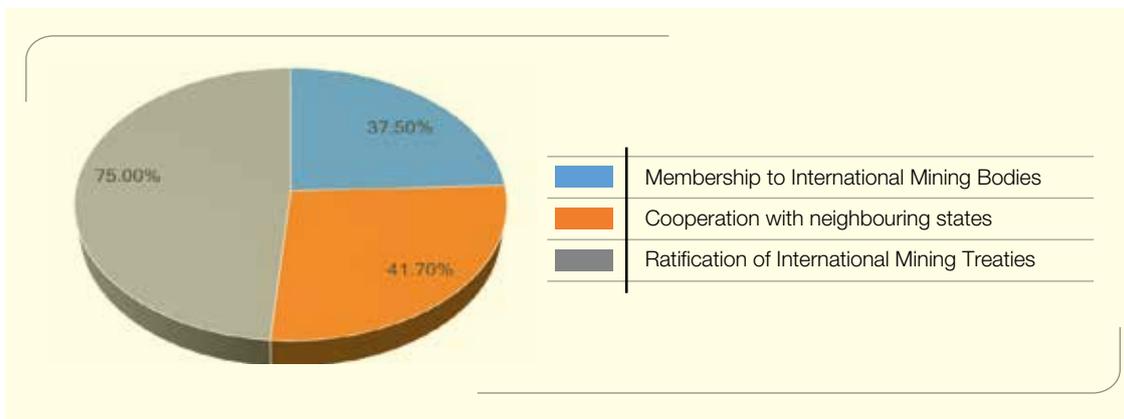
Uganda should move to entrench its desired policy on value addition to be more inside looking as well as focused on exploiting the East African and Sub-Saharan markets for its commodities as well as negotiating trade treaties with neighbouring countries to remove such barriers if any currently exist.

3.2.10. Regional and International Initiatives

**Indicator Score:
51.4% - Partially Addressed**

The subsector scored 51.4% under this indicator implying that the subsector has mostly addressed the areas assessed. The areas assessed included the ratification of international mining treaties, cooperation with other neighbouring countries, and membership to other international bodies. Below is how the subsector scored on each of these areas assessed under this indicator;

Fig 24: Performance of the subsector under Key Result Areas in indicator 10



(i) Ratification of International Mining Treaties (75%)

Uganda is constantly working and collaborating with other countries. There are various regional and international treaties and initiatives related to mining that are ratified and customised into the Ugandan legal framework. These, conventions, agreements, protocols or other arrangements that support good governance in the mineral industry, including mineral traceability, certification and reporting standards that the country adheres to. These include the International Conference on the Great Lakes Regions (ICGLR), among others. The government is commended for participating in the development and review for harmonization of the legislation and technical standards in the mineral and related sectors at regional and international levels.

In 2010, ICGLR Lusaka's Declaration approved six tools as part of the Regional Initiative to mitigate the Illegal Exploitation of Natural Resources (RINR) in the Great Lakes Region. The six tools developed to curb illegal exploitation included:

- Regional Certification Mechanism (RCM),
- Harmonization of National Legislation,
- Regional Database on mineral flows,
- Formalization of Artisanal and Small Scale Mining,
- Extractive Industry Transparency Initiative (EITI),
- Whistle Blowing Mechanism.

The subsector is required to implement the ICGLR declaration.

The process of domesticating the template and the statutory instruments is being finalized; much as it has been very slow. The Bill to domesticate the ICGRL protocol is part of omnibus bill on security and associated protocols that carter for mineral certification. It was passed by Parliament on 17/5/2017 and awaits ascent before implementation commences. The government should thus give it priority to continue providing transparency to the mining industry on Uganda.

(ii) Cooperation with other neighbouring countries (41.7%)

As a way of learning from each other and mitigating the illegal movement of minerals across borders, the government shares mining industry market information with regional and international governments and bodies. There is also co-operation in the development of human resource through exchange of geoscience information, technology and sharing facilities and expertise with regional and international governments and bodies. In the region, this is mainly done with GDC and Kenya Geothermal Energy, where Kenyans come to Uganda to learn and also Ugandans shall be going to Kenya in 2018 to share knowledge and learn from each other. However, there are no arrangements for cross-border mineral exploitation, development, production and processing; though South Sudan has shown interest in doing it.

(iii) Membership to International Mining Bodies (37.5%)

The subsector subscribes and maintains membership with regional and international bodies relevant to the mineral industry development. The subsector is a member to the Organization of African Geological Surveys. However, there are a number of existing bodies which sector players can subscribe in order to learn best practices as opposed to working in isolation.



04 | Conclusions and Key Recommendations

The scorecard identifies gaps in all areas that need to be addressed so as to improve the sub-sector's performance and the subsequent achievement of the sector objectives. The mining and minerals subsector has also been plagued by these gaps for over the last 10-13 years and to a large extent was justification for the revision of the mining policy, 2001. Some of these gaps include:

- 01 Inadequate institutional funding and human resource most especially in the mines department;
- 02 Human rights violations most pronounced during the inglorious evictions of illegal miners in Mubende in 2017;
- 03 A highly disorganized and predominantly illegal Artisanal and informal sector characterized by a heavy environmental, health and safety footprint, socio-economic issues and human rights abuses some exacerbated
- 04 Continued use of unregulated hazardous chemical substances such as mercury and cyanide;
- 05 Lack of mechanisms and standards to enforce environmental obligations in the mining sector;
- 06 Failure to license and regulate the mining of Sand, Murrum, Clay and Stones;
- 07 Reported cases of illegal mining and smuggling involving the mining police and other security agencies meant to protect the mines and eliminate the same illegal mining vices;
- 08 Insufficient royalties of (10%/7%/3% for Districts/Local Governments/and Land Owners) and uncoordinated disbursement of the same to the intended beneficiaries;
- 09 Challenges of accessing land for mineral exploration and development amidst other competing economic sectors such as pastoralism and agriculture; and
- 10 Limited national and community participation in mineral development and lack of national and community awareness about backward, forward and lateral linkages to mining among others.
- 11 Lack of a mechanism stipulating the minimum and maximum quantities that can be exported for sampling without taxes.

Government and the responsible Ministry of Energy and Mineral Development /Directorate of Geological Surveys and Mines and other stakeholders need to work together need to address the following gaps:





Key Recommendations

01

Full operationalization of the minerals and mining policy (2017) and new proposed government agencies such as, the Mineral Exploration Unit, Licensing/Mining Cadastre Unit, Mineral Audit Agency and the Mining Tribunal, to improve mineral exploration, licensing, monitor compliance and address existing and emerging legal issues and conflicts in the sub-sector;

Increase budget allocations to the Directorate of Geological Surveys and Mines for efficient implementation of the new Mining and Minerals Policy, 2018;

02

03

Improve revenue collection from the sector by introducing online self-assessments and compliance by mining companies; introduction of weigh bridges on all mining regional routes to monitor mineral production and declarations by companies; enforcement of regulations and termination of all non-performing exploration and mining licenses;

Ensure that the OECD traceability initiatives and ICGLR mineral certification mechanism is fully domesticated in order to plug revenue leakages in the exploitation of Tin, Tantalum and Tungsten and Gold (3TGs) to enable miners and exporters access international markets and reduce the rampant mineral smuggling of these commodities;

04

05

Strengthening infrastructural development in the sector especially in the Karamoja region to ease access to the diverse mineral potential in the region; full regulation and formalisation of ASMs activities across the country; amend the constitution and the regulatory framework to bring sand mining, rocks (stones), murrum and clay under the ambit of the mining and mineral policy and regulatory framework;

Emphasize the role of the Mining Police Protection Unit and clearly outline charges against those illegally engaging in mining and mineral trade.

06

07

Formalize ASM operations and activities by undertaking a bio-metric registration of all Artisanal and Small-scale miners;

Review and operationalize of the ASM Management Strategy;

08

09

Establish and National ASM Task-Force involving all key Government MDAs and other stakeholders in the overall governance of the ASM sub-sector;

Improved transparency and disclosure of all the required information, training and skilling of the ASMs, promotion and awareness creation of the environment issues within the mining areas, among others;

10

11

Establish beneficial ownership of controversial passive exploration and mining rights and termination of mining rights for non-compliance to free the sub-sector of speculators;

Identify and fast track the development of strategic mineral projects such as the Osukuru Phosphates Project in Tororo District (Eastern Uganda), the Copper/Cobalt Project in Kasese (Western Uganda), the Rio-Tinto/Sipa Resources Copper/Cobalt and Nickel Project in Kitgum (Northern Uganda), the Rare Earth Elements Project in Bugiri District (Eastern Uganda) and the Muko-Iron Ore Smelter Project in Rubanda District (Western Uganda).

12

05 Appendices

Appendix 1: FGD Sites

	KABALE	NTUNGAMO	NAMAYINGO	BUSIA	MOROTO
MEN	Hamurwa TC	Ruhama SC, Mwerasandu village	Bukana SC; Khabagaya Village	Sikuda SC; Tiira Village	Rupa SC; Loorung Village
WOMEN	Hamurwa TC	Ruhama SC, Mwerasandu village	Bukana SC; Nakudi Village	Busitema SC; Shanyonja Village	Rupa SC; Loorung Village
YOUTH	Hamurwa TC	Ruhama SC, Mwerasandu village	Sikulu SC; Buyanga Village	Sikuda SC; Tiira Village	Rupa SC; Loorung Village

Appendix 2: List of Key Informants at the District Level

#	Names	Position
Kabale District		
01	Mugisha James	Chief Administrative Officer
02	Akatwijuka Rogers	Natural Resource Officer
03	Winfred Busingye	District Community Development Officer
04	Mwebesa Beda	District Production Officer
05	Mujuni Julius	Chief Finance Officer
Ntungamo District		
06	Dan Aritwebwa	Chief Administrative Officer
07	Tumwebaze Dinnah	Natural Resource Officer
08	Turyatunga John	District Community Development Officer
09	Mugabe Albert	District Production Officer
10	Byaruhanga Andrew	Chief Finance Officer
Moroto District		
11	Zahari Angella	Environment/Natural Resource Officer
12	Logiel Anthony Abbot	Community Development Officer
13	Ocengi Patrick	Finance officer



14	Martin Jacan Gwokto	Chief Administrative Officer
15		Production Officer

Busia District

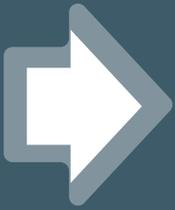
16	Johnson Erienyu	Environment Officer/ Natural Resource
17	Onyango Henry	Community Development Officer
18	Wakapisi w.f.	Agriculture officer/Production Officer
19	Wakoli. P	Chief Administrative Officer
20	Ogutu Boniface	District chairman

Namayingo District

21	Emma Muganza	Natural Resource Officer
22	Busagwa Alex	Environment Officer
23	Nandutu Betty	DCDO
24	Naigaga Rebecca	Agriculture Officer
25	Andrew Mayende	CFO
26	Sanya Ronald	District chairman

Appendix 3: Key informants guide

- 1) What are the procedures for acquiring mineral rights? And what challenges does the legal and policy framework pose to the granting and acquisition of mineral rights?
- 2) What capacity challenges (both financial and skilled staff) exist at DGSM that could deter it from fulfilling its mandate? How can these challenges be addressed?
- 3) What type of revenues does government collect from mining activities? How does the government track and report on revenues generated from the imported minerals? What challenges does it face in collecting them? How are these revenues utilised? (Probe around the 20% royalties).
- 4) What is being done by the government to encourage Ugandans to participate and benefit from the mining industry as both suppliers of goods and services and employees?
- 5) Does DGSM enforce and monitor the implementation of the health, safety and environmental issues in the mining industry? What challenges does it face? How often does it report on its activities?
- 6) What are the major infrastructural challenges in the mining industry? What is DGSM/government doing to curb these infrastructural challenges in the mining industry?
- 7) What arrangements are in place to ensure that vulnerable and marginalised groups participate and benefit from the mining industry? Are there cases of child labour and domestic violence in mining areas, and what is being done to mitigate these challenges?
- 8) What strategies does the government have to formalise the existence of ASMs? Are there skilling, value addition

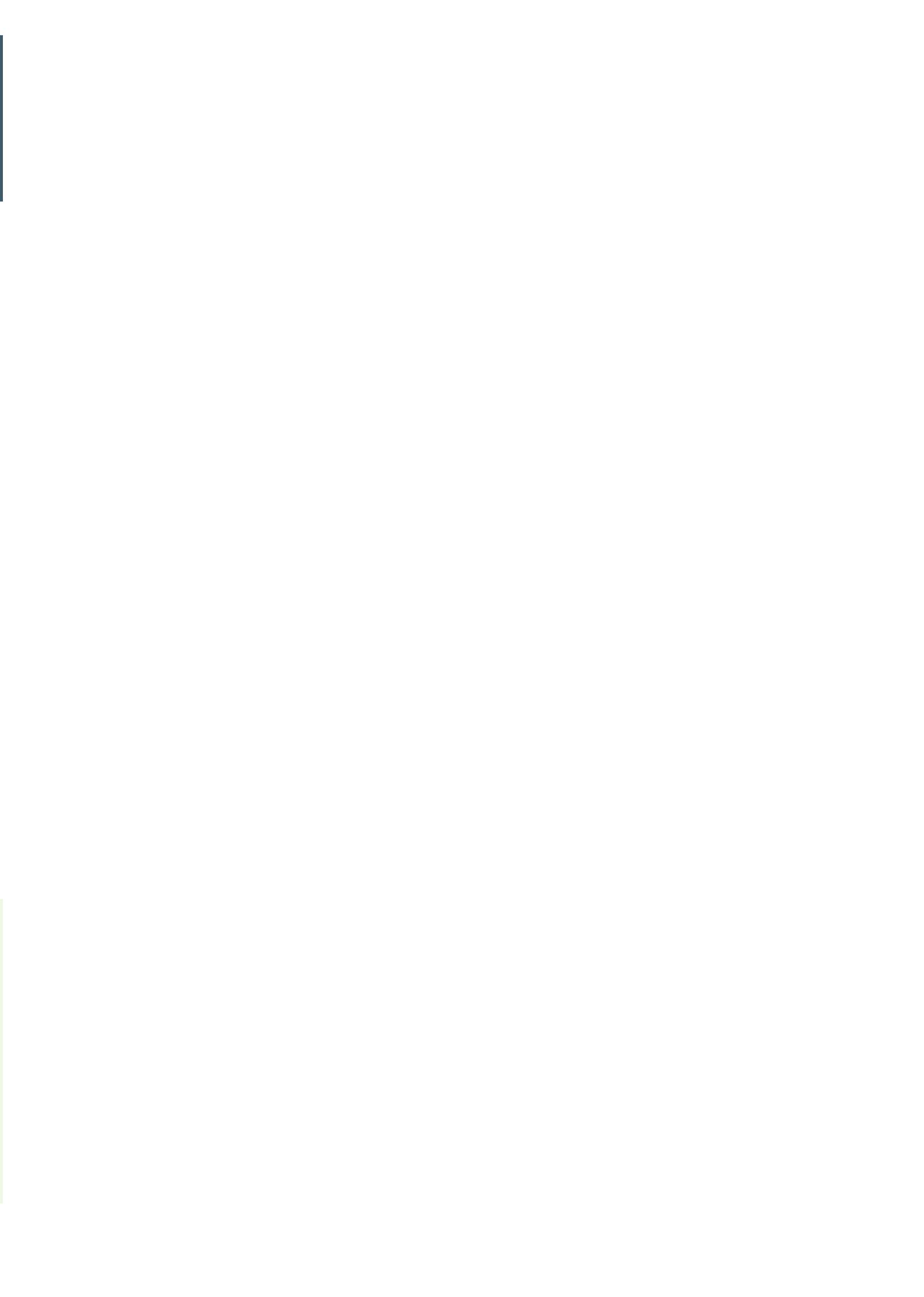


and marketing programs for the ASMs in the mining areas?

- 9) How does the sector work with regional and international governments and bodies for the development of the mining industry in Uganda?
- 10) Any recommendations and suggestions that would facilitate the development of the mining industry in the country?

Appendix 4: Focus Group Discussion Guide

- 1) How are you, as bona fide local communities involved in the process of granting mineral rights to mining companies? (probe around involvement in the development of RAPs)
- 2) Do the bona fide locals freely engage in the mining process as ASMs? If, they do, what challenges do you meet? If you don't, what prohibits you from engaging in mining as ASMs?
- 3) What opportunities are there for host communities/project affected persons to do in the mining areas? (Probe for both employment and supplier of goods and services.)
- 4) What kind of support has this mining community ever received to enable it to improve on the quality of goods and services supplied to the mining companies? Who provided the support?
- 5) Has this community been engaged in programs that would improve their skills in mining, value addition and marketing? What marketing challenges do the ASMs meet and how have you addressed these challenges?
- 6) What services (SCR) has the host community received from mining companies?
- 7) What services does the local government provide to this mining community as a result of the royalties shared from the government?
- 8) Are there health and social grievances between the community and the mining companies experienced in this community? How have they been handled?
- 9) Are there cases of Gender Based Violence (GBV) associated with mining activities in your community? Are communities sensitised on issues of HIV/AIDS, GBV, etc. When and how is this sensitisation conducted?
- 10) Are there vulnerable and marginalised groups of people in the community that participate in mining activities? How do they participate?
- 11) Are there roles designated for women and special interest groups during mining activities in your community? How have you participated?
- 12) What do you suggest should be done to develop mining in your community and also improve the quality of your lives?



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