



UNDERMINED: How corruption, mismanagement and political influence is undermining investment in Uganda's mining sector and threatening people and environment

This briefing sets out the key findings of Global Witness' 18 month investigation into Uganda's mining sector and provides recommendations for key stakeholders. Further evidence, including 10 case studies, and more detailed recommendations are contained in the report itself which is available on our website.

INTRODUCTION

While much emphasis has been placed on oil exploration in Uganda, the mining sector has been largely neglected to date. The country is likely to be mineral rich and the mining industry, which is still in its infancy, could generate billions of dollars in revenues and significant employment opportunities for Uganda. Tens of thousands of Ugandans already make a living from mining and the country has secured some major inward investment to a few key mine sites. However, our investigations show that corruption, poor regulation and interference by the political elite is stifling good quality investment and putting Ugandans and their environment at risk.

Previous attempts at reform of Uganda's mining sector have been undermined by institutional corruption and vested interests. Bodies such as the Office of the Auditor General (OAG) and the Inspector General of Government (IGG) have done some good work in identifying problems, and with sufficient

resources and political backing, could play a vital role in cleaning up the sector and making it fit for sustainable and above-board inward investment. There are also honest and hardworking employees doing their best to uphold the law at the Directorate of Geological Survey and Mines (DGSM). However, to date, their efforts have been insufficient in the face of the entrenched corruption and established ways of working at the DGSM.

However, there is now an opportunity for change. The President has recently made the mining sector a priority and the government has been working with the World Bank to reform the Mining Policy and Act. The system needs a radical overhaul to ensure that transparency, accountability and environmental and social safeguards can prevail over self-interest and political patronage. Civil society has produced its own recommendations for improvements to the Mining Act, which can be found on our [website](#).

Global Witness hopes that this report and the evidence it contains will help the Ugandan government, civil society and MPs, along with the country's international development partners, to identify the loopholes and regulatory failings that let this corruption prevail, and fix them. The details and full references for all the case studies included in the annexes of the report should help law enforcement agencies and accountability institutions (including the Inspector General of Government and the Office of the Auditor General) conduct further

investigations and hold companies and individuals to account. Global Witness wrote to all companies and individuals featured in the investigation. The responses are referenced in the main report and its annexes.

KEY FINDINGS

Corruption, political influence and poor regulation

➤ Corruption at the DGSM is systemic. Global Witness has discovered that it is almost impossible to obtain licenses from the DGSM without making payments to certain DGSM officials. Some staff have even gone as far as to establish their own company for the express purpose of acquiring licences for third parties. Directorate officials are also expected to provide preferential treatment to companies favoured by the political elite.

➤ Political elites exert a strong influence on the sector. In the instance of African Gold Refinery a group of Belgian and Ugandan businessmen with close ties to the President have been able to ship out over US\$200 million dollars' worth of gold without declaring its origin or providing public evidence of adequate supply chain due diligence. The company has negotiated tax exemptions and has only paid a little over half a million dollars in tax.

➤ Speculators and middlemen have been able to buy up large numbers of licences before selling them on to Ugandan and international investors. Some mining rights end up in the hands of anonymously-owned offshore companies making it difficult, if not impossible, to know who profits.

➤ The DGSM does not have sufficient resources to inspect mine sites and verify self-declarations by mining companies. Companies can therefore operate safe in the knowledge that they are unlikely to be checked or regulated. This has led to large-scale and widespread under-declaration, poor health and safety, environmental damage, smuggling and illegality.

➤ Smuggling across borders appears to be a significant problem. Two miners told Global Witness that they were able to certify Congolese minerals as Ugandan before re-exporting them. This raises the concern that minerals which could have funded human rights violations are entering the supply chain.

Human rights violations

➤ Global Witness has discovered miners, including children, using rudimentary tools and mining without safety equipment.

➤ Tens of thousands of Ugandans have flocked to mostly unlicensed gold mines in Mubende, Mayuge, Namayingo, Bugiri and Karamoja. These miners, including children, operate in dangerous and life threatening conditions including handling mercury with bare skin. This gold does not appear in official production figures.

➤ It is the poorest who stand to lose the most. In one instance Global Witness has documented how a marginalised community appears to have been systematically undercompensated to make way for a major international investor favoured by the President.

Environmental damage

➤ The DGSM has handed out mining exploration licences in all but three of Uganda's protected areas including the Bwindi and Rwenzori UNESCO World Heritage sites putting some of the world's most precious habitats, and the tourist industry that depends on them, at risk.

➤ Global Witness has identified at least one example where the operator of a major mine was operating without having undertaken the correct Environmental Impact Assessment. Local officials informed us they did not have the tools to monitor the impact of the mine on local water sources.

RECOMMENDATIONS

Government of Uganda

1. Support the OAG and IGG and implement their recommendations.
2. Support the work of the UN Group of Experts and the OECD including facilitating their investigations and implementing their recommendations. Introduce domestic supply chain due diligence legislation in line with the ICGLR framework and internationally recognised OECD Due Diligence Guidance.
3. Hold relevant officials, lawyers and businesspeople to account for their involvement in the corrupt and illegal activities detailed in this report.

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4. Ban Ministry of Energy and Mineral Development employees from working for mining companies to avoid conflicts of interest. This ban should stay in place for at least two years after employment has ceased to prevent conflicts of interest.
 5. Collect and publish beneficial ownership information of all shareholders of the owners of exploration licences, mining leases and location licences so that Ugandan citizens know who is benefiting from their resources.
 6. Overhaul the DGSM to ensure that power over key decisions is not over-centralised in one department. Licensing decisions and mining company returns should be reviewed and overseen by another agency not simply the Commissioner.
 7. Review all existing licences to ensure that:
 - a) the licences were acquired fairly and through due process;
 - b) there is no conflict of interest in their ownership or control;
 - c) the companies that own them have the capacity and financial backing to fulfil their work plans and;
 - d) they are carrying out the activities on the ground in line with their licences or have legitimate reasons for not doing so.
 8. Digitise Uganda's company registry and make it available online so that citizens can easily view information about who owns companies and mining licences.
 9. Make Uganda's mining licences easily accessible online so that the public can view them.
 10. Refrain from passing legislation or a constitutional amendment which undermines landowners' fundamental rights to property.
 11. Ensure that landowners, including customary landowners, are properly consulted and compensated for their land when they make way for mining projects. This should include the principal of Free, Prior and Informed Consent.
 12. Ensure that the DGSM and all other government agencies responsible for monitoring the sector receive the funding they require to ensure that mining companies pay the taxes they owe and adhere to

environmental, and health and safety standards.

13. Review the 'first come, first serve' licensing system and introduce transparent, open and fair competitive bidding where possible.
14. Urgently consider the artisanal and small scale mining sector with a view to improving revenue collection, environmental protection, and health and safety.
15. Cancel all licences in protected areas and prohibit mining in protected areas by law.
16. Take urgent steps to prevent conflict minerals transiting through Uganda including implementing the commitments under the 2010 Lusaka Agreement which includes introducing a domestic supply chain due diligence law.
17. Join the Extractives Industry Transparency Initiative.
18. Adopt the recommendations contained in the NGO comments on Uganda's Mining Policy and Act available on our website.

To the Inspector General of Government (IGG), and the law enforcement agencies:

1. Publish the outcomes of the investigations detailed in this report.
2. Investigate further the evidence of wrongdoing presented in this report.
3. Hold relevant officials, lawyers and businesspeople to account for their involvement in the corrupt and illegal activities detailed in this report.

The Office of the Auditor General (OAG)

1. Continue to conduct detailed, routine and systematic reviews into Uganda's mining sector. This should include sector-wide reviews as well as detailed investigations and site visits at specific mines.

The UN Group of Experts and the OECD

1. Conduct further detailed investigations into the instances of gold, tin, tantalum, tungsten and other minerals from DRC being passed off as Ugandan.

The UN should continue to name the companies and individuals responsible.

2. Seriously consider the impact of gold from South Sudan entering the international supply chain via Uganda, as has been done for the DRC already.
3. Ensure that the Ugandan government, and companies operating in Uganda, implement existing frameworks and commitments aimed at good practice in the mineral sector.
4. Work with the international community to ensure that companies and individuals are held to account.

International Development Partners

1. Support the government agencies named above, as well as the media and civil society, to implement the recommendations in this report by providing additional funding and technical support.
2. Challenge vested interests in the mining sector and support the work of the IGG, OAG and other oversight bodies.
3. Work together with other development partners to put pressure on the government to ensure that the issues raised in this report are properly investigated, those responsible are held to account and the management of the sector is reformed.
4. Seriously consider the role that Uganda plays as a transit country for conflict minerals and take steps to mitigate it including holding Uganda to its international obligations.
5. Raise the issue of environmental protection and the impact of mining on tourism directly with the government.

Investors

1. Make it clear to the government, politicians and fixers that you will not pay bribes or middlemen for services that should be free of charge.
2. Conduct careful due diligence to ensure that licences that you acquire were obtained legally through due process.
3. Implement best practice health and safety, and environmental protection standards.

4. Publish details of all payments made to government agencies.
5. Conduct careful supply chain due diligence on all minerals sourced in Uganda to ensure that they are not fuelling conflict or human rights violations in neighbouring countries. And demand the same, including detailed public reporting, from any companies you invest in.
6. Report any issues regarding corruption, wrongdoing or harmful practice to the relevant government agencies and/or the media.

Civil Society and the media

1. Bring the issues and recommendations in this report to the attention of the public, government, development partners and the Ugandan Parliament.
2. Conduct further investigations into the corruption and mismanagement documented in this report to ensure that the truth is exposed and the corrupt are held to account.
3. Publicly campaign for the changes that are needed to reform the mining sector including amending the mining law.