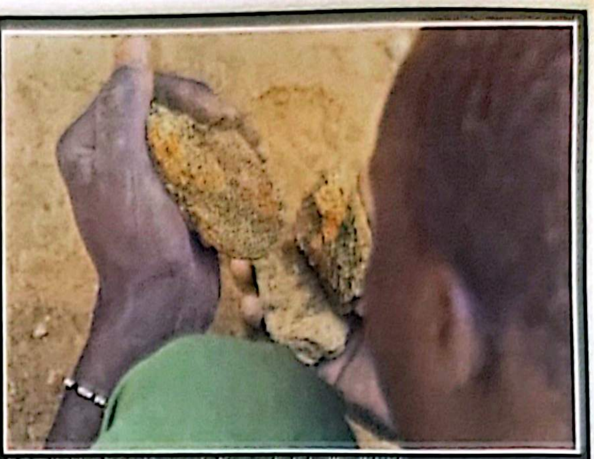
SPOTLIGHT

UN questions origin of Uganda's gold



A man looking for gold nuggets from rocks in Lodiko district

BY VISION REPORTER

The Government says it will investigate reports that gold smuggled from eastern DR Congo is being exported through Uganda.

This was after a United Nations Security Council (UNSC) report demanded that companies, including the Entebbe-based African Gold Refinery (AGR) that deal in exportation of Gold in Uganda should reveal their source.

The Government spokesperson, Ofwono Opondo, says he had not seen the report, adding that he would crosscheck with the energy ministry to get details about it and find out whether the ministry was contacted in the compilation of the report.

However, Opondo said there was a policy in place which seeks to improve gold exploration, mining and exportation in Uganda.

"President Yoweri Museveni recently commissioned a gold refinery (AGR) in Entebbe, where miners can take their gold for refining and they have to declare its source," he elaborated.

When informed that AGR was among the companies mentioned in the smuggling by the security council, Opondo said: "We need to check whether measures put in place to check smuggling are not being enforced or are being circumvented. But I think that could be a result of internal weaknesses in enforcement."

The energy minister, Irene Muloni, and the minerals minister, Peter Lokeris, could not be reached. The commissioner directorate of geological surveys and mines, Edwards Katto, switched us off when we attempted to contact him. The recently appointed energy ministry's permanent secretary, Robert Kasande, said he was not aware of the report.

UN SECURITY COUNCIL FINDINGS

UNSC experts interviewed sources from Bunia, Butembo in the DR Congo and Kampala, who reported that Kampala-based gold traders were buying gold smuggled from the DR Congo.

There is a ban on export of conflict minerals. UNSC deals with threats to international peace and security.

According to the experts, Kampala remains the main transit hub for gold smuggled out of the DR Congo as the gold sector continues to suffer from lack of a traceability system.

The investigators said the revival of official gold exports from Uganda coincides with the 2016 opening of the country's first Entebbe-based African Gold Refinery (AGR) owned by Alain Goetz, a Belgian national. Goetz's gold buying company in Dubai, AGOR Ltd, has also been previously investigated over dealing in conflict minerals. He also had gold exporting companies in Bujumbura and DR Congo.

The report titled, "UN Security Council group of experts on the Democratic Republic of Congo," is referenced as S/2017/672.

The experts have been able to review the paper trail of the entire pipeline of the gold export trade involving actors in different countries, including flight records.

The UN experts said they requested AGR to present a list of their gold suppliers, but had not received it because AGR wanted to first get 'proper consent' from their suppliers.

IS UGANDA'S GOLD UNDERREPORTED?

The UN experts were told by AGR senior management that they were expecting to export more than 10 tonnes of gold in 2017. "This suggests that gold exports from Uganda had always been largely under-reported," the report says. Experts believe that it was possible that gold smuggled from DR Congo could occasionally permeate the company's supply chain.

"The group saw a copy of an agreement signed by AGR and CEEC (the official agency in the DRC that issues certificates for traceability of minerals) in which the two parties acknowledged that gold was smuggled from the Democratic Republic of Congo to Uganda," the report says.

It adds that during a meeting in Kampala, Government officials "did not deny the smuggling of gold from the Democratic Republic of Congo to Uganda, but attributed the problem mainly to the porosity of the borders."

Industry experts have cited inconsistencies in the UN report. They are wondering how a company, which has been found to be dealing in smuggled gold, could contribute to "a cleaner gold trade" in Uganda as adduced by the experts.

They also wonder why action has not been taken against inexperienced and unregulated companies that have sprung up in the last 10 years and are involved in the smuggling of gold. They argue that same standards should apply to other companies to show that sanctions are not selective.

In 2013, 6,761kg of gold were smuggled out of Uganda and the country lost over sh9.6b in tax revenue

In May, *Sunday Vision* reported that besides not paying Withholding Tax and Value Added Tax, AGR has not paid the required royalties on exported minerals since 2014. As a result, the Inspector General of Government launched investigations into the activities of the firm.

In 2013, the experts found that 6,761kg of gold were smuggled out of Uganda and that the country lost over $2.7m (sh9.6b) in tax revenue during that year.

The Security Council report says gold smuggling has been ongoing for years and that companies were exporting gold to Dubai, yet this information was not being captured in the system.

The report says from the interviews, there is no tax on gold exported from Kampala and the only mineral fees are paid for the departing cargo at the airport.

"Consequently, artisanally sourced gold from conflict-affected areas can still be exported to international markets through smuggling involving illicit financial flows. The Group also found that a senior FARDC (Congolese army) officer is involved in gold exploitation. In addition, International Conference on the Great Lakes Region certificates are being used in a fraudulent manner to export gold to Dubai, the main recipient of artisanally sourced gold from the DR Congo," the experts noted.

To show concealment of the trade, in 2009, Uganda Revenue Authority provided incomplete and partial customs declarations with records of 130 gold exports between January 2008 and May 2009. However, the Group was able to obtain statistics displaying 215 recorded gold exports during the same period, meaning some of the exports were undeclared. The report says they were informed by Uganda-based gold traders that they were encouraged to declare Congolese gold they imported or re-exported from Ugandan as gold of southern Sudan origin on official documentation.

An investigation by the Congolese international conference on the Great lakes region certificates that ensure traceability of minerals showed that 50 certificates disappeared in June 2016 and that two of them have been found under illegal use.

STATE AGENTS BRIBED AT ENTEBBE

Experts implicated customs officials in the DR Congo and neighbouring countries, including Uganda, where smugglers are boarding or transiting to Dubai.

"Several sources, including customs agents and people involved in the gold sector, told the group that smugglers bribe state agents at Entebbe, Nairobi and Lubumbashi airports to pass unhindered through controls," the report revealed.

GOLD EXPORTS

Quoting Bank of Uganda figures, experts noted that gold exports dramatically increased from 11kg in 2014 to 1,118kg in 2015 and to 8,751kg in 2016 – the highest ever export figure recorded.

"From January to April, Uganda officially exported 2,938kg, which puts it on a pace to beat the 2016 record."

The group said 2016 data from the Uganda Bureau of Statistics confirmed previous findings regarding the country's limited own gold production. However, according to Uganda's letter to the Security Council, the discrepancy between the export and production values results from undocumented domestic gold production.

"However, the Group believes that Uganda remained a transit hub for gold produced in other countries such as the Democratic Republic of Congo, the report concluded.

According to another international body, Global Witness, gold ranked as Uganda's second-largest export in 2015/16 after coffee with a value of over $200m (sh717.4b), 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.

Global Witness noted that 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.

AGR was also named among 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.

FOREIGN DEALERS

In the DR Congo, UN Security Council (UNSC) experts interviewed eight gold dealers from Bunia, three of whom were also active in Butembo, and they informed experts that they had business relations with directors of sanctioned entities; United Commercial Impex (UCI) and Machanga Limited.

In Kampala, experts met with a civil society actor and three Congolese nationals who served as intermediaries between Kampala-based gold traders and those in Butembo and Bunia.

"The three intermediaries confirmed that the director of Machanga was still a regular buyer of gold from the DR Congo. The same sources also mentioned Sameer Bhimji (a British national who runs Midas All Minerals Limited), stating that he competed over the same Congolese gold suppliers with Machanga," the report revealed.

According to experts, Uganda Revenue Authority (URA) confiscated undocumented gold from Bhimji's house in December 2016.

Experts said whereas they failed to meet with the director of Machanga in Kampala, they met with the directors of UCI on three occasions. UCI was in 2007 sanctioned over allegedly dealing with DR Congo traders linked with militias, an allegation UCI denies.

UCI directors told investigators that following their listing, they had not been involved in the gold sector and requested to be delisted in order to resume operations and comply with international standards.

In an earlier UNSC report, the experts confirmed that during its investigations in Ituri, north Kivu and Kampala, it found no evidence of gold dealers selling to UCI or its directors. But the experts asked UCI to provide additional information to justify why it should be delisted from the sanctions.

UCI has argued that continued imposition of sanctions in the DR Congo has not reduced gold trade as intended and that there is a proliferation of dealers who are clearly dealing in conflict gold and using new undocumented routes. Besides, it argues that the company had demonstrated transparency by declaring its suppliers and accounts which can be tracked.

The 2017 UN report comes at a time when senior officials in the energy ministry are on the spot after a Global Witness report implicated them in corrupt practices where they hold shares in mining firms they license.