Assessed for the first time in the 2021 Resource Governance Index (RGI), Uganda’s mining sector has scored 55 out of 100 points, placing it in the “weak” performance band. Uganda’s mining sector faces several challenges, although this score also reflects positive features including the existence of an open mining cadaster, reforms in the fiscal regime and robust rules for disclosure and auditing of subnational resource revenue sharing mechanism. Issues exist within the licensing process and the governance of local impacts. The broader enabling environment is also an obstacle to good governance, with the index’s control of corruption subcomponent scoring as “failing.”

- Within the governance of licensing, the government has not passed regulations or disclosed information relating to companies’ beneficial owners and the disclosure of contracts signed with extractive companies.
- The governance of local impacts placed in the “poor” performance band, as access to environmental and social impact assessments is limited by the requirement of an application and fee to access assessments.
- Although numerical fiscal rules are documented in a public policy, these are not enshrined in law and there is no adherence requirement or monitoring by the government.
- Uganda’s subnational mining revenue sharing mechanism received a “good” score, the result of firm rules, disclosures and auditing procedures.
Uganda’s mining sector shows positive signs of governance, but key areas for improvement remain

The 2021 RGI assessed Uganda’s mining sector for the first time, given its rising importance and contribution to the country’s economy. Research focused on developments until December 2020. While the specific resource assessed in Uganda was gold, the assessment provides an understanding of the country’s mining sector more generally.

Uganda’s government has actively supported the development of the gold sector, making mining a priority sector within the Uganda Vision 2040 agenda, encouraging investment and exploration across the country. The government has also prioritized the formalization process, which includes stricter licensing requirements and registrations, especially for artisanal and small-scale miners. Uganda’s gold sector has expanded substantially since 2015, with a number of refineries now operating in the country. While in 2015 gold exports were valued at approximately USD 120 million, by 2019 they accounted for over USD1.7 billion and 57 percent of all merchandise trade. Much of this increase stems from the establishment of the African Gold Refinery (AGR), which began operating in 2017, but most of the gold used in refining is sourced from abroad.

Uganda’s mining sector scored 55 points in the 2021 RGI. Value realization placed firmly within the index’s “weak” performance band, with the governance of licensing and local impacts scoring low. While taxation and subnational resource revenue sharing scored in the “satisfactory” and “good” performance bands, respectively, gaps still exist in national budgeting, especially around data disclosures and fiscal rules governing expenditure. The broader governance context also remains weak, with perceptions of corruption and political stability and the absence of violence performing poorly.

Uganda’s mining sector 2021 Resource Governance Index subcomponent scores
VALUE REALIZATION

Weak governance stems from issues in licensing and local impacts

The RGI defines value realization as the governance of the allocation of extraction rights, exploration, production, environmental protection, revenue collection and state-owned enterprises. While Uganda’s mining sector scored a “weak” 46 points in the licensing subcomponent, there are some signs of good governance present. The cadaster for all of Uganda’s mining resources is accessible online and is up-to-date, including information on the allocated licenses, name of companies, types of licenses, date of award and geo-location.

Pre-licensing is governed by laws specifying pre-defined criteria by which companies qualify to participate in the licensing process, including financial and technical aspects, as well as the rules which govern the licensing process itself. While there are no rules requiring the disclosure of results of licensing rounds, the information on the winners of bidding rounds and the areas allocated to them can be found on the cadaster portal.

Nonetheless, there are issues which the government must address. There are currently no laws in place requiring disclosures of the beneficial owners of extractive companies, and no information on the real owners of companies have been published. This is especially important, given that Uganda’s government allows 100 percent foreign ownership of extractive companies. Beneficial ownership disclosures are fundamental to understanding holding structures, preventing conflicts of interest as well as tax and revenue leakage. Additionally, the government does not disclose the signed contracts with extractive companies, and is not legally required to do so. The government should disclose contracts to ensure that citizens and civil society actors can interrogate the deals that the government is making with extractive companies, to ensure that the country is getting a good deal for the exploitation of its resource wealth.

Uganda’s mining sector scored a “poor” 38 points in the governance of its environmental and social impacts. While extractive companies are required to commission environmental and social impact assessments, as well as environmental mitigation plans, the public disclosure of these documents is problematic. Although the assessments should be made public once submitted to the National Environmental Management Authority (NEMA), and Section 146 of the 2019 National Environmental Act mandates that they are publicly accessible, citizens can only access these by filing an official request and paying a prescribed fee. This means that disclosures are not truly public as they are contingent on approval and might pose a financial barrier to some applicants.

NEMA should ensure that access to environmental and social impact assessments and environmental mitigation plans is free and without restriction, so that citizens, civil society organizations and all key stakeholders can gain an understanding of the wider social and environmental impact of the country’s mining sector.
REVENUE MANAGEMENT

National budgeting is weak due to absence of fiscal rules

Uganda’s revenue management scored 63 points in the 2021 RGI, placing it in the index’s “satisfactory” band. Given the absence of a mining-specific sovereign wealth fund, only national budgeting and subnational resource revenue sharing were assessed.

In terms of governance around national budgeting, Uganda’s government has disclosed both national debt levels and the national budget, including projections from extractive revenues. The government has not however passed a law setting a numerical fiscal rule. Fiscal rules can help the government take a more long-term approach to spending natural resource revenues and contain the ability to overspend when commodity prices are high. While the Charter for Fiscal Responsibility adopted in 2015 set numerical targets, as a public policy document, it is not legally enforceable. In addition, there is no firm requirement for the auditing of the government’s adherence to fiscal rules, and no oversight mechanisms to ensure this. Uganda’s government should therefore pass a law establishing fiscal rules accompanied by appropriate auditing mechanisms to ensure compliance.

The mining sector also lacks a centralized online portal that discloses information on reserves, production and export statistics all in one place. Establishing this portal is key to enabling a more transparent public understanding of the government’s management of extractive resources.

Uganda’s 2003 Mining Act established the transfer of revenues to subnational governments, designating agencies in charge of the transfers and applying the revenue sharing formula, which specifies the percentage allocation between the central government, local governments, owners and land users. The central government has also disclosed the amount of revenues transferred to local governments, including disaggregation by revenue streams.

ENABLING ENVIRONMENT

The index’s third component draws on data from credible external and public sources, including the Worldwide Governance Indicators and the Open Data Inventory. This component covers broader governance indicators that affect activities in all sectors.

Uganda’s enabling environment scored a “weak” 50 points. While the rule of law and open data subcomponents both placed in the “satisfactory” performance band, issue still remain. There are widespread perceptions of corruption, as well instances of violence, which are also present in the mining sector. Uganda’s government should respond by strengthening institutional mechanisms to prevent corruption and violent escalations and abuses in key mining regions.
LAW AND PRACTICE SCORES

Implementation gap exists, especially regarding the governance of local impacts

The legal framework in Uganda’s mining sector scored 63 points, while the enforcement of laws scored 56 points. The implementation gap, meaning the difference between the enacted laws and their enforcement in practice was 7 points, with most subcomponents showing only a minor difference in terms of adherence, except for the governance of local impacts, where a lack of public disclosures led to a practice score of 0, indicating no comprehensive disclosure of information.

Gap between law and practice in Uganda’s mining sector

GOVERNANCE OF ECONOMIC LINKAGES AND THE ENERGY TRANSITION

During the data collection process, the RGI questionnaire also assessed several emerging topics, including those related to economic linkages and the energy transition. While these do not count towards the final score, they nonetheless shine a light on important evolving aspects of Uganda’s mining sector.

Uganda’s presidency and government has repeatedly tried to encourage domestic value addition and beneficiation through various means, albeit with mixed results. The 2003 Mining Act and 2020 Mining Amendment Bill set forth a requirement for license holders to “take all reasonable measures” to process minerals domestically. It also specified conditions for large-scale mining projects to require a measure of domestic value-addition. The government has also imposed an export ban on various unprocessed minerals in 2011, 2015 and 2019, although enforcement was not strict and has been lifted due to pressure from extractive companies.

Uganda also holds reserves of minerals considered critical to the energy transition, including cobalt, nickel and copper, as well as deposits of tungsten and tantalum. The government hopes to leverage these reserves to attract large-scale investment by incentivizing extractive companies through zero-rated taxes on mining equipment, infrastructure and security, but the institutional framework or long-term vision is not yet adequately developed.
COMPARISON BETWEEN MINING AND OIL AND GAS

The mining sector is better governed than the oil and gas one, but weaknesses remain in both

In addition to the mining sector, NRGI has also assessed governance of Uganda’s oil and gas sector (available in a separate profile).

The mining sector, assessed for the first time in the RGI, scored 55 points, compared with 49 points scored by the oil and gas sector. While the scores of both sectors placed in the “weak” performance band, differences remain at the subcomponent level. The entire mining sector has an online centralized cadaster in place, which discloses allocated areas, operators, durations of contracts and additional information. This allows civil society organizations and private sector actors to better understand the status of the sector and provides greater transparency in mining resources and operations. The government should establish a cadaster for the oil and gas sector to increase transparency and accountability in the sector, as no corresponding registry of licenses currently exists.

Both sectors have requirements for companies to submit beneficial ownership information to the government when applying for licenses, but there is no indication of this information being disclosed publicly. Neither the 2003 Mining Act nor the Petroleum (Exploration, Development and Production) Act of 2013 require public disclosures of the real beneficial owners of extractive companies. Laws prohibiting public officials from owning assets in the mining sector and all mining sector companies exist, but given opacity and lack of public scrutiny of financial assets disclosures, this assessment could not confirm their application.

Finally, the governance of social and environmental impacts in both sectors was assessed as “poor.” As disclosures are under the purview of NEMA, the government must ensure that rules are passed, to enable free and unrestricted access to environmental and social impact assessments and environmental mitigation plans.

Comparison between Uganda’s mining and oil and gas sectors in the 2021 Resource Governance Index
NRGI recommends the following courses of action to improve mining governance in Uganda:

1. **The government and the National Environmental Management Authority** should ensure environmental and social impact assessments and environmental mitigation plans are freely and easily accessible through its online portal.

2. **The government and all key ministries** should publish online key documents and information about the mining sector, to ensure that they are easily and publicly accessible, reporting to the depth required by the Extractive Industries Transparency Initiative.

3. **The government** should adopt official laws setting a firm numerical fiscal rule governing public expenditure and establish an oversight authority to ensure compliance is regularly monitored.

4. **The government** should ensure that Uganda capitalizes on its reserves of minerals, such as cobalt, nickel and copper, which are critical to the energy transition, by putting in place robust mechanisms to ensure citizens benefit from the exploitation of these minerals.

**What is the Resource Governance Index?**

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGI, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.