

OLD LAWS THREATEN MINERAL REVENUE COLLECTIONS IN UGANDA

By John Odey

Forty years ago, found in Uganda, graphite, a soft dark grey mineral, was mostly used to make pencils. High quality graphite pencils are ideal for technical and fine art drawing designed.

However, over the years, the mineral has proved useful for industrial purposes. It is a crucial component for making lithium-ion batteries used in mobile phones. It is also used to make solar batteries and batteries for electric cars. Hence, its global value and demand has increased. The material is also used to make brake linings, lubricants and molds in foundries.

Unfortunately, the current mining law does not classify graphite as a base metal and Uganda could lose billions of shillings in tax revenue if this is not changed. A South African company, Consolidated Africa, is currently prospecting for the mineral and if commercially viable quantities are found, there is a risk of losing tax revenue.

In the current law, graphite is classified as an industrial mineral, in the same category as limestone, kaolin and clay, but its value is now much higher after finding that it has more powerful properties and uses.

According to mining experts, the current law needs updating to impose the right taxes on the major mineral being used to store energy.

Morris Tabaro, a mines inspector at the Directorate of Geological Survey and Mines, says in Uganda's current industrial mineral setting, graphite as an industrial mineral is taxed at sh10,000 (\$3) per tonne. He says base metal (minerals) such as iron ore, are taxed at 5% of the gross value per tonne.

He proposes that graphite be taxed as a base metal, so that the country gains a higher value. According to Tabaro, the best practice would be to give graphite a special classification for tax purposes, owing to the significant increase in its value.

He explains that the Mining Act 2003 does not cover graphite since it was made at a time when the value of graphite was still low. Tabaro says the laws in many countries in Africa and South America have not been prepared for the change in the use of graphite.

A change in the law is crucial not only because of the increased value of the mineral, but also because there are positive results of viable graphite deposits in Orom sub-county, Kitgum district. This is the first such find and it has potential to grow the country's revenues from the extractives industry.

Consolidated Africa has been undertaking surface mapping and exploration drilling on the exploration license, EL 1025 in Orom sub-county, Kitgum district. EL 1025 is a tenement, which covers an area of approximately 325sq km. The company has been investigating the area since 2013 and the results have proved positive.

"If our country was to allow for the

Uganda could lose billions of shillings in tax revenue if the current mining law is not changed to classify graphite as a base metal

export of the graphite ore, it would be valued at one, between \$700 and \$1,200 per tonne on the international market. Compared to the price of iron ore, which ranges between \$60 and \$90 per tonne on the international market, graphite is more highly valued," Tabaro says.

"The push for solar technology has increased the demand for batteries to store the power and especially electric vehicles," Tabaro adds. He notes that presently, China controls 80% of the supply of graphite in the world and it is a major manufacturer of mobile phone batteries. Tabaro explains that China is beginning to explore graphite deposits outside China. "If a graphite company applied for a license to mine tomorrow morning, we would have to cause a statutory instrument to levy taxes as it is never referred to in detail in the legislation," Tabaro says.

Consultations are still on-going on the draft Mining and Mineral Policy for Uganda to update the 2001 policy. Amendments have been proposed to the Mining Act 2003. Cabinet is expected to approve the proposals after the consultations.

However, Tabaro notes that the proposed changes in the law have not still captured graphite.

Experts say good policies in mining can make it become a catalyst for wider economic development of a country because of the potential revenue flows. President Yoweri Museveni has consistently said he will not allow Uganda to export unprocessed minerals.

Gabriel Data, the principal geologist in charge of mineral exploration and promoting investment in the mineral sector, also says the existing laws need to be updated.

"What is important is we need to work on monitoring and inspection. We also need to enforce the laws," Data says.

He explains that graphite is worth millions of dollars because it has many uses, making it an important mineral. Data says Consolidated Africa is expected to present the quantities that they find.

"Exploration involves

a lot of work. It involves activities such as drilling. We expect them to make the evaluation and report to the ministry. They (Consolidated Africa) will make a decision on mining and processing," Data says.

Sam Thakkar, a tax expert and advisor to the Uganda Chamber of Mines and Petroleum, says, "We need to have an understanding of the value of each mineral, impose the right taxes and get the right revenue for it. We should not let our minerals be exported in raw form as soil. We get little out of that, so we need value addition," Thakkar says.

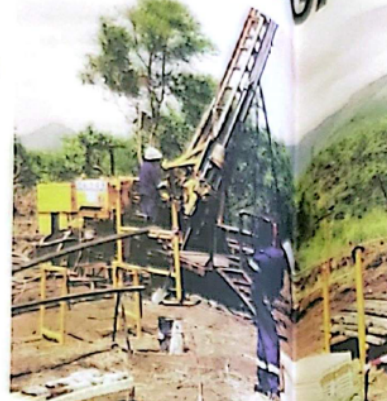
In Tanzania, President John Magufuli recently banned investors from exporting mineral sands, saying the country is losing revenue. The transportation of mineral sands from various mines for smelting outside the country, according to Magufuli, was robbing the nation of its rightful earnings due to weak monitoring on the amount and value of minerals recovered from the sands.

Thakkar explains that to undertake value addition, the country needs to get an investor who has a long-term

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Graphite exploration in Orom sub-county, Kitgum district

perspective. He said value addition will create jobs and lead to industrialization. He also cautions that to undertake value addition, the country has to have the right infrastructure such as power, roads and materials necessary to undertake the processing of minerals. Ely Karuhanga, president of the Uganda Chamber of Mines and Petroleum, says Uganda continues to discover daily how blessed it is with many minerals.

"We are not yet exploiting most of these minerals. The reason is that the Government in the past had been relying on foreign investors to come and exploit the materials and many investors have not come. The few that have come need to be supported. It is time the Government begins finding resources to undertake mineral exploration. It can also undertake exploration in joint ventures with investors," Karuhanga says. He adds that it will be difficult to find minerals such as graphite unless the government gets involved in mineral exploration.

Karuhanga says many investors have come up seeking to explore minerals in joint ventures with the Government.

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BUSINESS TENDERS



Graphite pencils are ideal for technical and fine art drawing

Uses of graphite

WRITING, ARTISTS' MATERIALS

"Lead" pencil cores are made of a mixture of clay and graphite. Loosely cleaved graphite flakes mark the paper, and the clay acts as a binding material. The higher the graphite content of the core, the softer the pencil and the darker its trace. There is no lead in what are known as lead pencils.

LUBRICANTS, REFRACTORIES

Graphite reacts with atmospheric water vapour to deposit a thin film over any adjacent surfaces and reduces the friction between them. It forms a suspension in oil and lowers friction between two moving parts.

LITHIUM-ION BATTERIES

Lithium-ion batteries have a lithium cathode and a graphite anode. As the battery charges, positively charged lithium ions in the electrolyte - a lithium salt solution - accumulate around the graphite anode. A lithium anode would make a more powerful battery, but lithium expands considerably when charged. Over time, the lithium cathode's surface becomes cracked, causing lithium ions to escape. These in turn form growths called dendrites in a process that can short-circuit the battery.

GRAPHENE TECHNOLOGY

Rollled single graphene sheets are 100 times lighter, as well as 100 times stronger than steel. Such a rolled sheet is also referred to as graphene, and this derivative of graphite is the world's strongest identified material and has been used to make super-strength, lightweight sports equipment. Its high electrical conductivity, low light absorbance and chemical resistance make it an ideal material for future applications, including in medical implants such as artificial hearts, flexible electronic devices and aircraft parts.

BANK OF UGANDA



P.O. Box 7120 Kampala, P.O. Box 7120 Kampala, Tel: 0106/61244 Fax: (+256-414) 233818
General Lines: (+256-414) 254411/12, 254414/15, 0313-30000 or 0417-30000
Website: www.bou.or.ug E-mail: info@bou.or.ug

EXPRESSION OF INTEREST FOR THE PROVISION OF CONSULTANCY SERVICES FOR IT APPLICATIONS RATIONALIZATION

1. Bank of Uganda invites Sealed Expressions of Interest from Eligible Bidders for:

Procurement Reference Number	Subject matter of Procurement	Bid Security
BOU/SR/CS/16-17/00450	Consultancy Services for IT Applications Rationalization	Not applicable

2. The bidding document(s) shall be inspected and issued from the Procurement Disposal Department Offices, 3rd Floor, Bank of Uganda, New Building, Room 3E-05 from 9.00am [EAT] of 27th July, 2017 or via Email: procurement@bou.or.ug

3. The deadline for bid submission shall be at 3.00 pm [EAT] of 16th August, 2017 and delivery of bids should be done in the Procurement and Disposal Department Offices, 3rd Floor, Bank of Uganda, New Building.

4. The detailed bid invitation notice is available on the Bank of Uganda Website at www.bou.or.ug

MANAGEMENT
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