



Uganda's Mineral and Mining Sub-Sector: What can be done to harness its full potential?

Overview

The Ministry of Energy and Mineral Development (MEMD), through the Directorate of Geological Survey and Mines is tasked with attracting investment in Uganda's mineral sub-sector through mineral exploration, value addition and development. This is done by monitoring and enforcing regulation in all mining activities and also undertaking collection, collating, processing, analysis, archiving and dissemination of geo data to establish the mineral potential.

The contribution of minerals to Gross Domestic Product (GDP) growth increased from 0.3% in Financial Year (FY) 2012/13 to 0.6% in FY2017/18 which has also seen the value of mineral production increase from Ug shs 159.3bn in 2013 to Ug shs 179.7bn in 2017.

Uganda's mineral deposits have a tremendous potential to cause economic growth and transformation, and contribute to GDP. In addition, the sub-sector can create employment since it employs about 26.5% of Uganda's population directly or indirectly.

This policy brief explores and assesses the effectiveness of what has been done to benefit from the mineral sub-sector, and what more needs to be done to exploit the mineral potential.

Introduction

The minerals sub-sector contributes to the second objective of the Second National Development Plan (NDP II); *to Increase the stock and quality of strategic infrastructure to accelerate the country's competitiveness*. This is done through interventions meant to ensure the sustainable management of mineral resources for development.

Key Findings

- Funding gaps due to inadequate budget allocation to minerals sub-programmes.
- Limited staff capacity leading to delay in execution of works.
- Delayed approval of designs for construction of regional beneficiation centres.

Over the years, the Government of Uganda (GoU) has been carrying out appraisal of minerals in the country. Potential mineral targets have been discovered in the areas of Masaka, West Nile, Iganga, Mayuge, Hoima, Kaliro, Kabale, Mubende, Busia, Karamoja, Buhweju, Rukungiri and Kisoro among others. Furthermore, with the ongoing exploration, more mineral deposits are yet to be discovered.

The key minerals include Uranium, Gold, Iron ore, Limestone, Marble, Copper, Cobalt and Phosphates (Apatite and francolite). Others include Tungsten, Glass Sands, Beryllium, Bismuth, Columbite-Tantalite, Lead and Zinc ores, Lithium, Tin, iron ores, Platinum, Uranium, Rare Earth Metals, Vermiculite, Kaolin, Bentonite, Diatomite, Gypsum, Salts, Feldspar, Quartz, Pozzolana, Dimension Stones and Gemstones.

The NDP II earmarked six key minerals for exploitation; Iron ore, Limestone/Marble, Copper/Cobalt, Phosphates, Uranium and dimension stones. For these minerals, the geological studies and analysis show that 300 million tonnes of Limestone deposits are estimated to be in Karamoja; over 6 million tonnes of Copper are anticipated in Kilembe, Kasese; 7.3 million ounces of Gold deposits in



West Nile and western parts of the country; 22 million tonnes of salt at Katwe, Kasese; while 231 metric tonnes of Iron ore are estimated in western and eastern Uganda.

Key Interventions

The Government has undertaken the following interventions in the minerals sub-sector.

1. Revamping the Minerals Policy Framework

Different mineral policies have been developed in a bid to improve the sub-sector regulation. These include the: Mining Policy of Uganda 2001, Mining Policy 2003, Mineral Laboratory Policy, and the Mining and Minerals Policy 2018. The latter incorporates artisanal mining which had been neglected in the previous policies.

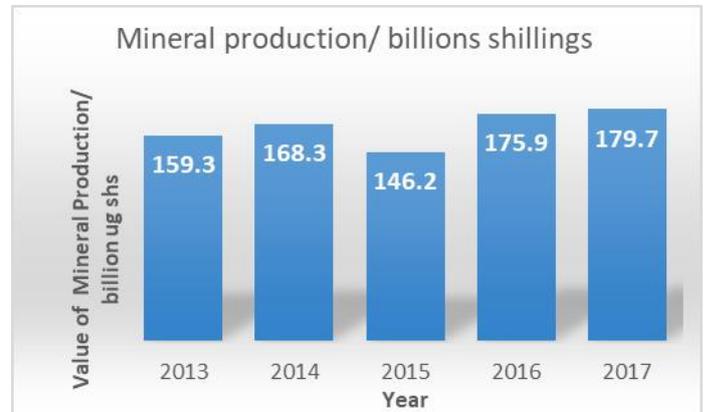
Through these policies, mining rights have been given to individuals or companies. These rights include; prospecting, exploration, retention, location, mineral dealers' licenses and the mining lease.

There has been a deliberate move in the policy to attract investment. For example, the Value Added Tax (VAT) Act was changed in 2015 to allow licensees to register for VAT during exploration and development, but only pay for the tax at production stage.

A total of 375 mineral licenses were granted in FY 2017/18 and on average, about 800 licenses have been operational between FY 2014/15 and FY 2017/18.

Mineral Production: Although the licenses have remained almost the same over the past 3 FYs, mineral production increased from Ug shs 159.3bn in 2013 to Ug shs 179.7bn in 2017 (Figure 1). It was however affected by revoking of some licenses in 2015 due to under declaration. By the end of the first quarter of 2018, the value stood at Ug shs 107.26bn.

Figure 1: The Mineral Production Trend



Source: Uganda Bureau of Statistics (UBOS), and MEMD

2. Registration and re-organisation of mining communities

In order to monitor and establish the proper declarations of minerals mined, different Artisanal Small Scale Miners (ASM) sites were demarcated, mapped and associations formed in the different areas. To eradicate illegal mining in these areas, the Police Mineral Protection Unit was established and has been operational since 7th August 2017.

This has promoted the health and safety of miners and encouraged more to participate as a form of community development. For example, in FY 2016/17, 14,226 miners and 172 ASM groups were registered. 2,808 more miners were registered in FY 2017/18 and by the end of the first half of FY 2018/19, 11 ASM groups had been registered.

The registration has seen some tangible results. For instance, for the 30% of land that has been allocated to ASM in Mubende District, the value of gold production in Mubende increased to 977.6 grams for the first half of FY2018/19, as compared to 583.8 grams in FY 2017/18.

Also, the biometric registration implementation of all artisanal mining has kicked off at the different mining sites for



better tracking of the artisanal miners when they move from one location to another.

3. Infrastructure Development

The Government has embarked on several projects to develop mineral infrastructure;

• Construction of Mineral Beneficiation Centres

The sub-sector is undertaking construction of Mineral Beneficiation Centres in Busia, Moroto, Gulu, Arua, Karamoja, Fort Portal and Ntungamo to decentralise directorate functions. The beneficiation centre in Karamoja was completed and opened on 25th May, 2018.

The procurement process to start construction of other regional centres in Ntungamo and Fort Portal was ongoing. The MEMD team is awaiting approval of construction designs from the Ministry of Works and Transport (MoWT).



The completed Mineral Beneficiation Centre in Moroto town

• The Sukulu Comprehensive Project

The project, launched in October 2018, has established plants for processing the extracted Iron ore from the Sukulu areas to steel, and also process extracted phosphates into purely organic fertilizers for supply to the local market. This will make fertilizers available to large and small scale farmers. It is expected to create over 3,000 jobs at full capacity and

annual production of fertilisers anticipated at 100,000 tonnes annually.

The plan is to reduce on government annual import expenditure which currently stands at USD 377m on steel, USD 60m on fertilizers and USD 23m on glass.

The Government is also fast-tracking the functionalization and redevelopment of Copper mines in Kilembe, Kasese District.

• Acquisition of Mineral Analysis Laboratory Equipment

The sub-sector is equipping the mineral laboratory with analytical modern value addition equipment for test services and analysis of mineral samples obtained from the field surveys. The equipment acquired in 2018 included the Planetary Ball Mill, and the Inductively Coupled Plasma Optical Emission Spectroscopy.

4. Conducting Geological and Geochemical Surveys

Mineral potential is being established through the ongoing geo-scientific surveys, mapping and sampling. Uganda's geochemical coverage stood at 35%, while the airborne geophysical coverage stood at 80% as at 30th June, 2018. Funding for the remaining 20% of the geophysical survey in the areas of Karamoja was secured and implementation is yet to start.

Potential mineral targets were appraised in the different areas in the country. For example, 103,084,159 tonnes of sand were established in Masaka District by the end of 2018, and about 235 million tonnes of Iron ore are estimated in Kabale and Kisoro areas alone.

The survey results are shared with prospective investors thus making it easier for an investor to apply for an exploration license or a mining lease after establishing the mineral availability.



Key Constraints

• **Funding gaps:** Insufficient funding has led to delayed procurement since the full acquisition of some equipment was not possible. The funding gap has also limited conducting of field surveys.

For instance, under the Minerals Laboratory Sub-Programme (total project cost is Ug shs 24.115bn), Ug shs 2bn was allocated for FY 2017/18 and another Ug shs 2bn was allocated for FY 2018/19. Release was good at 100% for FY 2017/18, and 54% of funds were released by half of FY 2018/19. However, funds were not enough to acquire the planned equipment since Ug shs 19.965bn was planned for the two years. Additionally, Ug shs 4.15bn was proposed for allocation next FY, which is the last year of the sub-programme. However, this will also not be enough for acquisition of the planned equipment.

• **Limited staff capacity:** There are a number of unfilled vacancies in the Geological and Mines Department. About 50% of the mineral sub-sector staff structure is filled. Most staff are being shared among the three departments of; Geological Survey, Geothermal Resource and Mines. This has caused limited effective implementation of activities and in turn delayed execution of works.

• **Delayed works:** The commencement of works on other regional beneficiation offices in Ntungamo and Fort Portal has been delayed by pending approval of designs.

Conclusion

Uganda's mineral potential if explored to the fullest has the ability to transform the lives of Ugandans and continue boosting revenue for

the government. Value addition will be realised if more processed minerals, rather than raw minerals are exported. However, more funds are required to achieve the desired goals.

What More Can be done?

- The MEMD and Ministry of Public Service should fast-track filling of the vacant positions in the mineral sub-sector structure as a matter of urgency.
- The MEMD should prioritize acquisition of mineral laboratory equipment and allocate more funds to the mineral laboratory sub-programme to enable full acquisition of laboratory equipment.
- The MEMD should collaborate with the MoWT to finalise the approval of designs, and subsequent construction of other mineral regional beneficiation centres in Ntungamo and Fort Portal.
- The Government should expedite the process of securing funding for redevelopment of Kilembe Copper Mines. Copper is a critical input in the energy sector.
- The Government should motivate and issue more licenses to firms that can add value to extracted raw minerals and thus export processed minerals.

References

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