

President cancels Shs600b mining project

Reason. The winning company is said to have compromised a former minister and other government officials.

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KAMPALA. President Museveni has stopped a multi-billion copper mining project with a Chinese company at Kilembe Mines following information that a former minister pocketed a \$1m bribe to influence the deal.

The President also ordered investigations into allegations that top government officials, including a former minister, received millions of dollars in bribes to influence the award of the mining contract.

Sources told *Daily Monitor* that the President received information that the \$175m (Shs626.1b) copper mining venture was fraudulently awarded to "motorcycle assembling experts" and that the Chinese investors who won the venture bribed senior officials in the ministries of Finance, Energy and Attorney General's Chambers.

Tibet Hima Mining Co. Ltd (THM-COL), a Uganda registered company and a subsidiary of Tibet Automobile of China, won the 25-year mining contract and was supposed to extract at least 5,000,000 tonnes of copper in Kilembe, Kasese District.

Quoting directly from the President, sources who attended a State House meeting last week, claimed the winning company didn't deserve the contract because they "compromised government officials" including a former minister who pocketed a \$1m bribe. The sources said the contract was arbitrarily awarded in total disregard of the advice of the Chinese ambassador to Uganda.

President Museveni told the meeting, according to sources, that before the contract was awarded to a company with questionable technical capacity in June 2013, the Chinese ambassador to Uganda had "strongly" warned that Tibet Hima Mining Co. Limited was not competent for the task but he was ignored.

The President insisted the company was awarded the venture by fraud and wondered why due diligence was not carried out before the contract was granted. He said he was investigating the people who fronted the questionable company.

Daily Monitor was informed that after the meeting at State House, the President instructed Privatisation and Investment minister Evelyn Anite to terminate the contract to Tibet Hima Mining Company.

In the termination notice dated June 20, Ms Anite wrote to Mr Li Wei Guo, the Tibet Hima chief executive officer and chairman, informing him about the government decision to cancel the contract for the Kilembe Mines concession. She also accused the company of renegeing on major provisions of the concession.

"In spite of the several notices of default dated variously December 28 2015, July 14 2016 and reminders, Tibet Hima Mining Co Ltd has deliberately ignored /failed to honour the key concession agreement obligations..." Ms Anite's notice reads in part.

Besides accusations of bribery, the minister said the company has failed to



At work. Workers of Tibet Hima Mining Co. Ltd at Kilembe mines in Kasese District recently. President Museveni has stopped multi-billion copper mining project following information that a former minister pocketed a \$1m bribe to influence the deal. FILE PHOTO

provide a satisfactory written assurance that all the consortium members and shareholders (Shanghai Baosteel Group and Chinalco Luoyang Copper) shall participate in the project as promised under clause 2.3 of the concession agreement.

The minister also accuses the company of failing to pay the first annual concession fee (\$1.5 million) and failure to provide an exploration guarantee as provided for under clauses 15.2 and 19.6.1 of the concession agreement signed between China and Uganda governments more than three years ago.

Under the concession agreement, in case of default, the other party may give the defaulting party a notice of termination and the line minister and the company would then appoint representatives to a five-member commission to begin the wind-up process.

Daily Monitor was told that a one Noah Mwesigwa, a city lawyer, was last week appointed by Ms Anite to chair the panel. Others are: Ms Agnes Aliba from Energy ministry, Ms Joselynn Ategeka (Privatisation Unit) and Mr Fred Kyakonye, who is secretary to the commission.

Tibet Hima Mining Co. Ltd directors, Mr Li Wei Guo and Bi Lei, will represent the company. The commission has up to 60 days to complete the winding-up.

At the weekend, Tibet-Hima's project manager, Mr Alex Binego Kwatampora, confirmed receiving a notice of termination from the minister but said "the board is handling those issues with the government".

He, however, denied the accusations of corruption in the Kilembe Mines deal. He insisted the company's failure to perform to the expectations of government had nothing to do with the way they won the contract.

On the allegation of bribing government officials to win the contract, Mr Kwatampora said: "We totally disagree with that accusation. There was competitive bidding in the procurement process, and we went through evalua-

Voices



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EVELYN ANITE,
PRIVATISATION AND
INVESTMENT MINISTER



"Investment promotion means attracting people with money, entrepreneur skills and technical know-how. This is not a job of PPDA but Uganda Investment Authority working with Privatisation Unit of Ministry of Finance."

PRESIDENT MUSEVENI

tion before we won the contract." Asked whether the company's failure to perform was related to lack of competence for the job since they are specialised in automobiles, Mr Kwatampora said a due diligence report by the government team that visited its home site in China confirmed the company's competence.

In 2013 the government decided to revamp Kilembe Mines Ltd, a once vibrant manufacturer and smelter of copper, which has been unproductive for close to 30 years. The Kilembe Copper Mines were established in 1908.

Although ministry of Finance officials had proposed "single-sourcing" for the Kilembe Mines project, the idea was rejected and a Cabinet sub-com-

mittee on privatisation shortlisted five bidders and recommended that they proceed to the final stage. The bidders who submitted detailed technical and financial proposals were; Sino-Steel (China), Tibet-Hima Group (China), Konkola Copper Mines PLC (Zambia), Shree Minerals (Australia) and Ginkgo Energy Investments Co. (China). Tibet Hima Mining Company won the disputed deal.

The status of the mines came to the fore during the 2013 NRM Day celebrations in Kasese District, where President Museveni presented the subject, saying "red tape" and "bureaucracy" in government was frustrating revival of the Kilembe mines.

The President said before the deal was awarded to Tibet Hima Mining Company, a group of Chinese investors had expressed interest in revamping the mines but were being frustrated by Uganda government technocrats.

The *Daily Monitor* has seen a letter President Museveni wrote on October 14, 2012 introducing Ginkgo Energy Investment Company, a Chinese firm, to the ministries of Finance and Energy, saying the company "sounds genuine". The President also revealed that [his] "supporters" in Kasese had

introduced a group of Chinese investors to him and as such, asked the line ministries to confirm the "capacity" and "engage" the company with a view to conclude the deal. The letter was copied to the vice president and prime minister among others.

In his letter, the President, however, said he had been told that other groups (investors) had inquired about the mines and asked Finance officials to check the "capability" of all other applicants, make a shortlist and engage them.

The President also directed the officials handling the venture to seek input of the Public Procurement and Disposal of Public Assets Authority (PPDA) and the Attorney General.

More than three months later, the President, while addressing the 2013 NRM Caucus in Kyankwanzi, again raised the issue of Kilembe mines. This time he blamed "timid political elements and indifferent, if not compromised, civil servants" for the delays to revamp the mines. "Investment promotion means attracting people with money, entrepreneur skills and technical know-how. This is not a job of PPDA but Uganda Investment Authority working with Privatisation Unit of Ministry of Finance," Mr Museveni stated.



ADDENDUM NO. 1/2017

Refer to our Notice to bid that appeared in the *Daily Monitor* News Paper of Thursday, 08/06/2017. The bid submission date has been extended from Thursday, 29/06/2017 to Thursday, 13/07/2017.

Sande Kyomya Christopher
CHIEF ADMINISTRATIVE OFFICER TORORO