

# EXPERTS MAKE 10 RECOMMENDATIONS FOR UGANDA NATIONAL MINING COMPANY

By John Odyek

Experts in the mining sector have proposed recommendations to strengthen the effectiveness of Uganda's newly-established Uganda National Mining Company (UNMC).

These recommendations aim to ensure the company's success and promote sustainable development within Uganda's mining industry.

The Natural Resource Governance Institute (NRGI) developed the recommendations, drawing on the experiences of 59 national mining companies across 44 countries.

## LESSONS FROM GHANA

Thomas Scurfield, an economic analyst at NRGi and senior analyst Andrew Bauer presented the findings at the Sheraton Kampala Hotel recently, emphasising the lessons Uganda can learn from countries like Ghana and Zambia.

Scurfield pointed to Ghana's struggles with earning zero dividends with carried interest. He suggested replacing government equity in mining companies with royalties and taxes that ensure more

## WHERE ARE THE RECOMMENDATIONS?

- Limit the mandate of the Uganda National Mining Company (UNMC) to focusing on addressing specific market failures.
- Re-evaluate paying for non-controlling equity during the development and operational phases of mines.
- Carefully review production-sharing agreements, factoring in the UNMC's capacity.
- Invest in value addition activities only when aligned with a clear, evidence-based strategy.
- Prohibit investments in non-core activities that could divert resources from essential mining operations.
- Allocate start-up capital based on a realistic plan, budget and thorough opportunity cost assessments.
- Allow revenue retention solely from UNMC's own investments and ensure a high payout ratio to the Government.
- Engage experienced consultants to guide the establishment of the UNMC in line with its mandate.
- Ensure parliamentary oversight of the UNMC's operations and finances, with approval for large investments.
- Conduct annual audits by external auditors, enforcing the highest transparency standards.

predictable revenues, similar to Zambia's approach.

Scurfield cautioned that government investments in mining are risky, especially given the high exploration costs.

Paul Bagabo, a consultant with NRGi, urged the Government to increase transparency in mining operations, particularly around production-sharing agreements.

Dr Gerald Banaga-Baingi, acting



PHOTO BY JOHN ODYEK

Left-right: Banaga-Baingi, Bagabo and Onesmus Mugenyi, the deputy executive director of the Advocates Coalition for Development, chatting after the release of the recommendations for UNMC at the Sheraton Kampala Hotel recently

UNMC chief executive officer, acknowledged the challenges in Uganda's mining and petroleum sectors, but emphasised delivering tangible results.

## BENEFITS

Banaga-Baingi outlined plans to establish an exploration fund, improve oversight and promote political transparency.

Louis Arinaitwe, the country director of the British High Commission's department for business and trade, said a country must have clear laws and regulations, a stable political environment and private sector engagement in mining.

Arinaitwe expressed optimism, urging that the 10-fold growth strategy be implemented in practice.

David Sebagala, the senior inspector of mines at the Ministry of Energy and Mineral Development, said the Government would analyse

and implement recommendations that best serve Uganda's interests.

## TRANSPARENCY

Gloria Mugambe, the head of the Uganda Extractive Industries Transparency Initiative Secretariat, emphasised the need for transparency in the mining sector, particularly with gold. She called for more equitable opportunities for all industry stakeholders.

Mining has been a significant part of Uganda's economy, contributing to export earnings and GDP in the 1950s and 1960s. However, its contribution has waned, accounting for only 2.2% of Uganda's GDP in 2022/23.

Contributing factors include governance challenges, policy gaps and increasing illicit financial flows. A report by Uganda's Auditor General revealed that millions were lost due to unregulated mineral exports.