



**synergy**

**ITRI Tin Supply Chain Initiative (ITSCI)**

## **Uganda Governance Assessment**

September 2016

**Synergy Global Consulting Ltd**[info@synergy-global.net](mailto:info@synergy-global.net)[www.synergy-global.net](http://www.synergy-global.net)

Registered in England and Wales 3755559

Registered in South Africa 2008/017622/07

**United Kingdom office:**

Tel: +44 (0)1865 558811

1a Walton Crescent,

Oxford OX1 2JG

United Kingdom

**South Africa office:**

Tel: +27 (0) 11 403 3077

Forum II, 4th Floor, Braampark

33 Hoofd Street

Braamfontein, 2001,

Johannesburg, South Africa

<b>Client:</b>	ITRI Tin Supply Chain Initiative (ITSCI)
<b>Report Title:</b>	Uganda Governance Assessment
<b>Version:</b>	Version Final
<b>Date Issued:</b>	05/10/2017
<b>Prepared by:</b>	Benjamin Nénot Sarah Daigle
<b>Approved by:</b>	Ed O'Keefe

Front Cover: Panning in Uganda, Synergy Global Consulting

All rights reserved. No part of this document may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of ITRI Ltd. The report should be reproduced only in full, with no part taken out of context without prior permission. The authors believe the information provided is accurate and reliable, but it is furnished without warranty of any kind. ITRI gives no condition, warranty or representation, express or implied, as to the conclusions and recommendations contained in the report, and potential users shall be responsible for determining the suitability of the information to their own circumstances. Under no circumstances will ITRI nor any related companies be liable for any loss or claim whatsoever arising as a result of the use of or reliance upon such conclusions or recommendations. Any conclusions and recommendations contained in this report are made in good faith and on the basis of the information available to the authors at the time.

## Contents

Contents .....	3
Figures .....	3
Acronyms.....	4
Executive Summary .....	5
Introduction.....	5
iTSCi Programme in Uganda (section I) .....	5
Circumstances relating to OECD Annex II supply chain issues (section II) .....	5
SECTION I: The iTSCi Programme in Uganda .....	7
The mining sector in Uganda.....	7
Regulatory framework.....	8
Implementation of the iTSCi Programme .....	8
APRU’s operations .....	8
Challenges .....	9
SECTION II: Assessment of current OECD risks .....	10
Direct or indirect support to non-state armed groups: No risk identified .....	10
Serious abuses associated with the extraction, transport or trade of minerals : No evidence of occurrence but potential risks identified.....	10
Illegal taxation, extortion and/or control of mine sites by public or private security forces : No risk identified .....	11
The fraudulent misrepresentation of minerals :.....	11
No evidence of occurrence but potential risks identified.....	11
Money laundering .....	16
Confidential annex : Stakeholders interviewed .....	17

## Figures

Figure 1 Uganda minerals occurrences map .....	7
Figure 2 – Map of Rwanda, east of the DRC (Maniema, North and South Kivu and Orientale Province) and south of Uganda .....	14

## Acronyms

<b>3T Minerals</b>	Tantalite, Cassiterite and Wolframite
<b>ASM</b>	Artisanal and Small-Scale Mining
<b>APRU</b>	African Panther Resources Uganda
<b>ASI</b>	Alex Stewart International
<b>DGDA</b>	Direction Générale des Douanes et Accises (Congolese Customs)
<b>DGM</b>	Direction Générale de Migration (General Directorate for Migrations)
<b>DGSM</b>	Department for Geological Survey and Mine
<b>DRC</b>	Democratic Republic of Congo
<b>CEEC</b>	Centre d'Evaluation, d'Expertise et de Certification des substances minérales précieuses et sémi-précieuses (Centre for Evaluation, Expertise and Certification of precious and semi-precious minerals)
<b>ICGLR</b>	International Conference on the Great Lakes Region
<b>ILO</b>	International Labour Organisation
<b>iTSCI</b>	ITRI Supply Chain Initiative
<b>MEMD</b>	Ministry of Energy and Mineral Development
<b>OCC</b>	Office Congolais de Contrôle (Congolese Control Office)
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SAESSCAM</b>	Service d'Assistance et d'Encadrement du Small-Scale Mining
<b>VPSHR</b>	Voluntary Principles on Security and Human Rights

## Executive Summary

### Introduction

This report presents information collected and evaluated of an iTSCi Governance Assessment conducted in Uganda in September 2016. The purpose of the Governance Assessment is to provide an overview of the implementation and development of the iTSCi Programme in Uganda since its inception in September 2015 and to highlight the major risks relating to the Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-affected and High-risk areas* ('OECD Annex II risks'). This report therefore provides information to companies on the mining sector in Uganda, focusing on the mining area of Kikagati, Insingiro district. This assessment is intended to be used by companies when developing their own risk assessment and establishing a system of internal control over the minerals that they intend to purchase.

The information and analysis contained in this document hinges on desk-based research and fieldwork carried out between 9 – 16 September 2016, which involved consultation with stakeholders in Goma in the Democratic Republic of Congo (DRC), at border posts between Uganda and the DRC in Bunagana and Kasindi, as well as in Kikagati, Kampala and Entebbe in Uganda. The research team interviewed government and administrative representatives, economic operators, civil society as well as artisanal miners.

### iTSCi Programme in Uganda (section I)

The iTSCi Programme was launched in Uganda in September 2015 in Kikagati, where the mining company African Panther Resources Uganda (APRU) has been operating since February 2015. The setting of the iTSCi Programme in Uganda is specific to the Ugandan context. Traceability over APRU's supply chain is implemented in a pilot by iTSCi local staff, who are responsible for tagging the minerals. The iTSCi staff are also responsible for due diligence by monitoring mining activities and reporting any incidents relating to OECD Annex II supply chain issues.

### Circumstances relating to OECD Annex II supply chain issues (section II)

During the assessment, the Governance Assessment team did not observe any of the most serious forms of human right abuses as listed in Annex II of the OECD Due Diligence Guidance nor sight any evidence of direct or indirect support to non-state armed groups, or to public or private security forces illegally controlling mine sites or transportation routes. Overall, the security situation in Uganda is stable with no current rebel groups' activities reported.

In the Uganda supply chain, the main OECD Annex II potential risk would relate to the fraudulent misrepresentation of the origin of minerals. This risk is twofold. First, it can relate to minerals being potentially smuggled out from the DRC<sup>1</sup> and infiltrated into iTSCi or non-iTSCi Uganda mining sites. The following factors can influence that potential risk:

- **Fiscal and commercial incentives:** The existing price and fiscal distortions between the DRC and Uganda can be incentives for smugglers with the prices in Uganda being significantly higher than in the DRC (up to twice the price) and the taxes being significantly lower in Uganda (less than half of the taxes paid in the DRC);
- **Proximity of Uganda from DRC:** During the rainy season in the DRC, minerals produced out of Walikale territory, North-Kivu, often must go the northern route and pass through Kisangani, Bunia and Beni,

---

<sup>1</sup> Given logistics (see Figure 2) and commercial constraints, they would particularly originate from non-iTSCi cassiterite mine sites in Maniema Province and Lubero and Walikale territories (North Kivu province).



which is situated less than 100 kilometres from the Ugandan border. With Uganda being a transit country between the DRC and Kenya or Tanzania from where minerals are exported, routes with on-going legal transportation of minerals already exist between the DRC and Uganda;

- **The porosity of borders** between the DRC, Rwanda and Uganda.
- **The emergence of a new market** in Uganda for the exploitation and trade of minerals with the development of the iTSCi Programme could represent a new outlet for non-legitimate mining production in the DRC; However, the small volumes that have been exported from Uganda these last years tend to indicate that this risk does not currently occur on a large-scale.

Although the above risk factors exist, **no direct evidence was found of the occurrence of such risks** and the assessment team considers this risk (fraudulent misrepresentation of the origin of minerals) being currently very low in the context of iTSCi operations in Uganda.

Second, the fraudulent misrepresentation of the origin of minerals could relate to minerals being potentially smuggled out of Uganda, which means that untagged minerals produced in Uganda could be smuggled out to Rwanda. This report only focuses on the presence of OECD Annex II risks in Uganda and therefore does not focus on the issue of possible minerals' infiltration to Rwanda.

This report is divided into two sections:

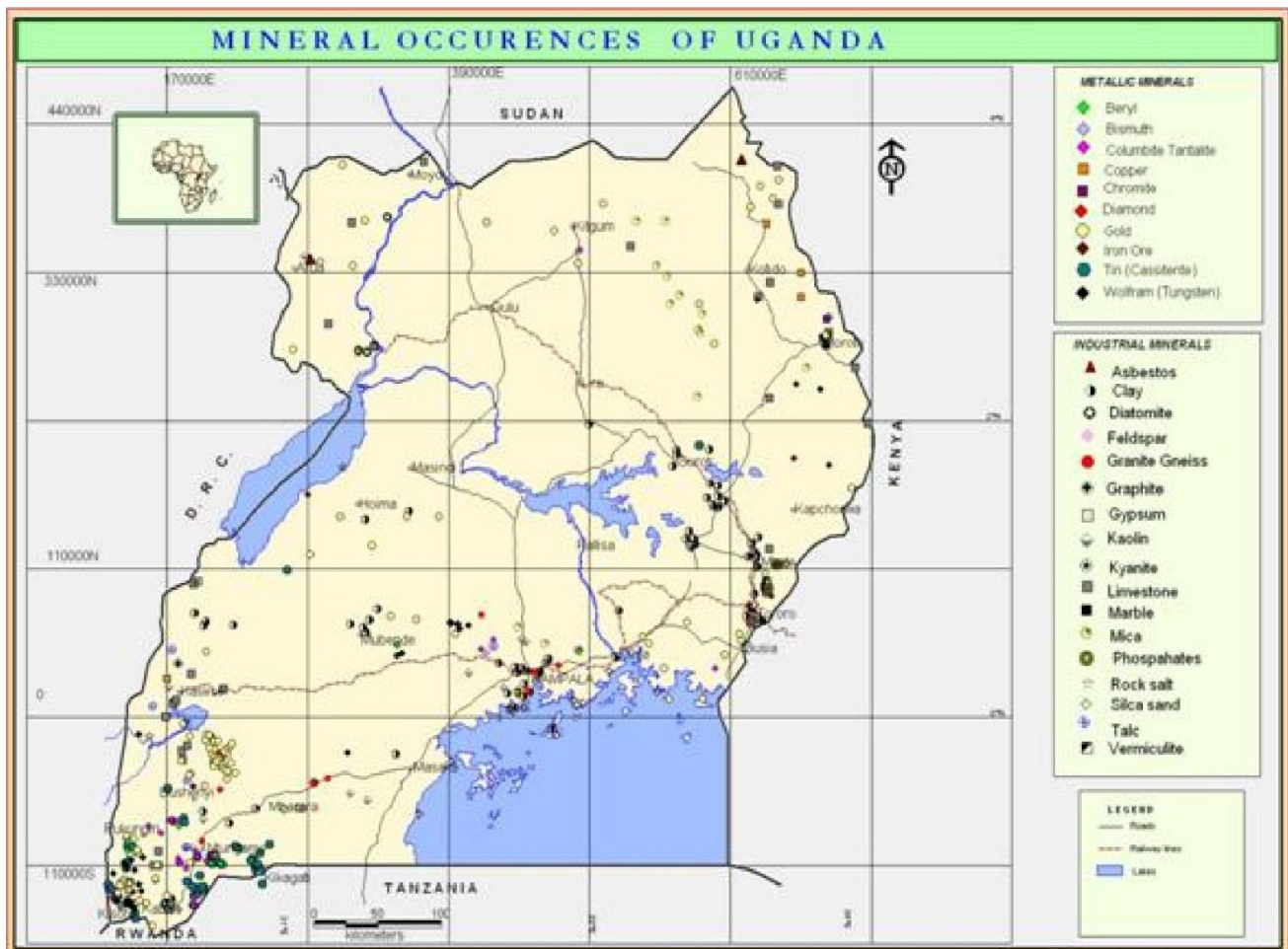
- **Section I** provides an overview of the implementation and development of the iTSCi Programme in Uganda.
- **Section II** summarizes the key risks relating to OECD Annex II supply chain found by the Governance Assessment team in Uganda.

## SECTION I: The iTSCi Programme in Uganda

### The mining sector in Uganda

Mining is currently a developing sector in the Ugandan economy. Most of the 3T minerals (cassiterite, wolframite and tantalite) are found in the south-western part of the country (Figure 1). Three companies mining/purchasing cassiterite are currently operating in Uganda: Zarnack Holdings, Sun and Sand Group of Companies and African Panther Resources Uganda (APRU); and other companies currently purchasing wolframite and tantalite also intend to develop mining activities in Uganda. The following map highlights the minerals occurrences in Uganda.

Figure 1 Uganda minerals occurrences map



Source: Ministry of Energy and Mineral Development

## Regulatory framework

The Ugandan Government passed three laws regulating the mining sector, the Mining Policy of Uganda (2000), the Mining Act (2003) and the Mining Regulations (2004). Provisions in this legislation include the requirement that royalties must be paid by companies. The amount of these royalties is 3% of the value of the minerals produced for cassiterite, wolframite and tantalite. No specific provision is yet made in the law for minerals' traceability or due diligence, but the Government of Uganda has recently become more active in the implementation and operationalisation of the long-awaited regulation related to the International Conference on the Great Lakes Regions (ICGLR) mechanism for the certification of natural resources.

The Department for Geological Survey and Mines (DGSM) is composed of three sub-departments<sup>2</sup> including a Mines Department. The DGSM regulates the mining sector in Uganda by issuing mining licences and export permits and the Mines Department, in particular, will be responsible for the supervision and management of the minerals' certification process in Uganda once implemented. It is also currently integrating a laboratory division. More broadly, the role of the DGSM is to carry out environmental as well as health and safety inspections of mining sites, and to provide geological data. This technical institution works under the authority of the Ministry of Energy and Mineral Development (MEMD).

## Implementation of the iTSCi Programme

The implementation of the iTSCi Programme is specific to the Ugandan context of low volume production and trade. One company, APRU directly engaged with the iTSCi Programme in the form of a private partnership and at the time of writing was the only member of the iTSCi Programme in Uganda. The MEMD and the DGSM both accept the partnership and work normally with the company through regular visits at the mine sites in order to inspect mining activities and ensure that the company complies with the 2003 Mining Act.

It is in this context that, through APRU's membership, the iTSCi Programme was launched in Uganda in September 2015. With the Ugandan authorities not yet being directly involved in the partnership, traceability is not implemented by state agents (as in other countries) but by iTSCi local staff, who are in charge of tagging the minerals on-site. The iTSCi agent is also responsible for monitoring mining activities and reporting any incidents relating to OECD Annex II supply chain issues to ensure APRU's compliance with the requirements of the iTSCi Programme in terms of traceability and due diligence.

## APRU's operations

APRU, a Ugandan company mining, processing and exporting cassiterite, started its activities in February 2015. The company holds seven exploration licences and is currently operating on two mine sites, for which it has obtained exploitation licences in 2015. The company purchases artisanally mined products from these two mine sites and also carries out semi-industrial mining activities. The two mining sites (Nyarubungo and Katanga) are located in Kikagati, south west of Uganda (The map below highlights the key border posts between DRC and Uganda and the main transportation routes for minerals in DRC and in Uganda towards Kampala as well as the main mining areas in DRC where cassiterite is produced.

---

<sup>2</sup> Geological Survey Department, Geothermal Resource Department and Mines Department.



Figure 2). Nyarubungo is an alluvial mining site where artisanal miners<sup>3</sup> dig, wash, dry and separate minerals, which are then sold to one of the two négociants working for APRU. The minerals are kept in a lockable container in an office at the mine site. Once sufficient quantities of minerals are stocked, the iTSCi agent weighs and tags the bags with the mine tag. The bags are then brought to the processing plant situated in Kikagati for the remaining impurities to be removed and négociant tags to be placed on the bags. APRU is currently mechanising part of the Nyarubungo mining site. Katanga mining site is mainly composed of hard rock mining, carried out by artisanal miners. This section of the hill is also planned to be mechanised.

APRU also has offices in Kikagati and in Kampala, and exports from Kampala.

The transportation route starts in Kikagati and goes through Mbarara to reach Kampala. The minerals arrive in Kampala by trucks, where minerals are stored before being exported to Mombasa by road or rail by an international transporter. In the meantime, official documentation is provided by APRU (tax clearance, certificate of origin) in order to obtain the export permit. Assay of minerals is carried out and export(s) validated by agents from the DGSM.

### Challenges

As noted above the Ugandan Government accepted the partnership between iTSCi and APRU, but does not currently participate directly in this private pilot. The independence of the tagging agent is nevertheless achieved through this being a responsibility of Pact employed staff who are not dependent on the company itself. Nevertheless, direct involvement of the government would be positive over the longer term, especially if the Programme continues to expand in Uganda and iTSCi plans to continue further engagement to achieve this. Direct involvement from the government would support and heighten the due diligence process by bringing together all key stakeholders in the reporting of incidents, monitoring of key risks and definition of appropriate mitigation measures if necessary.

---

<sup>3</sup> Number of artisanal miners working on APRU concession is variable according to seasons and other factors. Miners are also rarely working full-time in the mines, so total number of potential artisanal miners is hard to obtain. Average daily number of artisanal miners working on APRU concessions ranges from 100 to 250 so total number of potential miners is likely to be two or three times higher.

## SECTION II: Assessment of current OECD risks

This section analyses risks cited by the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas*. Risks referenced in this section include:

1. indirect and direct support to non-state armed groups;
2. serious human rights abuses associated with the extraction, transportation and trade of minerals;
3. illegal taxation, extortion and/or control of mine sites by public and/or private security forces;
4. fraudulent misrepresentation of the origin of minerals;
5. money laundering.

The Governance Assessment team did not directly observe any of the most serious forms of abuses as listed in the OECD Due Diligence Guidance in Uganda.

### Direct or indirect support to non-state armed groups: No risk identified

The Governance Assessment team did not find evidence of direct or indirect support to non-state armed groups and did not identify risks in Uganda relating to this issue as armed groups are not present in the area.

### Serious abuses associated with the extraction, transport or trade of minerals: No evidence of occurrence but potential risks identified

The *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas* identifies different potential serious abuses associated with the extraction, transport or trade of minerals. The risks associated to this category according to the OECD Guidance are: “any forms of torture, cruel, inhuman and degrading treatment; any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily; the worst forms of child labour; other gross human rights violations and abuses such as widespread sexual violence; and war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide”. The team found no evidence of serious abuses associated with the extraction, transport or trade of minerals and considers this risk is very low in the context of iTSCi sites in Uganda.

In terms of *serious abuses*, the main potential risk identified relates to the worst forms of child labour, as defined in the ILO Conventions No. 182. The Bureau of International Labour Affairs<sup>4</sup> raised in 2015 that child labour in Uganda was common, with 30% of children aged from 5 to 14 years old working. In terms of mining activities and possible worst forms of child labour, SOMO<sup>5</sup> reports that approximately 17,400 children could be involved in mining and quarrying activities in Uganda. Although Uganda has taken some measures to tackle child labour, a ban on children working in the sector was not included in the country’s 2003 Mining Act.

---

<sup>4</sup> 2015 Findings on the Worst Forms of Child Labor, United States Department of Labor.

<sup>5</sup> SOMO, *No Golden Future, Use of child labour in gold mining in Uganda*, April 2016.

### Regarding risk management of serious abuses associated with the extraction, transport or trade of minerals

The assessment team did not find any evidence of child labour on APRU mining lease area. The company declares not employing or purchasing minerals from children and has installed signs at mine sites, which indicate that child labour is not allowed. Moreover, the company (through its private security forces) and the police declared carrying out inspection rounds to ensure, during day and night time, that children are not present on-site. The iTSCi staff can also be alerted by anyone witnessing an incident and would thus report any issue to the company and iTSCi. Stakeholders meetings could then be held in order to mitigate the problem. Overall, despite the significant risk factors mentioned above, the assessment team considers that existing management measures adopted by iTSCi and APRU, if appropriately and proactively implemented, could mitigate that risk to an acceptable level in the context of iTSCi operations in Uganda. Finally, the risks of children working for the company during transportation and at the exportation phases is assumed to be non-existent since a known international transporter is responsible for the transportation of minerals to and from Kampala.

The fact that APRU's perimeter is situated near local communities' houses and cultivated lands and that security forces (both public and private since APRU has signed a contract with the local Police) present on-site are armed constitute a risk factor in terms of potential human rights abuses by public or private security forces (given the potential interactions with and trespassing by local communities). The company has not engaged security forces in accordance with the Voluntary Principles on Security and Human Rights (VPSHR). To address these risks associated with the presence of public and private security forces on-site, PACT will conduct trainings in 2017 with APRU staff and security forces. Moreover, any incident relating to security forces behaviour could be reported by anyone witnessing an issue to the iTSCi agent, who would then be able to report it to the company or the iTSCi programme. No security incidents were reported by iTSCi or during interviews conducted by the Governance Assessment team. Given the local context and management measures, the assessment team considers this risk is currently very low in the context of iTSCi operations in Uganda.

### **Illegal taxation, extortion and/or control of mine sites by public or private security forces: No risk identified**

The research team did not find evidence of illegal taxation, extortion or control of mine sites by public or private security forces in Uganda and considers this risk is non-existent in the context of iTSCi sites in Uganda.

### **The fraudulent misrepresentation of minerals: No evidence of occurrence but potential risks identified**

The assessment team found no evidence of fraudulent misrepresentation of the origin of minerals in Uganda and considers this risk is low in the context of iTSCi supply in Uganda.

In general, the potential risk of misrepresentation of the origin of minerals in Uganda that was identified relates to the potential for minerals to infiltrate Uganda mining sites. The iTSCi local staff monitoring the risks in Kikagati has reported an incident (UG/2016/0002) in 2016 which is linked to a potential risk of minerals infiltration. It refers to information received by iTSCi staff according to which minerals would be entering and exiting the APRU concession without tags. This information was never confirmed, no other cases were reported or credible information received and the incident was closed.

The key risk-factors for fraudulent misrepresentation of minerals relate to the geographic location of Uganda (and the existence of transport routes) as well as to commercial incentives related to the emergence of new cassiterite market outlets in Uganda:

- Regarding existing transport routes, the 2012 UN Group of Expert final report on the Democratic Republic of Congo<sup>6</sup> had identified that “smugglers in Goma and Kisangani told the Group of alternate routes to remove minerals from the Democratic Republic of the Congo through Bunagana, Kasindi and Mahagi into Uganda”. The Group suggested that the smuggled cassiterite, tantalite and wolframite were transiting through Uganda rather than being exported from Uganda. This conclusion was based on Uganda not producing tantalite and only few quantities of cassiterite at the time. The research team conducted interviews with officials working for the “Direction Générale des Douanes et Accises” (DGDA, the Congolese custom service) at the borders between DRC and Uganda in Bunagana and Kasindi. It was found that the alternative routes passing through Uganda, which are mentioned in 2012 UN Group of Expert final report on the Democratic Republic of Congo, are indeed still officially used currently by many companies producing in the DRC (either from North Kivu or Maniema) and exporting from Mombasa port, Kenya.

With APRU producing and purchasing cassiterite and with other companies attempting to start activities in the cassiterite, tantalite and wolframite sector (see below), a new market is emerging in Uganda. This could create a potential pathway for minerals originating from DRC or Tanzania to illegally infiltrate the Ugandan supply chain. At the time being, this risk could potentially mainly affect the cassiterite production since it has so far been the only mineral in Uganda being produced and exported through the iTSCi programme (The map below highlights the key border posts between DRC and Uganda and the main transportation routes for minerals in DRC and in Uganda towards Kampala as well as the main mining areas in DRC where cassiterite is produced.

- Figure 2). The prices offered in Uganda, which are significantly higher than in the DRC (up to twice the price), as well as the difference of taxes paid in Uganda (less than half of the taxes paid in the DRC) could be incentives for smugglers to infiltrate Congolese minerals into Uganda’s supply chain. The lack of commercial outlets in Tanzania could also incentivise small Tanzanian producers to try and commercialise small volumes of minerals in Uganda.

With the emergence of a new market in Uganda and given the porosity of borders<sup>7</sup>, the price distortion, the different tax levels, and the existing transportation routes, potential infiltration of untagged cassiterite originating from mine sites in eastern DRC<sup>8</sup> and entering the Uganda supply chain in Uganda remains a risk to be monitored. However, based on past and current production figures, the occurrence of the risk is currently not demonstrated and risk can be considered low. As far as iTSCi supply chain in Uganda is concerned, this risk is very low and even more unlikely to occur given the additional risk management procedures in place (see below).

---

<sup>6</sup> 2012 UN Group of Experts final report on the Democratic Republic of Congo, S/2012/843, November 2012.

<sup>7</sup> The porosity of borders was confirmed during this assessment in interviews conducted with the Provincial Director of the “Centre d’Expertise, d’Evaluation et de Certification” (CEEC) and a civil society member in Goma and at the borders in Kasindi and Bunagana. Lack of resources and technological tools to identify smuggling was reported by all interviewees.

<sup>8</sup> Ditto

The risk of minerals infiltration from unknown sources in the DRC into the Uganda supply chain could be increased because of seasonal factors. Indeed, part of the cassiterite produced in eastern DRC<sup>9</sup> and logically supposed to go to Goma for exportation often must use the northern routes passing through Kisangani, Bunia and Beni during the rainy season (The map below highlights the key border posts between DRC and Uganda and the main transportation routes for minerals in DRC and in Uganda towards Kampala as well as the main mining areas in DRC where cassiterite is produced.

Figure 2). The emergence of a market in Uganda could be an incentive for smugglers to infiltrate minerals through Uganda rather than continuing towards Goma.

---

<sup>9</sup> See The map below highlights the key border posts between DRC and Uganda and the main transportation routes for minerals in DRC and in Uganda towards Kampala as well as the main mining areas in DRC where cassiterite is produced.

Figure 2






The map below highlights the key border posts between DRC and Uganda and the main transportation routes for minerals in DRC and in Uganda towards Kampala as well as the main mining areas in DRC where cassiterite is produced.

Figure 2 – Map of Rwanda, east of the DRC (Maniema, North and South Kivu and Orientale Province) and south of Uganda



Source: Google with additions from Synergy Global Consulting

-  : Mains areas of cassiterite production in the DRC
-  : Main cassiterite evacuation roads
-  : Main border posts between DRC and Uganda

The second risk regarding the fraudulent misrepresentation of minerals relates to **minerals being potentially smuggled out of Uganda**, either by non iTSCi members looking for outlets for their products or because of theft from iTSCi sites. These minerals could potentially enter the iTSCi supply chain in Rwanda and this risk would mainly be situated near the Rwandan border. The iTSCi agent reported an incident (UG/2016/0001) in January 2016 relating to miners who allegedly sold minerals to unknown buyers who, according to rumours, would bring to and sell this production in Rwanda. This incident is now closed since the company reinforced the security on-site and increased the price of their minerals to reduce theft incentive. No other cases were reported. However, another incident (UG/2016/0004), which occurred in August 2016, relates to bags of tailings belonging to APRU, which were allegedly sent to an illegal buyer selling the minerals in Rwanda for further export. This incident is currently under investigation. First-hand testimonies of cassiterite being smuggled out from Uganda to Rwanda were reported to the research team and involved a company operating near the border with Rwanda. This reportedly involved a daily production of approximately 300 Kgs. Rwandan mine tags would be applied on minerals and these minerals would then leave for Rwanda through the official border. Other testimonies report that part of the untagged production is illegally brought to Rwanda by smugglers crossing the Akagera River. As of today, according to Ugandan authorities, approximately 10 mining companies are operating 3Ts in Uganda outside of any traceability programme, including five on cassiterite. Some may be exported to buyers outside Uganda not engaging in credible due diligence activity. This market could constitute both a risk in terms of minerals being smuggled out of Uganda to Rwanda and over the longer-term in terms of minerals being brought illegally in Uganda from the DRC, whether it be eventually tagged or not.

The fraudulent misrepresentation of the origin of minerals can also be linked to the OECD risk relating to the non-payment of taxes, fees and royalties due to governments. Occurrence of above risks would indeed imply a lack of financial contributions to DRC or Uganda national revenues. However, given Uganda current production and export figures, this risk is low and would occur in a very limited extent (small volumes would be affected).

#### Regarding risk management of possible fraudulent misrepresentation of minerals

The company and iTSCi have implemented systems of traceability in order to manage the risk of minerals infiltrating and/or exiting their supply chain. iTSCi staff is responsible for tagging the minerals on-site with the mine tag and at the processing entities with the négociant tag. Both tagging processes are recorded in logbooks with identification of miner, weight and date of production/processing. A staff member is also present in Kampala when minerals are put into barrels before exportation to Mombasa port by a private company. Because iTSCi staff is not always present on-site and goes to the site for tagging the production a couple of times a week (frequency of visits based on levels of production), the company takes additional risk management measures (only in Nyarubungo, not yet in Katanga) by identifying how many miners are working each day and by recording in a notebook estimates on the expected total daily production to ensure that at the end of the day the actual production is realistically matching with these initial estimates. The Governance Assessment team observed that daily production records were not always filled in a way that fully mitigates the risk of minerals' fraudulent misrepresentation. Dates were not always properly recorded by the company staff in charge on-site, which made it sometimes impossible for the assessment team to verify if estimates were matching the actual production figures. However, the company is planning to implement a new recording system to address this issue by filling a formal form, which will include all the necessary information on daily productions and estimated figures. In addition to employees carrying out rounds on-site to record production, the company contracted public security forces and recruited private security forces to prevent illegal miners entering APRU's site and engaging in theft and possibly fraudulent misrepresentation of minerals. With semi-industrial mining being set up, the company will produce higher quantities in the next months. APRU's traceability system as well as its

risk management systems should therefore be monitored and adapted to these new circumstances of production.

The iTSCi agent reported five incidents relating to the risk of fraudulent misrepresentation of the origin of minerals since the iTSCi programme was launched in Uganda in September 2015<sup>10</sup>. Four of them concerned illegal activities, such as theft, around APRU operations and were all closed, with one still being under investigation. The company took actions to improve its traceability systems by reinforcing its security on-site and improving its purchase prices. It has also replaced its personnel and security forces if they have been involved in smuggling. The fifth incident concerns Zarnack Holdings, illegal miners were reported to operate on its sites and to sell the minerals to Rwanda. This incident is still open and an investigation is being carried out by iTSCi.

### **Money laundering**

The Governance Assessment team did not find any evidence of money laundering resulting from, or connected to, the extraction, trade, handling, transport or export of minerals derived from the illegal taxation or extortion of minerals.

Indeed, no incidents regarding this risk were reported to iTSCi or to the Governance Assessment team. APRU is a legally constituted and registered company, which pays all its taxes to the Ugandan state.

A list of all iTSCi incidents related to OECD Annex II supply chain issues in Uganda and mentioned in this report can be found here: <https://www.itri.co.uk/information/itsci/itsci-incident-summaries/itsci-uganda-incident-table-january-june-2016-as-of-end-december-2016>

---

<sup>10</sup> See Annex 2.

## **Confidential annex: Stakeholders interviewed**

### **Goma, 09/09/2016**

- Save Act Mines
- Centre d’Evaluation, d’Expertise et de Certification des substances minérales précieuses et semi-précieuses (CEEC) - Provincial Director
- Direction Générale des Douanes et Accises (DGDA)
- Division des Mines

### **Bunagana, 10/09/2016**

- Border police
- Direction Générale de Migration (DGM)
- Direction Générale des Douanes et Accises (DGDA)
- Office Congolais de Contrôle (OCC)

### **Kasindi, 12/09/2016**

- Direction Générale de Migration (DGM)
- Direction Générale des Douanes et Accises (DGDA)
- Lawyer and University Professor in Beni
- Border police
- Service d’Assistance et d’Encadrement du Small-Scale Mining (SAESSCAM) - Agent

### **Kikagati, 13/09/2016**

- Negotiant working for APRU
- Policeman working on APRU’s site
- iTSCi local staff

### **Kampala, 15/09/2016**

- Officer Customer Relations – Exports at Spedag Interfreight

### **Entebbe, 16/09/2016**

- Department for Geological Survey and Mine (DGSM)