

**DISCOVERY.** In Uganda Gold was first reported in West Nile region in 1915, but commercial mining did not start until 1933. By 1965, only 148,043ozs were mined in Ankole, Kigezi and Bukedi sub-regions, producing 68, 15, 16 per cent respectively.

CONCERN

**Evictions.** Late last year, President Museveni reportedly ordered security agencies—UPDF and police—to evict the artisanal or “illegal” gold miners in Mubende District. The miners were said to be reaping heavily from the gold business without paying taxes, which government said cost it a lot of revenues.

# Not all that glitters in Uganda is gold

**Part IV:** All that glitters is not gold is a famous saying from Shakespeare’s play *The Merchant of Venice*, meaning not everything that looks precious is usually as it appears to be. This aptly describes gold mining in Uganda. Exports for the precious metal as of last year, according to Bank of Uganda, recorded 89 per cent increase, making it the country’s second largest export product after coffee. Yet across the country where gold is said to exist, it is a different story, writes **Frederic Musisi.**

The Auditor General, Mr John Muwanga, in the last financial year audit reported that the Directorate of Geological Surveys and Mines (DGSM), the Energy ministry’s technical arm in charge of minerals, had issued gold export permits for only 16.281kgs compared to records from Uganda Revenue Authority, which indicated that 8,691kgs of the precious metal worth Shs1.2 trillion were exported from Uganda during the same period.

The gold export permits for an exporter, the audit indicates, were supported by export permits from the ministries of Tourism and Trade as opposed to being issued by DGSM, which is contrary to the law.

That aside, Mr Muwanga says “there was equally no evidence of payment of royalties on the exported gold.”

This implies that during the FY 2016/2017, Uganda lost revenues averaging between Shs12.2b and Shs61b in royalties from the undeclared gold exports and imports depending on the applicable rates of 1 per cent and 5 per cent for the imported or locally mined gold respectively.

“Although management admitted that the exporter does not make any declaration of gold exports to the commissioner claiming they were offered a tax waiver by Ministry of Finance, there was no evidence to this effect. A similar observation was reported in my report for the previous year. Management stated that an Inter-Agency approach to resolve the matter has now been adopted,” Mr Muwanga indicates.

In the previous Financial Year ended June 2016, while the country recorded gold exports worth Shs698b, DGSM only reported Shs11b. The audit for that year showed that between Shs6b and Shs34b was lost in royalties.

Most of this gold is smuggled from neighbouring DR Congo and South Sudan – two resource-rich countries that have hardly been politically stable since independence and as such, Uganda is in effect used as a conduit to [re]export the gold.

That notwithstanding, Uganda is home to substantial gold deposits scattered across the country but its mining story is one that leaves a lot to be desired; the industry is mainly run by speculators, smugglers and artisans; and is riddled with corruption and illegal mining licence holders. The UK based environmental NGO, Global Witness, last year released a report documenting corruption, mismanagement and high level political influence in gold business in the country.

## The dulled promise

Gold exports from Uganda recorded an 89 per cent increase in 2016, a Bank of Uganda report indicated last year, with revenues surging to \$340 million (Shs1.2 trillion) from \$36 million (Shs129 billion) registered in 2015.

Gold was first reported in West Nile region in 1915, but commercial mining did not start until 1933. By 1965, only 148,043ozs were mined in Ankole, Kigezi and Bukedi sub-regions, producing 68, 15, 16 per cent respectively.

Buhweju plateau was the most productive area; producing 17,511ozs valued at £700,000 (Shs5b) and employing more than 5,000 Ugandans. Other gold deposits were along the Kashaasha River in Kigezi region. Busia gold mines discovered in 1932 were an extension of the Kavirondo mines in Kenya.

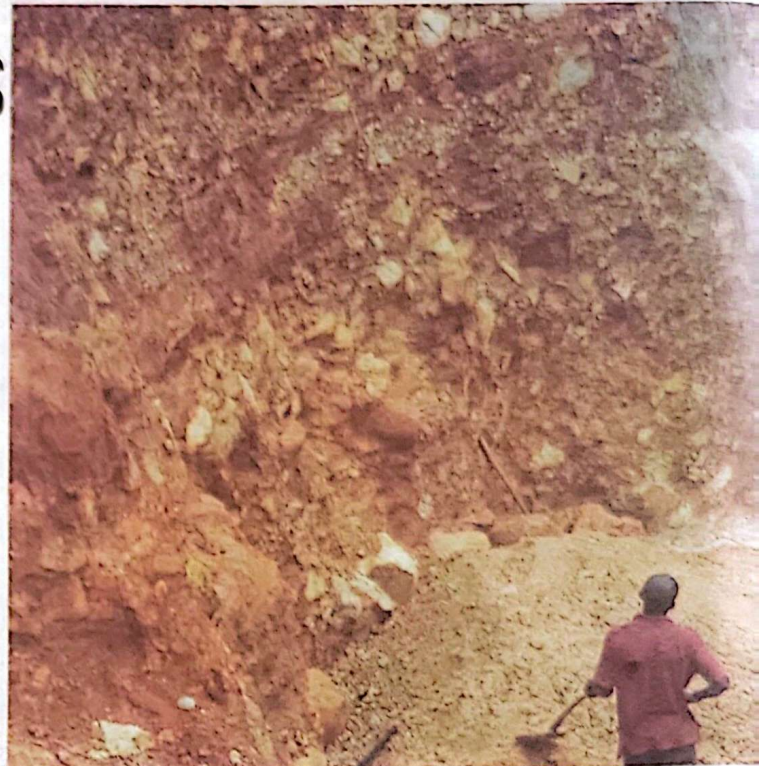
Deposits have since been reported in Mubende, Busia, Namayingo and Karamoja areas.

The commissioner for mines at DGSM, Ms Agnes Alaba, told *Daily Monitor* in an interview that “the problem is that the deposits are not evaluated and hence most operations in those areas have remained on small scale.”

“That is why there is a lot of illegal gold as a result and we are losing revenues,” Ms Alaba admitted.

In other instances, some so-called “big investors” who were awarded licences have continued sitting on them.

Case in point is the licence covering Bukuya and Kitumbi sub-counties in Mubende District, reportedly belonging to two companies—AUC Mining and Gemstone International Ltd, which acquired the location licence in 1987 and a mining lease in 1994 for the area mea-



**Site.** Artisanal miners at a gold mining site in Bihanga Sub-county, Buhweju District recently.  
PHOTO BY ZADOCK AMANYISA



**The search.** Artisanal miners sieving mud in search for gold in Mubende District.  
PHOTO BY FRANCIS MUGERWA

suring about 207sq. km. The companies have yet to start any gold mining and the area had in the past been invaded by artisanal miners.

“It is true we can do better than this as a country but with the sector unregulated, there is not much we can do,” Ms Alaba added.

She, however, expressed optimism that the revised mining policy will go along way in addressing most of the challenges, including recognising artisanal miners as a critical force.”

The recognition of artisanal miners, once they have organised themselves in formal groups and applied for licences, is part of the International Conference on Great Lakes (ICGLR) Declaration,

which was adopted by Heads of State of the regional grouping in December 2010 to, among others, break the link between armed conflict and revenue from minerals that include tin, tungsten, tantalite and gold, thus provide a system for tracking the chain of custody for these minerals which will safeguard the mineral revenues of processing, exporting and importing states of the Great Lakes Region.

## Not all that glitters

Late last year, President Museveni reportedly ordered security agencies—UPDF and police—to evict the artisanal/“illegal” gold miners in Mubende District. The miners were said to be reaping

## THE ISSUES

**Reports.** The UK based environmental non governmental organisation, Global Witness, last year released a report documenting corruption, mismanagement and high level political influence in gold business in the country.



500

**LICENCES.** Late last year, the Energy ministry said it had issued three location licences to more than 500 small scale artisanal miners in Mubende to resume mining but not in the previous location. This was after the miners had capitulated to several concessions, including forming a union.



heavily from the gold business without paying taxes, which government said cost it a lot of revenues.

Out of the estimated 70,000 people in the several gold mining towns that had sprouted, only 20,000 were involved in actual mining while the rest eked a living from related businesses—from bars, sex trade, restaurants, name it. Problem though, is the lucrative business has also lured many foreigners among others, Chinese, Congolese, Indians, Rwandans, and others, who had quietly blended in.

The eviction, according to energy ministry officials, was intended to bring order in the gold mining and increase government revenue, according to energy ministry officials. The operation, officials said would move to other districts like Buhweju, Namayingo and Busia.

In defense of the evictions, the government says gold mining operations have been infiltrated by a wave of foreigners who "exploit loopholes in the system" to profiteer from the lucrative trade.

Both government and the Uganda Chamber of Mines and Petroleum (UCMP), the association of formal miners, blame the permeation of artisanal miners in gold mining, for the lost fortunes from the trade.

Late last year, the Energy ministry said it had eventually issued three location licences to over 500 small scale artisanal miners in Mubende to resume mining but not in the previous location.

This was after the miners had capitulated to several concessions, including forming a union—Kayanza-Kitumbi Miners Association—which was awarded the licence covering an

estimated area of 13.5 hectares in Buhweju. But the miners say there is no gold in the new area.

According to the mining cadastre, a map showing the status of licensing in Uganda, Mubende has two mining leases – for the large-scale miners – and five location licences given to small-scale miners.

The current Mining Act does not recognise artisanal mining as a legal means of mining.

#### More mess

In Buhweju, in July last year, Hubei Jiu Zhou Geological Exploration Company Limited, a Chinese company, sued Buhweju Small Scale Miners Association and other individual artisanal miners it claimed are illegally occupying its territory exploration licence, and thus want them evicted.

In the case before Justice Dancan Gaswaga at High Court Mbarara, the association was jointly sued with Attorney General William Byaruhanga, Buhweju District Local Government, John Muyambi Muruli, Rwamojo Willy and Butorgirize Richard (all artisanal miners and leaders of the association).

The Chinese company wants court to order eviction of all artisanal miners in the area; order them to pay Shs400 million as fine for encroachment, prospecting, exploring and mining without a license, damages and costs of the suit.

The company claims that it was in December 2016 granted exploration licence for the area measuring about 88.6 square kilometers by the Directorate of Geological Survey and Mines (DGSM) in Ministry of Energy, and subsequently they commenced



**At work.** Artisanal miners digging the ground in search of gold in Buhweju District PHOTO BY ZADOCK AMANYISA

exploration work for gold.

Court last year dismissed an application for a temporary injunction that sought to restrain the artisanal miners from mining gold until the main case is determined.

The company argues that the artisanal miners entered into the exploration camps they had built, hurled stones at its employees and threatened to kill them in case they don't abandon the exploration sites. "They (artisanal miners) threatened to cut off the heads of the camp supervisor if he did not abandon the mining sites.

The artisanal miners then put up a mining camp, fenced off the area and denied the company access.

Interestingly, the Chinese company also contends that the artisanal miners are mining without payment of tax, royalties and other fees either to Buhweju District Local Government, Ministry of Energy or Uganda Revenue Authority.

As the licence holders, the Chinese company, claims it has been deprived of its mineral rights without prompt and adequate compensation.

The company also accuses the DPC Buhweju of failing to halt the illegal mining even when the situation was brought to his attention.

However, in their defence, through their lawyers, Godfrey Ojok, the artisanal miners argue that the company acquired its exploration licence fraudulently. They claim that the company's application for exploration licence was endorsed by the deputy CAO instead of the CAO. To them, this irregularity amounts to fraud and they want court to cancel the company's licence on that ground.

The artisanal miners also contend that the Chinese company is owned by directors of another company, Uganda Sino Watson Minerals Company, whose seven-year licence expired earlier in 2016. They argue that the law does not allow the same company to acquire another licence in the same area until after three months.

On January 30, 2017, Buhweju Small Scale Miners Association obtained a prospecting licence covering the whole country, and consequently applied for an exploration licence on July 3, 2017 but

their application is still pending.

The artisanal miners argue that the investor found when they were already prospecting for minerals activities in the same area using the said prospecting licence.

They further argue the company changed its name after its exploration licence expired without any actual mining – thus it is simply a speculator. According to the artisanal miners, Hubei Jiu Zhou Geological Exploration Company Limited, a shareholder in Uganda Sino Watson Minerals Company Limited had been licensed to explore in the said area.

However, their licence expired in order to retain the exploration area the plaintiff changed its name and applied for an exploration licence over the same area.

That the plaintiff never submitted its application through the Office the CAO Buhweju as required by but connived with officials who have authority to endorse the application it changed its name from Hubei Jiu Zhou Geological Exploration Company to Hubei Jiu Zhou Geological Exploration Company that held shares in Wat

The ensuing battle between Chinese company and artisanal miners in Buhweju District is not peculiar there are a dozen examples across the country, especially in mineral rich areas. Officials admit that several so-called mining companies are speculators who are hoarding licences leaving artisanal miners on the ground itself doesn't help matters but government is losing a lot of revenue as a result.

Ms Winnie Ngabire, the director of natural resources at Global Alert, an NGO, said: "That shows how disorganised we are as a country. The government has licensed so-called serious investors for years but they are instead the licences."

"Gold has done wonders for Africa, Ghana, and Zambia is a possibility if we get it organised, things could do better, but I don't see that very soon," Ms Ngabire added.

#### THE KEY FACTS

**\$340 million (Shs1.2 trillion):** Value of Uganda's gold exports by 2017

**A location licence,** according to The Mining Act, 2003 Section 54 (2), is a licence for prospecting and mining operations by methods which do not involve substantial expenditure and the use of specialised technology.

**This is mostly meant** for small-scale miners who do not have the capacity to afford high-tech equipment for mining.

**2,249**

**Number of artisanal and small scale miners registered in Mubende; 1,614 in Namayingo and Busia districts and 600 in the Karamoja region.**