



The Mineral Development Programme: What were the key hindrances to performance during FY 2021/22?

Overview

The Mineral Development Programme contributes to the first objective of the third National Development Plan (NDP III) which is to “*enhance value addition in key growth opportunities*”. The goal of the Mineral Development Programme is to increase the exploitation and value addition to selected resources for job rich industrialization.

During the FY 2021/22, the Ministry of Energy and Mineral Development (MEMD) implemented different interventions under the programme geared towards capacity enhancement and mineral exploration within the country.

This policy brief analyses the performance of outputs and outcomes for the programme during FY 2021/22, and the hindrances to effective implementation.

Introduction

The Mineral Development Programme is comprised of one sub-programme - Mineral Exploration and Development under which all interventions are implemented. The lead implementing agency is the Ministry of Energy and Mineral Development. The Directorate of Geological Survey and Mines (DGSM) under MEMD takes the lead in programme implementation.

Other key Ministries, Departments and Agencies (MDAs) include the National Environmental

Key Issues

- Slow programme implementation caused by delays in procurement and approval of designs.
- Low funding of the programme.
- Delayed enactment of the Mining and Minerals Bill, 2021.

Management Authority (NEMA), the Ministry of Trade and Industry, the Ministry of Works and Transport, and the Uganda Investment Authority (UIA).

The key outputs were: the completion of regional beneficiation centres, detailed exploration and quantification of minerals undertaken in the country, the Mining and Minerals Bill concluded, and artisanal small-scale miners organized, formalized and regulated.

Performance of the programme

a) Financial Performance

The programme budget for the FY was Ug shs 49.94 billion (bn). Overall, the release was Ug shs 36.77bn (73.6%). The Government of Uganda release was fair at Ug shs 18.15bn (61.2%) whereas external financing was good at Ug shs 18.62bn (91.7%). The overall expenditure of the programme was very good at (Ug shs 36.76bn (99.9%).

b) Physical Performance

The overall performance of the programme was fair at 67.8%, and so was the performance of most interventions under the programme. The value of mineral production stood at Ug shs 203bn (68% of



target). This low performance of mineral production was attributed to the blanket ban on all unprocessed minerals, and the failure to attract large investors into the sector. This prevented further investment in mining activities since most mining companies lack the capacity to undertake mineral processing.

Key achievements during the FY

1. Completion of two mineral beneficiation centres

Construction of centres in Rwengoma, Ntungamo and Fort Portal was completed. The aim was to decentralize functions of the Directorate of Geological Survey and Mines and thus quicken the analysis of mineral samples explored in the western and southwestern regions. However, the centres were not yet equipped with tools and human resources.



Newly constructed Minerals Beneficiation Centre in Fort Portal

Mineral Exploration and Licensing

The geophysical airborne survey of the Karamoja and Lamwo regions progressed well. The acquisition of gravity data for high-density minerals such as gold was completed. Magnetic and radiometric data acquisition for magnetic and radioactive minerals respectively was at 97%. In the southwestern region, the geological, geothermal and geophysical surveys of the Kirwa wolfram prospect in Kisoro District were conducted.

Under the licensing and inspection function, a total of 18 non-spatial mineral licenses were issued and 94 mineral rights (47 exploration licenses, 26 location licenses, 20 mining leases and 2 retention licenses) were inspected. These were located in 37 out of 50 targeted districts in the southwestern, central, eastern and north-eastern regions.

The revenue from mineral rights for licenses issued stood at Ug shs 18bn.

2. Registration of Artisanal Small-Scale Miners

It is estimated that 26.5% of Uganda's population comprised mainly of Artisanal Small-Scale Miners (ASMs) are employed in the sub-sector. These majorly work under poor conditions and ASM sites are characterized by environmental degradation. This is due to their low financial capacity yet they contribute over 80% of minerals mined in the country. For ease in the monitoring of ASMs activities and improving their livelihoods, the formalization and biometric registration of ASMs commenced after long delays but only 130 ASMs of the targeted 5,000 were registered. The registration progress was affected by delays in procuring biometric equipment and the conclusion of the 2021 Mining and Minerals Bill.

3. Acquisition of key equipment

A mineral rig was procured, installed and successfully tested to aid in the acquisition of mineral samples for analysis. Procurement of additional equipment such as fire assembly consumables and laboratory gases among others was yet to be concluded. The weighbridges to aid in ascertaining the quantity of minerals mined were also procured but had not been installed pending design approval from the Ministry of Works and Transport.

Key hindrances to implementation

The slow pace of implementation

Slow procurement caused by administrative reviews within MEMD and delays by contractors to deliver key imported equipment. The slow acquisition of



key laboratory equipment hindered sample analysis and the completion of an infrasound station at Entebbe for early detection of lightning risk.

The registration and formalization of ASMs were also delayed due to the failure to complete the procurement of a consultant to undertake the exercise in time.

Installation of the six procured weighbridges had not commenced due to delayed approval of designs from MoWT. Better coordination was required between the MEMD and MoWT to expedite the completion of works to prevent further potential loss of revenue from the produced minerals.

Low funding of the programme

The counterpart funds that contributed 59.3% of the FY 2021/22 budget showed fair release at 61.2%. The low level of funding curtailed the ability of the Directorate of Geological Survey and Mines to effectively regulate and monitor mining activities. Most of the mining locations still need resilient monitoring as issues of environmental degradation and child labour were common.

The programme was also still grappling with insufficient staffing to effectively undertake exploration and monitoring activities.

The limited funding also delayed the operationalisation of the completed beneficiation centres in Kabarole and Ntungamo districts. The centres were yet to be equipped with tools and human resources. This was impacting negatively mineral exploration and production activities in these regions.

Poor regulation of the artisanal mining sector

Most of the mining activities in the country are artisanal and the sector still need a lot of regulation to improve the livelihood of small-scale miners. Artisanal mining conditions are mainly characterized by poor working conditions and high levels of environmental degradation.



Environmental degradation at one by artisanal Gold mines in Tiira Village, Busia District

The low financial capacity of the artisanal miners contributed to poor working conditions as they could not acquire basic mining equipment for their operations. The artisanal mining sites were also grappling with the use of toxic chemicals (cyanide, mercury) and environmental degradation.

Additionally, the use of child labour contributed to the low enrolment in schools registered in areas around the mining areas.

Delayed enactment of the amended Mining and Minerals Law

The Mining and Minerals Act was planned to be in place by the end of FY 2020/21. However, the bill was assented to on 13th October 2022. The delay negatively affected the growth of the sector due to the uncertainty it created for the stakeholders. The new law seeks to improve mining and mineral administration, and business processes, and promote value addition to minerals. The law also stipulates that the award of mining licenses in Government-owned prospecting areas will be done competitively to attract better investors in the sector.



The high initial investment required to undertake value addition

As noted, mining is a small-scale activity with low capital investments. The high cost of acquisition of mechanized mining equipment such as drilling rigs, excavators, crushers and other machinery hindered the production levels of most minerals. For example, although Uganda has highly proven reserves of iron ore, wolfram, tin, tungsten and tantalite there are no mineral process plants and facilities in the country. This continues to stagnate the sector. The use of rudimentary mining methods due to a lack of machinery has limited production and made the mines very unsafe places to work.

Conclusion

As the Directorate of Geological Survey and Mines continues to undertake further exploration activities to establish and quantify the mineral potential in the different regions of the country, there is a need to attract and promote more private investment in the sector.

Value addition to the minerals before they are exported has the potential to generate more revenue for the Government through better tax collections. On the other hand, more employment opportunities could be generated. The MEMD and Ministry of Finance, Planning and Economic Development (MFPED) should encourage implementation aimed at adding value and processing raw minerals.

Recommendations

- The government, through the MEMD, should organize ASMs into groups that can be supported to acquire basic mining machinery to improve the mineral output.

- The MEMD should increase budget allocations to the programme to fully harness the potential of the Minerals sub-sector.
- The Uganda Investment Authority should attract investment in mineral value addition for the processing of minerals so that more jobs and revenue can be realized.
- The Uganda Development Corporation (UDC) should be capitalized to enable prospective investors to obtain capital at reasonable interest rates to undertake the processing of minerals. Under the current capitalization levels, UDC cannot lend more than Ug shs 100bn to a single investor and yet mining and mineral values addition is capital intensive.

References

Budget Monitoring and Accountability Unit (BMAU): SDPR Annual and Semi-Annual Monitoring Reports for FY 2021/22.

MFPED: National Budget Framework Paper FY2021/22-FY2025/26.

MEMD: Quarter 1, 2, 3 & 4 FY 2021/22 Performance Reports.

NPA: Third National Development Plan (NDPIII) 2020/21 – 2024/2.

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