interdiction.

In a letter dated August 16, 2017 Eustace Gwandi also directed the CAO to effect the interdiction expeditiously, until court delivers its verdict. The deputy IGG observed that the interdiction is in public interest, and cited Constitution and Section 14(6) of the Inspectorate of Col. Juma ...

++Justin Muturi re-elected as Kenya's parliament speaker++ Building collapses in Mumbai, kills 33++

Energy ministry staff licensing own mining firms

BY CHRIS KIWAWULO

SENIOR officials in the energy ministry are on the spot after a global report implicated them in conflict of interest practices where they hold shares in the multi-billion mining firms they license.

The Global Witness report unearthed a number of cases where several officials at the Department of Geological Surveys and Mines (DGSM) were also directors in mining firms, especially those dealing in gold. The report shows that the department charges between $100,000 (about sh360m) and $150,000 (sh540m) for a mining licence.

It cited Zachary Baguma, a former principal geologist at the DGSM, Joshua Tuhumwire, a former commissioner of DGSM, as well as other DGSM staff Jackson Mayanja and Morris Tabaaro as some of the energy ministry officials who also held positions in mining companies.

One such mining company where staff had shares was Flemish Investments Limited, which acquired at least 21 licences and later sold off 15 of those licences to another company, African Mineral Fields (AMF), at $290,000 (sh1.04b). Also, some DGSM officials had shares in TMT Mining and African Quest Resources (AQR) companies.

The June 2017 report was titled, 'How corruption, mismanagement and political influence is undermining investment in Uganda's mining sector and threatening people and environment'.

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.

Uganda's gold exports

In 2015/16, Global Witness noted that gold 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 Co-operation and Development 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. African Gold Refinery Limited was also named among other firms that export gold mainly to United Arab Emirates.

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.

BAGUMA'S INVOLVEMENT

According to the report, Baguma was a director in Flemish between 2003 and 2011, yet he was since 2003 the principal geologist at the DGSM, a department responsible for licensing.

The report says while Baguma was employed simultaneously by the DGSM and Flemish, the company acquired 21 licences and signed a contract to sell 15 of them in a deal worth hundreds of thousands of dollars.

But when Global Witness contacted him, Baguma claimed that he received no money or benefits at all for his work as director of Flemish. John Gordon Patrick Dixon, the other director of Flemish, also echoed the same when contacted.

Baguma told Global Witness that he had never been paid and took the role in Flemish as a "volunteer to promote mineral investment." However, the report said in so doing, Baguma left himself open to accusations of a significant and corrupt conflict of interest.

ENTER TUHUMWIRE

According to company documents, Baguma resigned as director of Flemish on December 12, 2011 and handed over the directorship position in Flemish to former DGSM commissioner, Tuhumwire (and others). This was a little over a year after Tuhumwire left his post as the commissioner of DGSM in June 2010.

"The commissioner of the DGSM is responsible for approving all exploration licences and mineral leases in Uganda (although under the Mining Act 2003, he is entitled to delegate his responsibilities). Tuhumwire left his official government position and walked into a directorship with a company over whose licencee applications he had responsibility while he had been in his government role," the report noted.

Although this is not illegal, the report observed, it raises serious questions about the ease with which civil servants pass from government to business and the potential effect this could have on their decision making. Global Witness said this kind of pattern was not unusual in other countries.

In a letter to Global Witness that he penned in January 2017, Tuhumwire stated that while he was "responsible for final approval of all mineral license applications," other officials would also have to approve them as part of the process. It emerged that Tuhumwire later also resigned from his position as a director at Flemish in December 2015.

WHO PROFITED?

A contract between Flemish and AMF dated November 8, 2007, details how Flemish sold 15 out of its 21 licenses to AMF. Part of that deal, according to Global Witness, entailed AMF paying $290,000 to East African Mineral Resources (EAMR) Limited, a company that owns Flemish. According to the report, Flemish sold another six licences to Pearl Mining in 2010.

Earlier in 2006, EAMR had been issued one million shares in AMF. EAMR is registered in the Isle of Man, run by nominee directors, and owned by another Isle of Man registered company. "These layers of ownership obscure who the ultimate beneficial owners of EAMR actually are," said the report.

In an email to Global Witness sent in December 2016, Dixon said he is the sole beneficiary of EAMR, but it was not possible for the global NGO to verify this information.

Global Witness noted that the Flemish case raises serious concerns about conflict of interest with DGSM staff working for private companies either during or after they had worked in the department responsible for issuing licences.

Quoting Section 17 of the Uganda Mining Act 2003, Global Witness said it was illegal for a DGSM staff to hold any share in a company with any rights in the mining sector or which carries out mining activities.

TMT, AQR MINING FIRMS

Mayanja and Tabaaro, who were both DGSM employees, were found to be shareholders in TMT Mining and AQR as of September 2014. With several mining licences in Uganda, the report said AQR was 92% owned by John Michael Cross and 8% by TMT Mining.

It emerged that AQR recently entered into a deal to sell shares to an Australian company, Consolidated Africa Limited (CAL). According to Global Witness, CAL paid AQR's Cross and his unnamed colleague $200,000 (sh720m).

TMT Mining, which by August 2016 owned a gold leaching plant in Mubende district, listed the price of acquiring a mining licence to be between $100,000 and $150,000, the report revealed.

DGSM RESPONDS

When Global Witness inquired from Mayanja, Tabaaro and Cross about their involvement in the operations of TMT and AQR mining firms, none of them responded.

Asked about the conflict of interest where DGSM employees own shares in mining firms, the current department commissioner, Edwards Katto, denied that his staff were involved.

Katto told Global Witness: "DGSM is not aware of any conduct of private business in its office or of employment of any staff outside of its public offices."

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