

Sector faces skills deficit, companies recruiting from other countries

MINERAL ROYALTY

Civil society organisations have urged the Government to improve transparency in the distribution of mineral royalties to ensure timely payments.

By John Odyek

Civil society organisations have urged the Government to strengthen mechanisms that ensure timely access to mineral royalty revenues by local governments, landowners and lawful occupants.

They urged authorities to enhance transparency and improve tracking of royalty payments from the country's growing mining sector. According to the Mining and Minerals Act 2022, royalties from mineral production are shared among different beneficiaries, with 70% allocated to the central government, 15% to local governments, 10% to town councils and 5% to landowners.

Despite the presence of several mining companies operating in the country, royalties and revenues from the mining sector remain relatively low. The fourth Uganda extractive industries transparency initiative report shows that limestone, iron ore and pozzolana were the main drivers of mining revenue, which stood at sh299.95b in the financial year 2022/23.

Uganda's National Development Plan IV has set ambitious targets for the mining sector, including increasing the sector's contribution to GDP from 1.9% to 7.9%, raising investment in value addition for selected minerals from sh200b to sh1.85 trillion, and increasing mineral revenue from sh180b annually to sh750b annually.

The plan aims to increase employment in the extractives sector from 1.6 million to 2.0 million Ugandans, while ensuring gender and regional equity and improving the extractives industry governance effectiveness index from 78.5% to 90%.

These issues were discussed last Tuesday, during a tax dialogue on the mining sector hosted by the Uganda Chamber of Energy and Minerals (UCEM) at Four Points by Sheraton in Kampala.

Lynn Gitu, an extractive governance specialist, delivered a keynote presentation titled

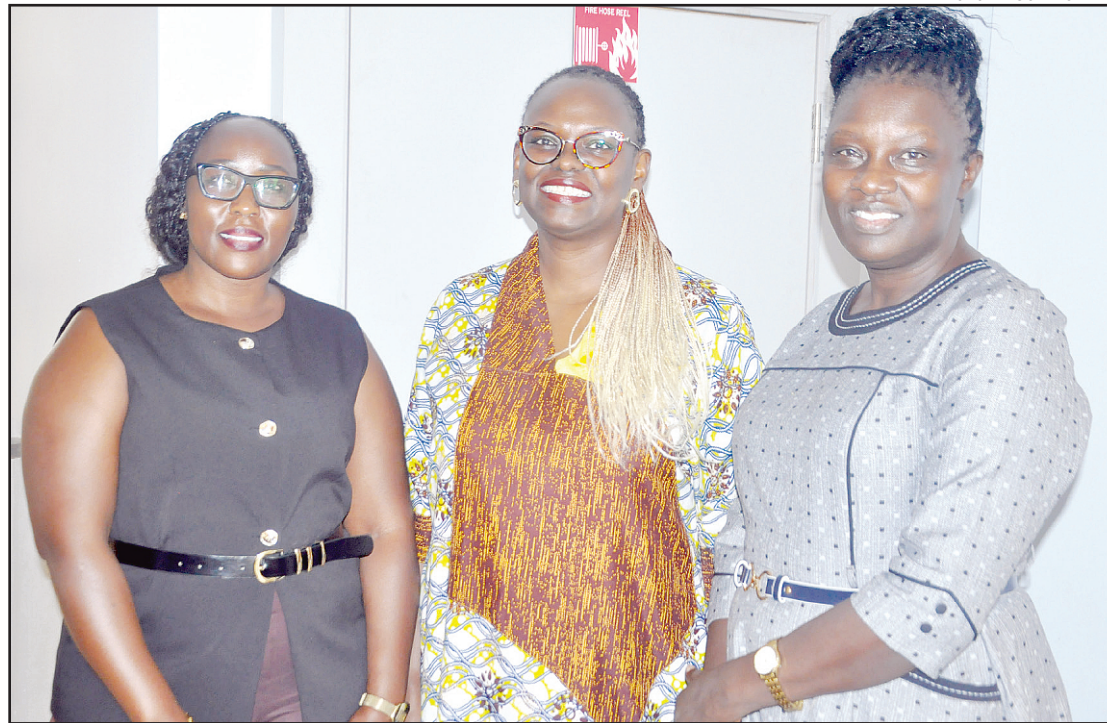


PHOTO BY JOHN ODYEK

Lokeris (left), Gitu (centre), and Alaba during a tax dialogue on the mining sector organised by the Uganda Chamber of Energy and Minerals at Four Points by Sheraton, Kampala on Tuesday last week

CIVIL SOCIETY PUSHES FOR TIMELY ACCESS TO MINERAL ROYALTIES

Key Policy Issues Affecting Mining Operations and Recommendations for Reform.

"A number of policy and implementation challenges continue to negatively affect the country's mining sector. There are high licence application and renewal fees, estimated at approximately sh11.4m, which are unaffordable for most artisanal operators.

"Strict regulatory requirements, including Environmental and Social Impact Assessments [ESIAs], complex and bureaucratic licensing processes, are often slow and difficult to navigate," Gitu said.

She noted that the accurate assessment and collection of mineral royalties is affected by under-declaration of production by some operators, heavy reliance on self-reporting, and difficulties in valuing minerals due to fluctuating international prices and differences in mineral quality.

Gitu added that delays and inconsistencies in royalty transfers to local governments and landowners, limited local oversight, weak monitoring infrastructure and a shortage of skilled personnel undermine effective royalty management.

She said informality in

the artisanal and small-scale mining (ASM) sector further complicates efforts to track production and enforce compliance.

Gitu pointed to inconsistencies between the Mining and Minerals Act and the Income Tax Act, particularly on ring-fencing provisions for taxation, as well as unclear definitions of terms such as lease areas, licence areas, contract areas and production areas, which complicate the determination of the taxable base for mining operations.

She said the mining cadastre system run by the Department of Mines under the Ministry of Energy and Mineral Development requires strengthening to improve transparency and monitoring of mining licences. In addition, Gitu said the Act does not clearly define the terms "processed minerals" and "unprocessed minerals," creating ambiguity in the application of the correct tax treatment.

Humphrey Asiimwe, the chief executive officer of UCEM, emphasised the need for predictable, transparent and competitive tax regimes that attract investment while ensuring Uganda derives sustainable value from its natural resources.

Asiimwe said effective tax



There should be a clear mark between legal and illegal miners.

policies are critical in balancing investor confidence, enterprise participation and national revenue generation, particularly as Uganda's mining sector gains momentum and the oil and gas industry moves toward production.

He added that the sector is facing a skills deficit, forcing companies to recruit experts from neighbouring countries while the education sector is urged to develop the required technical skills locally.

Blair Michael Ntambi, a lawyer and mineral development advisor at GIZ, said the cost of ESIA remains a major barrier for some artisanal and small-scale miners seeking licences.

Ntambi said the process of

obtaining small-scale mining licences is tedious and that hiring ESIA consultants can cost more than \$20,000, significantly affecting profitability.

Agnes Alaba, the commissioner in the Department of Mines, said there is a need to distinguish between registered artisanal miners and those operating illegally. She said artisanal mining in Uganda is not limited to gold but involves minerals such as marble, tin and gemstones.

"Licensing delays for Artisanal and Small-scale Mining arise from many factors, some which include problems with documentation, challenges with reading and writing," Alaba said.

She added that while consultant fees for ESIA studies are high, the regulatory fees charged by the National Environment Management Authority (NEMA) remain relatively low.

Modesta Lokeris, a board member of NEMA and managing director of West Peak Uganda Co. Ltd, said artisanal and small-scale mining are distinct categories but face nearly the same requirements for acquiring mineral rights as large-scale mining companies.

Lokeris said NEMA charges between sh500,000 and sh5m

for ESIA approvals, but the consultants hired to conduct the studies are significantly more expensive. She added that delays sometimes occur during the ESIA review process when district environment officers submit their comments but ministry-level officers delay providing final approval.

She highlighted limited awareness about who is responsible for collecting royalties in mining areas, noting that some local council and district officials attempt to collect royalties from miners. "Communities in mining areas need to be informed on when royalties are collected and paid," Modesta said.

Robert Obitre of Multilines International Ltd said mining companies importing equipment, plants and machinery can receive tax exemptions, but the process requires recommendations from the Ministry of Energy and Mineral Development before clearance by the Uganda Revenue Authority.

A new report titled *Firm Formalisation and Sustainable Development* warns that business and tax registration alone is not enough to ensure the survival, growth and sustainability of firms in Uganda. The report notes that Uganda's economy, which employs about 78% of the working population, remains highly informal, characterised by low productivity, limited worker protection and environmentally harmful practices.

"Formalisation can drive sustainable development, but only when paired with incentives, capacity building, and targeted reforms," said Prof. Marcus Larsen of Copenhagen Business School, one of the producers of the report.

"We need a just transition from informality to formality to address environmental degradation, climate change and widespread economic and social challenges.

Formalisation alone is not enough, there must be tax incentives, training, and tangible payoffs for firms prioritising sustainability," he said.

The report recommends reforms like integrating environmental and social standards into Uganda Registration Services Bureau registration, offering Uganda Revenue Authority tax rebates for firms adopting waste management systems, strengthening labour rights alongside environmental protections, and supporting firms with audits, coaching and certification.