

A boy washes stone dust in search of gold nuggets at an open-pit gold mine. Uganda has not benefitted from the sale of gold

WHERE DOES UGANDA'S GOLD GO?

African Gold Refinery (AGR) Limited, a firm that deals in gold, is processing and exporting hundreds of millions of dollars' worth of gold out of Uganda, but paying barely any tax, a global non-governmental organisation report has revealed.

The June 2017 report by Global Witness quotes a former AGR director saying the gold firm, run by major international gold dealer, Alain Goetz, was receiving gold from the Democratic Republic Congo and South Sudan, but the company declined to provide precise figures on origin.

"This has raised concerns that gold which is being smuggled in from eastern DR Congo and gold which is supporting unlicensed and dangerous mining in Uganda, could be making its way into the supply chain," the report said.

The report titled *How corruption, mismanagement and political influence is undermining investment in Uganda's mining sector and threatening people and environment*, said Ugandans benefit little from the trade as the refinery is foreign-owned, employs only 75 Ugandans and the Government has given it major exemptions.

Established in 1993, Global Witness is an international NGO that works to break the links between natural resource exploitation, conflict, poverty, corruption, and human rights abuses worldwide. It has offices in London and Washington.

In 2015/16, Global Witness noted that gold is ranked as Uganda's second largest export after coffee with a value of over \$200m, an almost 900 times increase on the previous year. This has raised serious questions about where this gold is mined and who is profiting from it.

According to Global Witness,

the Organisation for Economic Cooperation and Development (OECD) has previously documented how Uganda operates as a transit country for gold which is smuggled to Dubai via Entebbe airport, but undeclared domestic production has also been on the rise.

The report says gold trade, previously a reclusive business, seems to have been largely consolidated and made public by a small group of politically connected businessmen.

WHERE DOES IT GO?

According to the report, AGR exports most of its gold to the United Arab Emirates (UAE). "Global Witness has seen official export figures from the Uganda Revenue Authority (URA) which show that AGR was responsible for \$218m worth of exports during 2014-2016 with the vast majority destined for UAE."

The report, however, said AGR had only paid \$515,000 in taxes by June 2017, and that it was unclear where the gold for the refinery was coming from.

In February 2017, Global Witness revealed that AGR confirmed that they had processed over nine tonnes of gold in 2016 and that they currently process one tonne per month.

In August 2016 *Sunday Vision* reported that AGR had exported gold worth sh282.6b since 2014 without paying the required taxes and levies.

Sunday Vision also reported that the

Government had lost over sh84b in the gold scandal where AGR, was suspiciously licensed and granted tax exemption.

Ironically, the report says AGR denied dealing in any precious metals when contacted by Global Witness. In a letter dated January 2017, AGR reportedly told Global Witness that, "AGR is not a trading company, but provides industrial services such as assaying, melting, refining, and the shipment and delivery of precious metals. AGR does not trade in any precious metals."

However, Global Witness' analysis of the URA export figures shows that for the vast majority of

official exports, the company name is African Gold Refinery Limited, the exporter name is Goetz Gold LLC and AGOR DMCC. Other exporters include Belgian Precious Metals Industries, Jamal Nasir and Alain Goetz.

Quoting Orbis records, the report says Goetz Gold is registered in Dubai and 51% owned by Amr Hasan al Attar. AGOR DMCC is also registered in Dubai, but no further information about it is available. Belgian Precious Metals Industries is registered in Antwerp, Belgium with Alain and Sylvain (Alain's brother) Goetz as the company directors.

KAIJUKA DENIES LOSSES

In an interview with *New Vision* earlier, Kajjuka denied reports that AGR caused the government a financial loss of over sh84b in taxes, saying the firm had just started operations.

The transactions were all carried out under Harmonised System (HS) code number 71081300000 and the gold was exported under one tax identification number (TIN) 1005945052, which belongs to AGR as per URA records.

The loss of sh84b in taxes put the finance minister, Matia Kasajja, the ministry's permanent secretary, Keith Muhakanizi, and the commissioner department of geological surveys and mines, Edwards Katto, on the spot over their role in licensing AGR.

Sources said AGR used a provision in Muhakanizi's letter to dodge taxes. In the letter dated April 23, 2014, Muhakanizi said; "Taxes will not apply on all locally-sourced or imported raw materials, as well as processed minerals and products under the refinery project."

Although Kasajja had in his October 21, 2014, letter to AGR agreed with Muhakanizi, the minister recently said he did not back the granting of a 10-year tax exemption to the company.



Matia Kasajja



Keith Muhakanizi

PLAYERS BEHIND AGR

Alain Goetz, a Belgian, who is also the chief executive officer of AGR, is the main beneficiary of the company with 100% ownership as of February 2017.

Another person was Barnabas Taremwa, who was one of the AGR shareholders and directors. In November last year, *Sunday Vision* reported that Taremwa had gone to court accusing his colleagues of betrayal. Taremwa sued Tony Goetz, AGR and Tony Goetz NV accusing them of breaching the contract by excluding him from the changed shareholder structure of the gold refining firm. In a suit filed on November 3, Taremwa is jointly suing with Timberfric International Limited, a limited liability company incorporated in Mauritius. Through Sebalu and Lule Advocates, Taremwa and Timberfric want the High Court's Commercial Division to order the defendants to allot them shares in AGR as per the joint venture agreement.

According to Global Witness, former energy minister Richard Kajjuka is the chairman of AGR. In the court case that Taremwa filed, he argued that in 2014, AGR approached him and Kajjuka (also AGR director) seeking their assistance to open a gold refining business in Uganda. That Taremwa and Kajjuka helped in approaching

local authorities and government departments to secure land, exemptions, a license and incentives for AGR. Taremwa contends that they entered a joint venture whose terms say, "Taremwa and Kajjuka would get 10% import and export licence for the gold business, shall get tax exemptions on both import and export of gold, and shall secure [an] investment license and all other local licences for the gold business."

IGG PROBE

Following the AGR tax scandal, the Inspector General of Government (IGG) launched a probe into the company. On May 24, last year, the IGG wrote to the trade ministry permanent secretary, Julius Onen, seeking information about AGR.

In his response, Onen confirmed that his ministry had issued AGR two six-month export certificates; No. E010379 and No. E010395, which were valid from July 11, 2014 to January 11, 2015, and from February 1, 2016 to August 1, 2016, respectively.

But IGG spokesperson Munira Ali earlier told *Sunday Vision* that the Inspectorate was not handling AGR tax matters. "All matters to do with tax compliance were actually referred to URA to handle," she said, adding that the inspectorate was probing matters to do with fraud and mismanagement.



Richard Kajjuka is the chairman of AGR