



# ENHANCING DOMESTIC REVENUE MOBILISATION

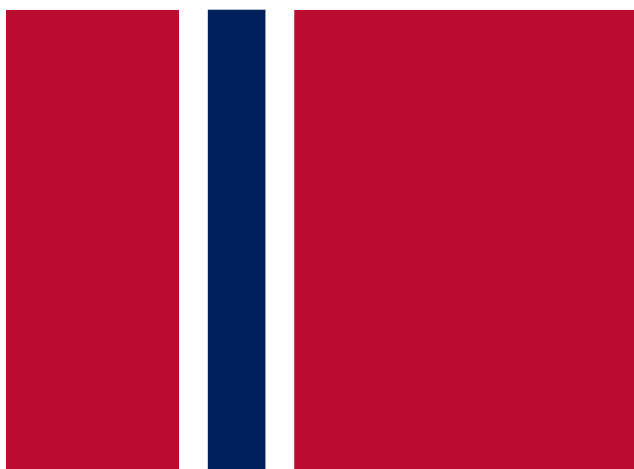
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THROUGH FORMALISATION OF ARTISANAL AND  
SMALL-SCALE MINING IN UGANDA

FACTSHEET  
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## DISCLAIMER

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## Authors

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Onesmus Mugenyi  
Phoebe Atukunda  
Oscord Mark Otile  
Paul Twebaze  
Peter Watua

## Editors

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Phillip Nyakundi  
Edith Nyabicha

## Design

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Dennis Kabia - Communications Associate East & Southern Africa, GFI

## Images

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## Abbreviations

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ACODE	Advocates Coalition for Development and Environment
ASM	Artisanal and Small-Scale Mining
BRASM	Biometric Registration of Artisanal and Small-scale Mining
DGSM	Directorate of Geological Surveys and Mines
DRMS	Domestic Revenue Mobilisation Strategy
EITI	Extractive Industries Transparency Initiative
GDP	Gross domestic product
GFI	Global Financial Integrity
ICGLR	International Conference on the Great Lakes Region
IFFs	Illicit Financial Flows
MEMD	Ministry of Energy and Mineral Development
NEMA	National Environment Management Authority
NSSF	National Social Security Fund
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay As You Earn
UNDP	United Nations Development Programme
UGAASM	Uganda Association of Artisanal and Small-Scale Miners
UNDP	United Nations Development Programme
WHT	Withholding tax

# 1. Introduction



Uganda's mining sector is heavily dependent on artisanal and small-scale mining (ASM), which is often conducted outside the legal, fiscal, and institutional regulatory frameworks. This lack of regulation complicates efforts to address the environmental, social, and economic challenges associated with ASM.<sup>1</sup> Unlike large-scale mining operations, ASM relies on minimal capital investment and utilizes manual labour or light machinery. ASM accounts for over 90% of the country's mineral production, involving valuable resources such as gold, tin, tungsten, tantalum, limestone, marble, and iron ore.<sup>2</sup> The sector's informality has resulted in its contributions to the economy largely unaccounted for, explaining its less than 1% contribution to GDP.<sup>3</sup> Despite its significant role, ASM remains largely informal, leading to minimal government oversight and limited revenue collection. The Mining and Minerals Policy, 2018 and the Mining and Minerals Act, Cap. 159 aim to formalize, organize, and develop ASM through registration, licensing, and regulation.

The 2018 Mining and Minerals Policy and the regulatory framework establishes Artisanal and Small-Scale Mining Licences alongside Medium-scale and Large-Scale Mining Licences. It also provides for the zoning of Artisanal operations. It is hoped that these new provisions will facilitate the monitoring of activities across the ASM value chains, timely reporting and declaration of mineral production and mainstreaming of the ASM sub-sector as a source of revenue for national development. The formalisation of ASM will also address issues associated with capital flight through mineral smuggling across the country's porous borders and enable the Ministry of Energy and Mineral Development to tackle illegal mining.<sup>4</sup>

The formalization of the ASM sector is gaining momentum globally, recognizing its economic potential and social importance.<sup>5</sup> This extends beyond legality to addressing issues related to conflict minerals, and environmental, technical, social, and occupational challenges.<sup>6</sup> Uganda's ASM sector presents a unique opportunity for economic growth and poverty reduction. However, unlocking its full potential requires a strategic approach to formalization.<sup>7</sup> Through formalization, Uganda can increase government revenue from sector-specific taxes, fees, and royalties;<sup>8</sup> improve regulation and management of environmental protection; ensure safer working conditions; promote responsible mining practices that comply with international mineral traceability requirements; attract foreign direct investments; and ensure the sector's long-term viability.<sup>9</sup> This factsheet, therefore, focuses on the formalization of the ASM sub-sector to enhance domestic revenue mobilization in Uganda's mining sector.

1 Nalule, V. R. (2023). *Mining Law and Governance in Africa*. Routledge.

2 The Mining and Minerals Act, Cap. 159

3 <https://budget.finance.go.ug/sites/default/files/02%20Mineral%20Development.pdf>

4 The Mining and Minerals Act Cap.159

5 [https://impacttransform.org/wp-content/uploads/2017/10/GrOW-Working-Paper\\_2017.pdf](https://impacttransform.org/wp-content/uploads/2017/10/GrOW-Working-Paper_2017.pdf)

6 <https://www.sciencedirect.com/science/article/abs/pii/S0301420721003998>

7 [https://impacttransform.org/wp-content/uploads/2017/10/GrOW-Working-Paper\\_2017.pdf](https://impacttransform.org/wp-content/uploads/2017/10/GrOW-Working-Paper_2017.pdf)

8 See, URA Overview of the Mining Sector. Available at <https://ura.go.ug/en/overview-of-the-mining-sector/>

9 <https://www.sgu.se/en/itp308/knowledge-platform/8-artisanal-and-small-scale-mining/>

## 2. What is artisanal and small-scale mining and why is it critical for Uganda's domestic revenue agenda?



There is no universally recognized definition of Artisanal and Small-Scale Mining (ASM), however, ASM is used as a collective term for a range of very diverse mining activities. It is commonly understood as the labor-intensive, poorly mechanized and unplanned exploitation of mineral resources.<sup>10</sup> In Uganda, artisanal and small-scale mining is described as a largely informal economic sector that includes workers using rudimentary tools to extract minerals from the earth. Unlike the repealed mining policy and regulatory framework, The Mining and

Minerals Policy of 2018 and the Mining and Minerals Act, Cap. 159, recognize artisanal and small-scale mining and lays out a clear formalisation procedure to be followed by artisanal and small-scale miners. The Mining and Minerals Act Cap. 159 introduces a clear distinction between artisanal mining and small-scale mining, recognizing their unique operational scales and regulatory needs. The Act provides separate licenses for each category, ensuring tailored governance, compliance, and support mechanisms. This differentiation aims to enhance formalization, improve environmental and safety standards, and promote sustainable practices within the sector. By streamlining licensing processes, the Act fosters increased investment, efficiency, and accountability, ultimately contributing to the sector's long-term growth and alignment with international best practices.<sup>11</sup>

Artisanal and small-scale mining is an important socio-economic sector for the rural poor in Uganda, many of whom have few other options for supporting their families.<sup>12</sup> The ASM sector is a bustling industry, with gold mining alone employing an estimated 400,000 to 600,000 people,<sup>13</sup> mostly in the regions of Busia and Karamoja in the East and Northeast as well as in the Kigezi and Buhweju goldfields across the West and Southwest of the country.<sup>14</sup> ASM is vital for the rural poor, offering one of the few available means to support their families, despite being largely informal and not reflected in GDP calculations. ASM in Uganda targets minerals such as gold, tin, tungsten, niobium, gemstones, limestone, marble, and kaolin among others.<sup>15</sup> From 2014 to 2021, formal ASM operations contributed UGX 713.5 million (\$195,256) to national revenues.<sup>16</sup> ASM accounts for over 90% of mineral production in Uganda, with an estimated 26.5% million people directly or indirectly dependent on the

10 Fisher, Eleanor (2007) 'Occupying the Margins: Labour Integration and Social Exclusion in Artisanal Mining in Tanzania' *Development and Change*, 38 (4): 735-760.

11 The Mining and Minerals Act Cap. 159

12 UNDP. (March 2018). *Baseline Assessment and Value Chain Analysis of 5 Development Minerals in Uganda. Summary Report*. Available at <https://www.undp.org/uganda/publications/baseline-assessment-development-minerals-uganda-reports>

13 Ronald Musoke. (November 28, 2022). *Mercury use by Uganda's small-scale gold miners*. The Independent Magazine. Available at <https://www.independent.co.ug/mercury-use-by-ugandas-small-scale-gold-miners/>

14 [https://www.responsiblemines.org/wp-content/uploads/2018/05/Case\\_Study\\_Uganda\\_June\\_2012.pdf](https://www.responsiblemines.org/wp-content/uploads/2018/05/Case_Study_Uganda_June_2012.pdf)

15 <https://www.iisd.org/system/files/publications/mpf-uganda-assessment-of-implementation-readiness.pdf>

16 UGEITI. (2023). *UGEITI Report for Fiscal Year 2020/21*. Kampala: Uganda Extractive Industries Transparency Initiative (UGEITI). Retrieved from <https://eiti.org/sites/default/files/2023-09/UGEITI%20Report%20FY%202020-21%20-%20Final%20clean-V070923.pdf>

sector.<sup>17</sup>

While a large percentage of mineral production and employment is widely attributed to artisanal and small-scale mining,<sup>18</sup> the ASM sub sector's contribution to GDP is unknown. Current statistics on the ASM's contribution to the country's GDP are unqualified estimations based on known Non-Tax revenues generated from mineral rents and fees from a few formalized and licenced operations. The lack of reporting on mineral production and trade, lack of a functional mineral database, and limited coordination between the Uganda Revenue Authority (URA) and Directorate of Geological Surveys and Mines (DGSM), the two government agencies responsible for ensuring compliance in the mineral sector, deprives the country a significant amount of revenues for national development. It also presents obstacles to government regulation and revenue collection.<sup>19</sup> For example, in 2008, informal and unlicensed artisanal and small-scale gold mining (ASGM) in Uganda produced over 1.2 tonnes of gold, valued at \$28.3 million, whereas officially reported gold production was only valued at \$46,636, with official exports amounting to \$35.3 million. This disparity is partly attributed to the lack of formalization in ASGM and the minerals trade.<sup>20</sup>

A baseline study on development minerals in 2018 revealed that properly regulated artisanal mining operations could potentially contribute over 3% to GDP, compared to the current less than 1% due to the sector's largely unregulated nature.<sup>21</sup> It is estimated that illegal mining activities in districts like Mubende, Buhweju, Busia, Namayingo, Nakapiripirit, Amudat, Kaabong, Abim, and Moroto results in approximately 200 kg of gold (worth \$8 million) being mined illegally each month, while non-tax revenue from the sector is \$3.2 million annually. Formalizing the sector could significantly increase domestic revenue and GDP.<sup>22</sup>

17 UNDP. (March 2018). Baseline Assessment and Value Chain Analysis of 5 Development Minerals in Uganda. Summary Report. Available at <https://www.undp.org/uganda/publications/baseline-assessment-development-minerals-uganda-reports>

18 Maria Laura Barreto, Patrick Schein, Jennifer Hinton, and Felix Hruschka. (January 2018). Economic Contribution of Artisanal and Small-scale mining in Uganda: Gold and Clay. Pact Global UK.

19 UNDP. (March 2018). Baseline Assessment and Value Chain Analysis of 5 Development Minerals in Uganda. Summary Report. Available at <https://www.undp.org/uganda/publications/baseline-assessment-development-minerals-uganda-reports>

20 [https://www.responsiblemines.org/wp-content/uploads/2018/05/Case\\_Study\\_Uganda\\_June\\_2012.pdf](https://www.responsiblemines.org/wp-content/uploads/2018/05/Case_Study_Uganda_June_2012.pdf)

21 UNDP. (March 2018). Baseline Assessment and Value Chain Analysis of 5 Development Minerals in Uganda. Summary Report. Available at <https://www.undp.org/uganda/publications/baseline-assessment-development-minerals-uganda-reports>

22 <https://budget.finance.go.ug/sites/default/files/02%20Mineral%20Development.pdf>

### 3. How does informality of artisanal and small-scale mining undermine domestic revenue mobilization in Uganda?

The informality of artisanal and small-scale mining in Uganda undermines domestic revenue mobilization by making the sector susceptible to exploitation by illicit actors, such as smugglers.<sup>23</sup> The lack of enforcement, legal ambiguity, and pervasive informality allow these illicit actors to benefit from resource extraction at the expense of the country's revenue. Informal business practices dominate the sector. The vast majority of ASM operations remain outside the national tax and revenue bracket. The ASM sub-sector is not captured by the mineral sector fiscal regimes and frameworks applicable to mainstream formalized medium to large-scale mineral operations.<sup>24</sup> With 95% of ASM activities estimated to be informal, tracking, taxing and capturing its contribution to GDP through employment, fiscal tools such as (PAYE, WHT, and NSSF contribution) is difficult.

A formalized ASM sector enables the government to generate revenues in excess of costs of production (economic rent) through the application of targeted special taxation regimes in the ASM sub-sector. It is challenging for the government to design tax regimes that best meet its objectives of resource mobilization with an informal and hard-to-track ASM Sub-sector. There are two specific forms of revenue that can be generated from a formalized ASM that are currently outside the revenue stream of the Government. Mineral royalties which have traditionally been considered a form of compensation to the community for the depletion of non-renewable resources and special mining taxes represent the different ways of levying an additional share of the revenue flowing from mining operations in ASM activities.<sup>25</sup>

### 4. What is formalization of artisanal and small-scale mining and why is it important?



Formalization is the process of integrating informal income-earning activities and economies of artisanal and small-scale mining into the formal sector through policy, legal, regulatory, and fiscal frameworks.<sup>26</sup> This involves not only legalizing and regulating economic activities but also ensuring that such regulations are effectively activated, implemented, and enforced by relevant authorities.<sup>27</sup> It includes the participation of marginalized miners in developing, adapting, and revising legal frameworks, as well as supporting them to meet regulatory obligations<sup>28</sup> in the following ways:

23 <https://www.sgu.se/en/itp308/knowledge-platform/8-artisanal-and-small-scale-mining/>

24 Brugger, F., Proksik, J. J., & Fischer, F. (2024). The state and the legalisation of illicit financial flows: trading gold in Bolivia. *New Political Economy*, 1–19. <https://www.tandfonline.com/doi/full/10.1080/13563467.2024.2304170>

25 *ibid*

26 <https://www.sgu.se/en/itp308/knowledge-platform/8-artisanal-and-small-scale-mining/>

27 <https://www.sgu.se/en/itp308/knowledge-platform/8-artisanal-and-small-scale-mining/>

28 <https://www.iisd.org/system/files/publications/igf-asm-global-trends.pdf>

### **(a) Formalisation creates enabling conditions for integrating the sector into the formal economy**

A study commissioned by the Ministry of Energy and Mineral Development; African, Caribbean and Pacific Group of States; and the European Union/United Nations Development Programme revealed the significant yet under-reported contribution of ASM to Uganda's economy, estimating that the sector contributes over 3% to GDP. Unlicensed artisanal gold miners alone are estimated to produce over 2.8 tonnes of gold annually.<sup>29</sup> Licensed miners and mineral dealers contribute directly and indirectly to government revenue through legal fees, taxes, and royalties. However, the informal nature of ASM makes it challenging to capture its full economic impact, as many miners operate seasonally alongside agricultural work, often going unrecorded.<sup>30</sup>

Formalizing ASM is crucial in creating enabling conditions for integrating the sector into the formal economy. It enhances government revenue collection through taxes, fees, and royalties; improves regulation and management of environmental protection; ensures safer working conditions; and also promotes responsible mining practices that comply with international standards.<sup>31</sup> Countries like Zambia have benefited from ASM formalization through significant economic gains.<sup>32</sup> For Uganda, formalizing ASM could significantly boost GDP, with projections suggesting a possible 5% increase.<sup>33</sup>

### **(b) Formalisation facilitates a comprehensive understanding of the economics and finance of the ASM in Uganda**

Formalisation enables policymakers to fully appreciate the size, scope, profitability, and scale of production and operation. It also makes available the wider economic and financial variables and dimensions of the sector. These may include, ore body/reserves, costs of labour such as wages, royalties and taxes, tributes, licences, set-up costs, operational costs, costs of the different methods or rudimentary tools, mechanization and technologies applied for small-scale operations. The availability of such information facilitates reporting and record-keeping which is critical in demanding compliance with sector fiscal regimes. Formalisation therefore can enable the government to regulate and ensure that organized ASM file returns of their activities ensuring that operations with a positive and greater net present value are subjected to payment royalties and mineral-specific taxes.<sup>34</sup>

### **(c) Enables the application of mineral royalties and other mining-specific taxes to enhance domestic revenue mobilization**

Special taxes in the mining sector are applied to the net value of mineral resources after deducting production costs, including normal profits.<sup>35</sup> This becomes challenging when

29 UNDP. (March 2018). Baseline Assessment and Value Chain Analysis of 5 Development Minerals in Uganda. Summary Report. Available at <https://www.undp.org/uganda/publications/baseline-assessment-development-minerals-uganda-reports>

30 *ibid.*

31 <https://www.sgu.se/en/itp308/knowledge-platform/8-artisanal-and-small-scale-mining/>

32 <https://www.sciencedirect.com/science/article/abs/pii/S0301420720303949>

33 World Bank. (2020). 2020 State of the Artisanal and Small-Scale Mining Sector. Washington, D.C.: World Bank. Available at <https://documents1.worldbank.org/curated/en/884541630559615834/pdf/Delve-2020-State-of-the-Artisanal-and-Small-scale-Mining-Sector.pdf>

34 *ibid.*

35 Guj, P. (2012). Mineral royalties and other mining specific taxes. 35 Stirling Highway, Crawley, Western Australia, Australia: The International Mining for Development Centre.

production cost records are not maintained, as is often the case in the informal Artisanal and Small-scale Mining (ASM) sub-sector. Formalizing the ASM sector can address these issues by ensuring proper bookkeeping and reporting. It also allows taxes to be levied closer to the mine gate or point of extraction, such as the Run-of-Mine (ROM) ASM ore pad, rather than on the value added through further processing or transportation to markets. However, in practice, few ASM mineral commodities are sold at arm's length at this taxing point, creating difficulties in determining the true value of the resource. This results in significant revenue losses for the government. It is also important to note that special taxes in the mining sector are applied at the project level, unlike corporate income tax, which is typically levied at the consolidated entity level. The illicit nature of many ASM operations, combined with the lack of traceable projects, makes it nearly impossible to implement these fiscal tools effectively. Consequently, the government loses potential revenue from this sub-sector, even though these special taxes are legitimate deductions when assessing corporate income tax within the broader mineral sector.<sup>36</sup>

Currently, the ASM sector in Uganda has various forms of special taxes that are not being effectively collected. These include unit-based royalties, assessed based on physical units like volume or weight; *ad valorem* royalties, which depend on the value of production; and profit-based royalties or taxes that are calculated from accounting profits. Additionally, there are economic rent-based taxes that measure direct economic rent, as well as hybrid systems that combine profit or rent-based methods with *ad valorem* approaches. Other methods may also involve diverse tax bases, including production-sharing arrangements as outlined in the Mining and Minerals Act, Cap. 159. Collectively, these mineral-specific taxation methods represent alternative strategies for the government to enhance revenue mobilization and secure appropriate economic rents unique to the mining sector. This is particularly important given the current lack of a corporate income tax and the minimal non-tax revenues generated from mining activities in Uganda.<sup>37</sup>

#### (d) Formalisation simplifies the application of EITI Requirement 6.3 on Artisanal and Small-scale (ASM)

Formalization of ASM can lead to a comprehensive generation, collection and analysis of data on ASM payments. Such information can be generated from exporters of ASM minerals, industrial mines operating in-country, and supply chains of specific minerals (e.g. production and exports) of minerals such as gold, tin, tungsten, marble, etc.<sup>38</sup> Official payments that may be made to the government include; exploration/prospecting license, exploitation/mining license, business operation license or regular fees, association/cooperative licence or regular fees, royalties on production, transport taxes, local/district taxes, infrastructure and services (e.g. water supply, electricity connection, etc), taxes on equipment (e.g VAT, imports) and consumables (e.g fuel, environmental licences, inspection and fines, fines for other breaches (e.g health and safety fines), service of public security, employment taxes and social security fees. Other forms of taxes can be levied at mineral beneficiation and processing or export level upon elimination of the rampant mineral smuggling by illicit ASM

36 Guj, P. (2012). Mineral royalties and other mining specific taxes. 35 Stirling Highway, Crawley, Western Australia, Australia: The International Mining for Development Centre.

37 <https://resourcegovernance.org/sites/default/files/documents/fiscal-regime-for-uganda-mining-sector.pdf>

38 EITI. (2022, September). EITI Requirement 6.3: Coverage of artisanal and small-scale mining (ASM) in EITI reporting. Radhusgata 26, 0151 Oslo, Norway: EITI International Secretariat.

supply chain actors.<sup>39</sup>

## 5. What steps has the Government of Uganda taken to formalize artisanal and small-scale mining in the last 10 years (2014-2024)?

Uganda's mining and minerals sector has undergone significant transformation, driven by domestic, regional, and global factors. Key developments include compliance with mineral certification requirements, reflecting the global shift toward responsible and sustainable mining practices.<sup>40</sup> Uganda became a signatory to the Minamata Convention on Mercury in 2013 and reaffirmed its commitment to protecting human health and the environment from mercury emissions by ratifying the Convention on March 1, 2019.<sup>41</sup> Additionally, Uganda's participation in international initiatives and adherence to standards such as the Extractive Industries Transparency Initiative (EITI) underscore its dedication to aligning with global best practices.<sup>42</sup> The country has also made notable progress in formalizing artisanal and small-scale mining (ASM) while implementing industry-leading practices, as outlined below.

- In 2019, the government of Uganda through the Directorate of Geological Survey and Mines commenced formalization of artisanal and small-scale miners through the National Biometric Registration of Artisanal and Small-scale Mining (BRASM) project. The BRASM aimed at keeping an updated register of all ASMs, service providers, dealers and agents, creating a database with all the bio-data of all miners including names, sex, age, location, affiliations to registered ASM associations and National Identification Numbers to establish numbers and categories of people involved in ASM operations. To date, the BRASM project has registered 6,211 artisanal miners within the districts of Busia, Namayingo, Buhweju, Kassanda, and Mubende.<sup>43</sup>
- The government of Uganda ratified the protocol on the fight against illegal exploitation of natural resources and attained the Mineral Certification Scheme of the International Conference on the Great Lakes Region (ICGLR).<sup>44</sup> One of the six tools of the Regional Initiative against the Illegal Exploitation of Natural Resources (RINR) requires that each member country of the ICGLR should develop an ASM formalization strategy.<sup>45</sup>
- The Ministry of Energy and Mineral Development (MEMD) has supported the mobilization of Artisanal and Small-scale Mining Enterprises (ASMEs) for training in

39 <https://www.acode-u.org/uploadedFiles/PBP68.pdf>

40 <https://trustafrica.org/wp-content/uploads/2024/09/TA-Uganda-Report-2024.pdf>

41 <http://www.ecogreennews.com/uganda-ratifies-minamata-convention-on-mercury/>

42 <https://eiti.org/countries/uganda>

43 UGEITI. (2023). UGEITI Report for Fiscal Year 2020/21. Kampala: Uganda Extractive Industries Transparency Initiative (UGEITI). Retrieved from <https://eiti.org/sites/default/files/2023-09/UGEITI%20Report%20FY%202020-21%20-%20Final%20clean-V070923.pdf>

44 <https://development.finance.go.ug/knowledge-centre-reports/uganda-attains-mineral-certification-scheme-international-conference-great>

45 United Nations Economic Commission for Africa 2013. Special report on the "The ICGLR Regional Initiative against the Illegal Exploitation of Natural Resources (RINR) and other Certification Mechanisms in the Great Lakes Region: Lessons Learned and Best practices"

various aspects of responsible and sustainable mining as well as the identification of various ASMEs that need further support to formalize their operations. To date, 350 ASMEs with 3,932 miners have been trained and sensitized in 25 districts of Uganda. MEMD is in the process to formally launch the Formalization and Business Development Strategy for the Development Minerals sector in Uganda.<sup>46</sup>

- Uganda joined the EITI in August 2020.<sup>47</sup> The Extractive Industries Transparency Initiative (EITI) is a global standard to promote the open and accountable management of natural resources. Uganda has so far published two reports under the Initiative. Uganda's EITI reports for FY 2019/20 and 2020/21 acknowledge governments' efforts to formalise ASM to ensure that their contributions to the economy are captured in the national data.<sup>48</sup>
- In as far as strengthening the policy, legal and regulatory framework, the Uganda Cabinet in May 2018 endorsed a new mining and minerals policy, which, among other things, focuses on the formalisation and regulation of the ASM sector as part of the government's broader strategy of ensuring that mining becomes one of the key economic drivers of the Ugandan economy as envisaged by the country's Vision 2040 and the National Development Plan.<sup>49</sup>
- In 2022, the government made a significant step towards the implementation of the Mining and Minerals Policy and the formalization of ASM for Uganda's mining industry with the enactment of a new Mining and Minerals Act, Cap. 159.<sup>50</sup> This law broke new ground by integrating regulations specifically aimed at formalizing the artisanal and small-scale mining (ASM) sector. It classifies mining licenses into four thresholds based on the anticipated capital investment in the project as shown in Table 1. The new legislation, aligned with the ICGLR principles,<sup>51</sup> and the Africa Mining Vision<sup>52</sup> prioritizing responsible mining practices, addressing critical areas such as miners' health and safety, environmental protection, and even promoting gender equality within the ASM industry. With the new law, the government has an opportunity to reorganize the sector and exploit its full economic potential to enhance revenue collection as envisaged in the five-year Domestic Revenue Mobilisation Strategy (DRMS) 2019/20-2023/24.<sup>53</sup> Formalization of the ASM sector is very critical as far as enhancing revenue collection for the country is concerned. The government also developed the Mining and Minerals (Licensing) Regulations with provisions to encourage the formalisation of ASM for artisanal mining licences<sup>54</sup> and small-scale mining licences.<sup>55</sup>

46 UGEITI. (2023). UGEITI Report for Fiscal Year 2020/21. Kampala: Uganda Extractive Industries Transparency Initiative (UGEITI). Retrieved from <https://eiti.org/sites/default/files/2023-09/UGEITI%20Report%20FY%202020-21%20-%20Final%20clean-V070923.pdf>

47 <https://eiti.org/countries/uganda>

48 <https://eiti.org/our-history>

49 The National Action Plan for Artisanal and Small-scale Gold Mining in Uganda

50 Republic of Uganda. (2022). The Mining and Minerals Act Cap. 159

51 ICGLR. (September 2006). Regional Initiative Against Illegal Exploitation of Natural Resources. Available at [https://icglr.org/wp-content/uploads/2020/07/Project\\_2-2-2-\\_Regional\\_Initiative\\_against\\_Illegal\\_Exploitation\\_of\\_Natural\\_Resources.pdf](https://icglr.org/wp-content/uploads/2020/07/Project_2-2-2-_Regional_Initiative_against_Illegal_Exploitation_of_Natural_Resources.pdf)

52 <https://trustafrica.org/wp-content/uploads/2024/09/TA-Uganda-Report-2024.pdf>

53 MoFPED. (October 2019). Domestic Revenue Mobilization Strategy FY2019/20 – 2023/24.

54 Sections 44, 45, 46, 47, 48, 49, and 50 of the Mining and Minerals (Licensing) Regulations, 2023.

55 Sections 38, 39, 40, 41, 42, and 43 of the Mining and Minerals (Licensing) Regulations, 2023.

Table 1: Sections of the Mining and Minerals Act Cap. 159 that provide for the Formalisation of Artisanal and Small-Scale Mining in Uganda.

Sections of the Mining and Minerals Act Cap.159	Implication of the Sections in the Mining and Minerals Act Cap. 159
Short Title	Inter alia, the Act provides for the formalisation of artisanal and small-scale mining
Section 3-Purpose	Describes the purpose of the Act being among others; organise, licence, regulate and transform artisanal and small-scale mining in Uganda
Section 8 interpretation	Provides interpretation of "artisanal mining", "artisanal mining operations", "artisanal mining licence area" "small scale mining licence", "small scale licence area" and "small scale operations"
Section 10-Unauthorised activities	Prohibits and prescribes offences for mining without a license.
Section 15-Mineral rights	Provides for Artisanal and small-scale mining licences among the types of mineral rights that may be granted under the Act
Section 16 -Designation of DGSM	Designates the Directorate of Geological Surveys and Mines (DGSM) as the responsible body for the administration, management and regulation of the Minerals sub-sector under the Act
Section 17-Functions of a Minister	Designates the Minister responsible for minerals (minister) as the responsible person to; grant mineral rights, licences, permits and other authorisations under the Act
Section 18-Powers of the Minister	Confers on the minister's necessary power to ensure compliance with the Act i.e. entry upon mining sites
Sections 19 & 20 -Functions of DGSM and establishment of Mining Cadastre Department	Designates functions of the departments of DGSM with respect to artisanal and small-scale mining; <ul style="list-style-type: none"> <li>• The Department of Geological Survey to promote Uganda's mineral potential through among others; the provision of access to geological data</li> <li>• The Department of Mines for the general enforcement of the Act and to mainstream and organise artisanal mining in Uganda</li> <li>• The Mining cadastre department to maintain a transparent mining cadastre and registry system, receive and process applications for mineral rights</li> </ul>
Sections 39 (3) (a), 46 (1) -Protection of ASMs rights	Protects rights of ASM-Artisanal and Small-scale mineral rights override subsequent prospecting and exploration rights over the same area
Sections 62 and 77 (1) Eligibility of licensees for large-scale mining licenses	Provides for eligibility of holders of artisanal and small-scale mining licences to apply for large and medium-scale mining licences, subject to other statutory requirements
Section 71 Licensee's right to apply to mine new minerals	Provides for Artisanal and small-scale mineral rights holders may apply to have newly discovered minerals included in their mineral rights

Sections of the Mining and Minerals Act Cap.159	Implication of the Sections in the Mining and Minerals Act Cap. 159
Sections 85 & Schedule 3 to the Act Capital investment threshold	Provides for: <ul style="list-style-type: none"> <li>capital investment threshold for a small-scale licence which is set between UGX. 388,200,000-UGX. 19,410,000,000</li> <li>Capital investment threshold for artisanal mining licence does not exceed UGX. 388,200,000/-</li> </ul>
Sections 85 (1)-(4) and 96 (1)- (3) Eligibility for licenses	<ul style="list-style-type: none"> <li>Eligibility to apply for artisanal and small-scale mining licences is exclusive to Ugandan citizens or business associations solely controlled by Ugandan citizens and registered in accordance with the relevant Laws of Uganda</li> </ul>
Sections 86 and 97 Regulation of application for licenses	<ul style="list-style-type: none"> <li>Application for artisanal and small-scale mining licences shall be in the manner and at a fee prescribed by the Act and the Mining licensing regulations</li> </ul>
Sections 87 and 98 Ministers' statutory duties with respect to licensing	Gives the minister the responsibility to grant or reject applications for artisanal and small-scale mining licences, subject to review and recommendations of the mining cadastre department
Section 88 Restriction of grant of license	Prescribes grounds for restriction of grant of small-scale mining licence i.e. where there is a pre-existing small-scale mining licence.
Sections 89 and 99 Regulation of the size of the mining area	Provides for the size of the area covered by artisanal and small-scale mining licences shall be prescribed by regulations
Section 93 (3), 95 and 103 (3)	Confers upon the ministerial discretion to establish artisanal mining areas in circumstances where prevailing technical and economic factors do not allow for large-scale, medium scale or small-scale mining operations
Sections 92 and 102 Rights and duties of licensees	Confer rights and duties on holders of artisanal and small-scale mining licences i.e. the exclusive right to enter upon, explore, mine and dispose of minerals from mining areas in accordance with the Act, regulations and conditions of the licences
Sections 90 and 100 Duration and renewal of licences.	<ul style="list-style-type: none"> <li>Provide for the duration of small-scale and artisanal mining licences for periods not exceeding five (5) and three (3) years, respectively;</li> <li>Provide for renewal of small-scale and artisanal mining licences for such further periods of time not exceeding three (3) and two (2) years at a time, respectively;</li> <li>Provide grounds for non-renewal of small-scale and artisanal mining licences i.e. non-compliance with conditions of licences</li> </ul>
Sections 91 and 101 Cancellation or revocation of licences	Provide for grounds cancellation of small-scale and artisanal mining licences i.e. transfer of mineral rights to a person not a citizen of Uganda
Sections 92 (2) (h), 94, 102 (3) (i) and 104 Regulation of sale of minerals	Sale of minerals won to holders of small-scale and artisanal mining licences shall be in the manner prescribed by the Act and regulations thereto

Sections of the Mining and Minerals Act Cap.159	Implication of the Sections in the Mining and Minerals Act Cap. 159
Section 123 (4) Exemption from beneficiation licence	Gives holders of small-scale and artisanal mining licences the right to carry out mineral beneficiation without a separate licence for the same
Section 194 (1) (a) (i) Tax or other incentives for formalisation	Provides for discretionary power of the minister responsible for finance to extend tax or other incentives to encourage the formalisation of small-scale and artisanal mining
Sections 34 and 209 Registration of licences	<ul style="list-style-type: none"> <li>Establishes a mining cadastre upon which all applicants for mineral rights and licences are required to register</li> <li>Provides for a mining cadastre register which shall comprise registers of small-scale and artisanal mining licences</li> </ul>
Sections 218 and 219 Decommissioning fund	Holders of small-scale and artisanal mining licences intending to close or abandon the whole or part of the mine have an obligation to submit a decommissioning plan and there is establish a decommissioning fund to help these licence holders meet costs related to mine closure
Part XIX Sections 251-280 Offences and sanctions related to license	<ul style="list-style-type: none"> <li>Prescribes offence of artisanal and small-scale mining operations (prospecting and mining), without licence</li> <li>Prescribes cross-cutting offences, administrative penalties and Court sanctions relating to mineral rights including small-scale and artisanal mining licences i.e. operating without a valid licence, transgression of mining areas, use of prohibited methods of mining like mercury</li> </ul>
Artisanal mining Licence provides for	<ul style="list-style-type: none"> <li>The establishment of areas for artisanal mining<sup>56</sup></li> <li>The eligibility for artisanal mining licence<sup>57</sup></li> <li>Artisanal mining licence<sup>58</sup></li> <li>Grant of artisanal mining licence<sup>59</sup></li> <li>Size of the area covered by the artisanal mining licence<sup>60</sup></li> <li>Duration and renewal of artisanal mining licence<sup>61</sup></li> <li>Cancellation of artisanal mining licence<sup>62</sup></li> <li>The rights and duties of the holder of an artisanal mining licence<sup>63</sup></li> <li>The operations of the holder of an artisanal mining licence<sup>64</sup></li> <li>Sale of minerals<sup>65</sup></li> </ul>

<sup>56</sup> Section 95 of the Mining and Minerals Act Cap. 159

<sup>57</sup> Section 96 of the Mining and Minerals Act Cap. 159

<sup>58</sup> Section 97 of the Mining and Minerals Act Cap. 159

<sup>59</sup> Section 98 of the Mining and Minerals Act Cap. 159

<sup>60</sup> Section 99 of the Mining and Minerals Act Cap. 159

<sup>61</sup> Section 100 of the Mining and Minerals Act Cap. 159

<sup>62</sup> Section 101 of the Mining and Minerals Act Cap. 159

<sup>63</sup> Section 102 of the Mining and Minerals Act Cap. 159

<sup>64</sup> Section 103 of the Mining and Minerals Act Cap. 159

<sup>65</sup> Section 104 of the Mining and Minerals Act Cap. 159

Sections of the Mining and Minerals Act Cap.159	Implication of the Sections in the Mining and Minerals Act Cap. 159
Section 228 Section 229 Community Engagement	<ul style="list-style-type: none"> <li>• Participation of mining communities</li> <li>• Negotiation of community development agreements</li> </ul>
Section 123(4) Value Addition and Beneficiation of Minerals	Beneficiation for artisanal mining
Section 172 Surface rights	Acquisition of exclusive rights
Section 186 Section 190 Financial provision	<ul style="list-style-type: none"> <li>• Royalty on stockpiled minerals</li> <li>• Annual mineral rents</li> </ul>
Section 194 (1)(i) Power of minister responsible for finance in relation to taxation	Encourage the formalisation of artisanal and small-scale mining.
Section 168 (1) (3) General provision relating to licences	Cessation, suspension or curtailment of production. Subject to subsection (4), the holder of a small-scale mining license or an artisanal mining license
Section 209 (1)(f) Registration, Information and Records	A register of artisanal mining licences.
Section 219(1) Section 220 Protection of the environment	<ul style="list-style-type: none"> <li>• There is an established Decommissioning Fund for small-scale or artisanal mining licences in relation to a licence for beneficiation to meet the costs related to the implementation of a decommissioning plan.</li> <li>• Closure of open pit mines.</li> </ul>

## 6. What are the key barriers to formalization of artisanal and small-scale mining in Uganda?

There are several legal and fiscal policy frameworks that have been put in place by the government of Uganda to ensure the formalisation of ASM. However, despite the efforts by the government to formalise ASM, the process of formalisation of ASM has been rather slow due to the following reasons:

- + **Lack of access to financial resources:** Debt and limited capital are major concerns in ASM, as informal work means miners cannot access finance given their non-legal status. However, a certain level of capitalization is required to register and gain a concession and buy the necessary equipment to exploit minerals and invest in better technologies. Methods deployed to increase access to credit and finance could include microfinance credit and savings, grants and government loan facilities.<sup>66</sup> The

<sup>66</sup> IISD. (2018, January 22). Six Key Factors in Formalizing Artisanal and Small-scale Mining. Retrieved from International

National Strategy for the Advancement of Artisanal and Small-scale Mining (ASM) in Uganda<sup>67</sup> highlights best practices and financing schemes for this sector.

- **Stringency of rules and (administrative, accounting, legal, financial, statistical & information and/ or time-related) costs to comply with the formal economy:** The Mining and Minerals Act, Cap. 159 for example provides for the formalisation of ASM. However, a number of artisanal miners in Uganda have indicated that the requirements are instead prohibitive and are barriers to the formalisation of ASM in Uganda.<sup>68</sup> Another major barrier noted is the highly centralized administrative power structures for mineral resources governance as well as institutional corruption and mismanagement, which results in the illegal diversion of funds meant to incentivize formalization.<sup>69</sup>
- **Poor data collection and management:** Ascertaining the actual number of artisanal miners is a challenge which affects a number of processes such as enforcement of the law, monitoring and supervision. Furthermore, a lack of geological data can lead ASM miners to enter environmentally sensitive areas, creating tension between ASM miners and large-scale mining companies in the area. It also creates difficulties when applying for bank loans or other support services because geological information can be required as collateral. Without access to geological data, those working in the ASM sector are often left operate on guesswork resulting in low yields, loss of investment and increased environmental degradation.<sup>70</sup>
- **Lack of Security of tenure for mineral rights:** Poor enforcement of legitimate rights of mineral concessions holders and regulation have led to most ASMs preferring to operate informally to avoid complying with formal requirements and enjoying low costs of operations for them to remain competitive.
- **Failure to enforce the law against non-complying mineral rights holders:** Failure to enforce the law against non-compliant mineral rights holders has also played a significant role. In the case of failure to comply with the terms and conditions of the mineral rights, the law contemplates forfeiture, but the Government has been slow in enforcing its own regulations. Upon prima-facie proof of non-compliance, a case of forfeiture should be enforced by the regulator requiring the concession holder to surrender the same back for re-allocation to legitimate developers.
- **Inhibiting provisions in the regulation of the ASM subsector:** These include, limiting the depth of mine for artisanal and small-scale operations and commercial capital investment thresholds ranging between UGX 388, 200,000-19,410,000,000 for small-scale miners, and duration of both the Artisanal and Small-scale mining licenses. Few Ugandan artisanal and small-scale miners can raise such Capital

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67 [https://www.delvedatabase.org/uploads/resources/MEMD-2009-National-ASM-Strategy-Uganda\\_Hinton.pdf](https://www.delvedatabase.org/uploads/resources/MEMD-2009-National-ASM-Strategy-Uganda_Hinton.pdf)

68 Interviews carried out with Artisan Miners representative in Uganda after the passing of the Mining and mineral Act Cap.159

69 <https://www.iisd.org/articles/insight/six-key-factors-formalizing-artisanal-and-small-scale-mining#:~:text=Informal%20ASM%20refers%20to%20operations,legal%2C%20regulatory%20and%20policy%20frameworks.>

70 IISD. (2018, January 22). Six Key Factors in Formalizing Artisanal and Small-scale Mining. Retrieved from International Institute for Sustainable Development

expenditures (CapEx) to secure mineral rights. In the absence of FDI due to the ring-fencing of small-scale activities to citizens of Uganda, most miners find themselves excluded from participation. The limited duration of 3-5 years ASM mineral rights is also a challenge to developers of mines. On average, mines take 16.3 years from discovery to development (Manalo, 2024). The core principles and time lags for mineral development remain the same, be it for medium to large-scale operations or ASM mineral development.

## 7. What Government can do to facilitate a successful ASM formalization?

Uganda can adopt strategies to formalize the ASM sector and ensure it contributes to the domestic revenue of the country. The government strategies must address the key barriers to formalization in the following ways:

Ministry of Energy and Mineral Development and in particular Directorate of Geological Surveys and Mines (DGSM) should ensure:

- + **Strong government oversight:** The DGSM needs to enhance its human resource capacity in order to execute its oversight role and inspect and supervise activities of artisanal miners. Decentralization can help to ensure that officials are accessible to miners. It's necessary to strengthen the enforcement of mining regulations to combat illegal activities and promote fair competition. Developing and implementing a robust traceability system to track minerals from the mines to the market and point of export to reduce incidents of mineral smuggling is a fundamental necessity.<sup>71</sup>



- + **Simplified formalization process:** Getting permits and licenses should be simple and inexpensive. The process should be clear and efficient with straightforward administrative processes. It's desirable that a simplified registration process for ASM miners be developed to reduce bureaucratic hurdles and encourage participation. It's also possible to leverage and utilize mobile technology to ease online registration and license applications.





- + **Mineral beneficiation & value addition:** The ASM sector already creates value through its lateral, backward and forward linkages. For some minerals, there's potential to create even more value by supporting and incubating local mineral beneficiation, processing, refining and manufacturing, such as gem cutting and polishing. Government incentives and support are more effective than restrictive policies.




<sup>71</sup> <https://sites.dundee.ac.uk/energyhubplus/wp-content/uploads/sites/195/2022/06/The-formalization-of-the-Artisanal-and-Small-scale-Mining-ASM-in-Sierra-Leone.pdf>

- **Training and capacity building for ASMs:** Miners need training on better extraction methods, processing techniques, safety procedures, and environmental practices that discourage and reduce the use of mercury. Furthermore, miners often lack business knowledge, making them vulnerable to exploitation. Training in negotiation, pricing, equipment selection, and financial management can help them avoid scams and improve their profits. Training methods should consider cultural contexts and the use of new technologies.<sup>72</sup>


- **Empowering ASM associations & cooperatives:** It's more effective to work with formalized and legal ASM associations and cooperatives which can represent groups of miners. Local ASM associations can be crucial partners in the formalization efforts, training, communication between miners and the government, and even local economic development. National associations such as UGAASM can advocate for the ASM sector on a larger scale.<sup>73</sup>


- **Make formalization a win-win option:** Miners will not embrace formalization unless it benefits them. This means that it's necessary to make formalization less risky and more advantageous than staying informal (e.g., offering access to formal markets).<sup>74</sup>



The Ministry of Trade Industry and Cooperatives in collaboration with the Ministry of Energy and Mineral Development should ensure:

- **Improved market access:** There are often too many middlemen in the ASM supply chain. Establishing designated trade centres with fair pricing mechanisms to discourage reliance on informal markets is needed. Connecting formalized ASM miners with legitimate buyers and export channels would help a lot.<sup>75</sup>

The Ministry of Finance, Planning and Economic Development in collaboration with the Ministry of Energy and Mineral Development should ensure:

- **Financial inclusion:** Many ASMs rely on exploitative pre-financing arrangements with mineral processors and refiners, while others rely on informal money lenders, which can be risky and expensive. The government can offer special low-interest purpose funds for ASMs, tax breaks or subsidies for miners who register formally, making formalization economically attractive. Facilitate access to microloans or grants to support miners in acquiring equipment and upgrading operations. Establish an ASMs Fund to provide affordable funding to ASM value chains. Provide financial literacy and technical support programs to ASMs and sector actors to enhance their capacity to access financing.

72 IISD. (2018, January 22). Six Key Factors in Formalizing Artisanal and Small-scale Mining. Retrieved from International Institute for Sustainable Development (IISD):

73 Jiménez, A. D., Smith, N., & Holley, E. A. (2024). Towards sustainable ASM-based livelihoods: The role of institutional arrangements in the formalization of artisanal and small-scale mining.




74 <https://www.sciencedirect.com/science/article/abs/pii/S0301420720303949>

75 <https://www.marketlinks.org/resources/facilitating-market-access-responsible-artisanal-gold-miners-eastern-drc>




**Global Financial Integrity (GFI)** is a Washington, DC-based think tank focused on illicit financial flows, corruption, illicit trade and money laundering.

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