



Extractives Hub



**“Ugandan Minerals Sector
Development Pursuant to 2nd National
Development Plan, Policy Brief”**

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June 2020

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EXECUTIVE SUMMARY

The National Development Plans in Uganda are the medium-term plans that run for a period of five years. Uganda is currently in the final stages of implementing the second National Development Plan (NDP II) that covers the period 2015/16 – 2019/20. One of the priority areas for development under the NDP II is the Minerals sector and a number of objectives and strategies were laid out to achieve the development. The Government of Uganda has taken great strides in the development of the minerals sector that was not given that much attention. The legal and regulatory framework has been updated to include minerals such as sand, clay. There has been an increase in private sector involvement in the sector. Even with these achievements, much more needs to be done such as increasing funding towards the sector as it has great potential to contribute to the overall economic growth and development of the country.

ACRONYMS

ASM	-	Artisanal and Small-scale Mining
CMA	-	Capital Markets Authority
DFID	-	Department for International Development
DGSM-		Directorate of Geological Survey and Mines
EITI	-	Extractives Industries Transparency Initiative
FY	-	Financial Year
GDP	-	Gross Domestic Product
GoU	-	Government of Uganda
MEMD	-	Ministry of Energy and Mineral Development
MoGLSD	-	Ministry of Gender, Labour and Social Development
MOU	-	Memorandum of Understanding
MWE	-	Ministry of Water and Environment
NDP	-	National Development Plan
NEMA-		National Environmental Management Authority
UDBL	-	Uganda Development Bank Limited

1. BACKGROUND

Development and planning in Uganda follows a series of five-year National Development Plans. Currently, Uganda is implementing the Second National Development Plan (NDPII) that covers Financial Year (FY) 2015/16 – FY 2019/20. The Government of Uganda (GoU) follows FYs that run from July to June. The NDPII is in its final year of implementation and the third NDP is also in advanced stages of completion.

The theme for NDP II is “Strengthening Uganda’s Competitiveness for Sustainable Wealth Creation, Employment and Inclusive Growth”. NDP II prioritizes the following areas, considered to have the greatest multiplier effect on the economy: a) agriculture; b) tourism; c) minerals, oil and gas; d) infrastructure development; and e) human capital development (GoU, 2015). During the development of the NDP II, a number of potential minerals were identified for exploration and development, namely: iron ore; marble; limestone; uranium; cobalt; copper; phosphates; and dimension stones.

The Ugandan minerals sector then faced a number of challenges, such as:

- a. an incomplete geological, geophysical and geochemical mapping of Uganda;
- b. infrastructure to support the exploration and development of the mining subsector was lacking, i.e. electricity, roads and water;
- c. inadequacies in the legal frameworks i.e. the Mining Policy of 2001, the Mining Act of 2003, and the Mining Regulations 2004;
- d. unregulated small-scale miners;
- e. unskilled labour; and
- f. inadequate earthquake disaster management infrastructure (GoU, 2015).

The Ministry of Energy and Minerals Development (MEMD) is tasked with the responsibility of providing policy guidance and direction in the exploration and development of the minerals sector as well as provide an enabling environment to attract investment in to mining activities. MEMD is divided into Directorates and the Minerals sector falls under the Directorate of Geological Survey and Mines (DGSM). Other important actors in the sector include the:

- a) National Environment Management Authority (NEMA), which has over-arching role environmental oversight and management;
- b) Ministry of Water and Environment (MWE) which is in charge of water use and its quality as well as disposal of waste from the mining activities;
- c) Ministry of Gender, Labour and Social Development (MoGLSD), the responsibilities of which include occupational health and safety; and,
- d) District Authorities (Das) where the minerals are located. These DAs receive and forward applications for the mineral rights, resolution disputes for the minerals not covered by the Mining Act 2003 (GoU, 2015).

The following priority areas were set out in the NDP II to stimulate private investment in the minerals sector as well as to harness its potential:

- a. establishment of the geological and mineral potential of Uganda;
- b. increase in the monitoring and regulation;
- c. increase the private sector investments; and
- d. increase skilled labour along the mineral development value chain.

2. LEGAL FRAMEWORK

The Mining sector was guided by the following legal frameworks, namely the: a) Constitution of the Republic of Uganda, as amended in 2005; b) Mining Policy of Uganda 2001; c) Mining Act 2003; and, d) Mining Regulations 2004.

The strategic areas of the Mining Policy of 2001 include: stimulation of investments in the sub-sector, regularizing of Artisanal and Small-scale Mining (ASM); ensuring that minerals extraction leads to national development; mitigating social and economic risks; and strengthening the local capacity for mineral development (GoU, 2018).

However, there were a number of changes to the governance of the minerals sector mandated by the Mining Policy, Act and Regulations. These changes sought to correct for the anomalies and imperfections, including:

- a) due to the Amendment of Article 244 of the Constitution of the Republic of Uganda in 2005, the country's legal frameworks mentioned above were no longer aligned with the Constitution as now amended;
- b) substances such as sand, clay, stone and murrum, that are used in construction, were not previously considered as minerals in Article 244(5) of the Constitution;
- c) the previous legal framework encouraged speculation and gave discretionary powers and unclear guidelines to the Minerals Commissioner;
- d) ASM was not regulated and its contribution to the Gross Domestic Product (GDP) was not accounted for; and
- e) there was need to protect rocks that are connected to the ecological system as well as those with historical significance from being blasted by investors (GoU, 2018).

In addition to the above, the country's mining legislation was not in tandem with the objectives of the NDPs. The First NDP was developed in 2010, between six and nine years after the 2001 Mining Policy, 2003 Mining Act and the 2004 Mining Regulations.

The emerging changes in the global mining industry as well as the gaps in the existing legal frameworks led to the development of the Mining and Mineral Policy of Uganda 2018. Pursuant to this new policy, there was a review of the 2003 Mining Act 2003 as well as actions taken to ensure the alignment of minerals sector development implementation to the strategic documents underpinning the Mining and Mineral Policy of Uganda 2018, in particular the: NDP II; Constitution as Amended in 2005, African Mining Vision 2009; and the country's long term development plan, i.e. Uganda Vision 2040 (GoU, 2018).

3. PROGRESS OF THE OBJECTIVES OF THE MINERALS SECTOR AS PER NDP II

The second objective of the NDP II is “to increase the stock and quality of strategic infrastructure to accelerate the country’s competitiveness” which the minerals sector contributes to. This section intends to highlight the progress made in achieving the objectives set out in NDP II for the minerals sector.

3.1 Establish the geological and minerals potential of the country

The GoU is developing and implementing measures pursuant to the minerals sector objectives of the NDP II across the country, starting off with investigating the specifics and extent of its mineral resource endowment. This knowledge will form the basis to catalyze foreign direct investment in the minerals sector, regulated to ensure that the resulting minerals sector development is socially inclusive and sustains improved livelihoods for local residents, in line with the stipulations of the NDP II.

For example, from 2019 the GoU has undertaken geo-physical surveys and geological mapping of the part of north-eastern Uganda corresponding the lands of the Karamojong ethnic group (Karamoja sub-region). Uganda has four official regions and one hundred and thirty four districts, plus the capital city of Kampala. Karamoja sub-region, is an area covering five districts, where life revolved around cattle keeping and armed conflict between the different tribes. The GoU has made tremendous efforts to disarm the communities as well as diversify the economic activities in the region (GoU, 2019b). The work of the GoU is directed at maximizing mining benefits not just to the Ugandan nation but also to the Karamojong people.

Hence, the NDP II purpose of establishing the minerals sector potential of Uganda is closely linked to development outcomes. In short, it is vital that the data is not just collated but put to good use. For example, existing data shows that there is high mineral potential in Uganda’s Western region. Pursuant to NDP II, MEMD Western Regional Mines Offices, such as the one in the district of Kabale, have been the subject of sustained investment by the GoU to enhance their capacity to stimulate the sector in a responsible manner. Hence, the Kabale Mines Office not only disseminates information regarding Western Uganda’s mineral endowment, but to also provides guidance on environmental friendly practices during mineral exploration (MEMD, 2019).

More broadly, the MEMD has carried out a number of activities to promote the mineral potential of Uganda. These include:

- a) The introduction of a 3.37 cu.m Large General Purpose (Carbolite Gero Oven which is used for drying geochemical samples from the mineral exploration. Before this, the samples were dried in the open which exposed them to risks of contamination. The turnaround time in sample preparation for analysis was also greatly reduced (GoU, 2019a);
- b) development of an Integrated Information Management system to capture and share geo-information in DGSM;
- c) building and updating of the DGSM website; and
- d) development of a communication strategy for DGSM (MEMD, 2019).

3.2 Increase monitoring and effective regulation in the minerals sector

The review of the mining policy and legislative framework has progressed tremendously. The 2018 Mining and Mineral Policy was gazette in 2019 to replace the 2001 Mining Policy. The 2004 Mining regulations were replaced by the Mining Regulations of 2019 that were gazetted in July 2019. The Draft Mining and Minerals Bill of 2019 is still being reviewed (MEMD, 2019).

The Mining Cadastre Portal, was upgrade to include an e-government based mineral licensing system. This was created and developed to improve transparency as well as promote investment in the mining sector (MEMD, 2019).

In 2019, Uganda decided to request membership of the Extractives Industries Transparency Initiative (EITI) in order to publicly account for all the proceeds from the minerals, oil and gas sectors (GoU, 2019b). EITI is a global good governance initiative for these sectors, operating autonomously at individual country-level, and now extending beyond transparency to more complex objectives including enhanced levels of accountability too. Newly accepted member countries of the EITI are welcomed to the initiative at “Candidate” level, prior to their audited achievement of the global EITI Standard.

Monitoring and inspections are a continuous process that is carried out regularly to ensure that there is compliance with the legal and regulatory framework, the mines plans as well as to ensure that royalties from the exploration and production are adhered to (MEMD, 2019).

3.3 Increase private sector investment in the minerals sector

GoU has done the following to increase private sector investments:

- a) Capitalization of the Uganda Development Bank Limited (UDBL) to be able to provide long term affordable financing to the private sector;
- b) Access to long term domestic and foreign capital on the stock exchange at the Capital Markets Authority (CMA)
- c) Designing of legal and regulatory framework to enable Private Equity funds to attract more investment into Uganda’s private sector is underway
- d) Private and public industrial parks are being set up across the country that will lead to creation of factories for the extracted minerals as well as create jobs (GoU, 2019b)

Stimulated by the GoU in line with the objectives of the NDP II, Uganda has seen a very significant increase in levels of Foreign Direct Investment coming into the minerals sector as at June 2019, including:

- three gold refineries have now been established in the country, namely: African; Simba; and Bullion;
- a tin processing plant was set up in Kikagati and produces 150 tonnes of tin concentrate per month;
- high quality marble tiles are being produced in Bugolobi (GoU, 2017; GoU, 2019b); and

- existing cement factories have been expanded to increase in production i.e. Simba Cement, Hima Cement, Tororo Cement and Kampala Cement plants. As at June 2019, Uganda's production capacity of cement stood at 6.8 million tonnes as compared to 2.3 million tonnes in 2015 (GoU, 2019b).

3.4 Increase geothermal energy production in the country

A Memorandum of Understanding (MOU) was signed between GoU and the private sector to carry out exploration of geothermal prospects in Panyimur and Buranga, two of the four priority areas for geothermal development as stated in the NDP II (MEMD, 2019; GoU, 2015). This work is supported by UK AID from the Department for International Development (DFID) of the UK.

Through this MOU, staff in the DGSM are being trained in data collection and interpretation, development of business and financial models to attract investments in geothermal exploration and development.

3.5 Increase response to mitigate seismic risk

Seismic methods are used all around the globe in the mining sector since they “provide high-resolution images of the geological structures hosting the mineral deposits and in a few cases, can be used for direct targeting of mineral resources” (Malehmir *et al.*, 2012). With these methods, the detection of seismic potential in an area, occurrence of fault line, recorded history of tremors in the area is critical.

There are currently five national seismic stations that continue to monitor earthquake events around the country and region. These are in Entebbe, Hoima, Nakawuka, Kilembe and Mbarara. In FY 2018/19, six seismic activities were recorded by these stations with the lowest being at Richter scale 3.7 and the highest at Richter scale 4.8, three of which were in the rift-valley areas (MEMD, 2019).

3.6 Increase the stock of skilled human capital along the value chain

Pursuant to this objective of the NDP II, there is extensive training of staff across the MEMD, especially in the DGSM and with respect to specific technical competencies such as geothermal data collection and analysis, monitoring and regulation of mineral exploration, mineral trade activities, to mention but a few.

Staff recruitment to the MEMD continues apace, across all technical competencies and specialisms (MEMD, 2019).

4. KEY CHALLENGES FACED IN THE MINERALS SECTOR

Despite the progress mentioned in the section above, the minerals sector continues to face a number of challenges, namely:

- insufficient funding which hinders procurement and acquisition of equipment needed. This in turn delays the implementation of the sector plans and priorities and the full potential of the sector is not met. The funding gaps also affect the institution capacity development (MEMD, 2019);
- land acquisition for infrastructure projects is a continuous challenge not only for the minerals sector but this affects other sectors in the economy. In Uganda, land is not owned by the Government however the mineral resources under the land are owned by Government. Land or property owners usually demand for overpriced amounts of money as compared to valuations done by the Office of the Chief Government Valuer (MEMD, 2019);
- bureaucratic processes in government lead to delays in commencement of works and implementation of activities. These processes affect activities such as: the construction of regional offices; implementation of feasibility studies; recruitment of staff, to mention but a few; and
- the large ASM sub-sector that is characterized by low income personnel whose activities are informal in nature. The main challenges here include: tax evasions, social, health and safety risks, smuggling, environmental degradation and conflicts among the mineral operators (GoU, 2018).

5. CONCLUSIONS AND RECOMMENDATIONS

The minerals sector in Uganda has vast potential to contribute to economic growth and development however, it is not given the attention it deserves.

The royalties, taxes, bonuses and other fees that could be collected from the sector would not only contribute to the overall tax-to-GDP ratio and infrastructure development but could also improve on service delivery in the of public services such as education and healthcare.

There are challenges of staff turnover due to more attractive benefits that government is not able to offer. Therefore the MEMD should devise means to offer attractive packages that can attract the required staff. The Ministry of Public Service should also devise means of expediting the recruitment of staff in such critical sectors.

The MEMD should fast-track the review of the draft Mining and Minerals Bill as well as the finalization of the communications strategy.

Government needs to establish additional seismic monitoring stations especially in Karamoja sub-region as well as Eastern Uganda where there are upcoming mining activities as well as continue to study the past trends of seismic activities in the country.

More work needs to be done to increase marketing of the mineral potential in Uganda. In line with that, government needs to fast track the finalization of the Mineral Sector strategy.

Mineral certification as well as strengthening capacity in mineral certification needs to be given priority.

More research needs to be carried out as the country has vast potential with numerous types of minerals and rare earth elements, which if explored in an environmentally friendly way, could transform the lives of Ugandans.

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