THE REPUBLIC OF UGANDA

IN THE HIGH COURT OF UGANDA AT KAMAPALA

CIVIL DIVISION

HIGH COURT CIVIL SUIT NO.24 OF 2019

10

15

5

VERSUS

1.THE ATTORNEY GENERAL

2.NATIONAL ENVIRONMENTMANAGEMENT

BEFORE: HON MR. JUSTICE BASHAIJA K. ANDREW.

JUDGMENT.

DMW (U) Ltd *(hereinafter referred to as the "plaintiff")* brought this suit jointly and severally against the Attorney General and National Environment Management Authority (NEMA) *(hereinafter referred to*

as the 1st and 2nd defendant respectively) seeking for an order of payment of compensation for loss of business, loss of earnings, special damages, general damages, interests and costs of the suit.

5 Background:

10

15

20

The 2^{nd} defendant, on 08/06/2015, issued the plaintiff with a wetland resource use Permit No. NEMA/KB/LS/WT/411 for sand mining on 69.6 Hectares comprised in Block 149 Plot 7 Kakwanzi Village, Kitti Parish, Bukamba Subcounty, Kalungu District, which was to run for a period of three years. On 06/04/2016, the 2nd defendant issued the plaintiff with yet two other wetland resource use vide Permit No. NEMA/KB/LS/WT/459, both for sand mining and fish farming on 50 Acres on Block 149 Plot 27 in the same area description, to run for a period of one year. In accordance with the permits, the plaintiff contracted Actuaries to ascertain commercial viability of the project and the same was rightly appraised, with the availability of massive sand deposits. Owing to that factor, the plaintiff was prompted to obtain, in advance, contracts for supply of sand with various prospective buyers. In addition, the plaintiff contracted M/s. Victoria Construction Company Ltd, to build access roads to the project sites from the Kampala - Masaka highway, as directed and in accordance with the issued permits. The works on the access roads commenced in earnest.

- Around October 2016, however, the Parliament of the Republic of 5 Uganda issued directives banning sand mining especially in the Lwera region where the plaintiff's mining sites were located. Pursuant to the said directives, the construction of the access roads to the sites was halted by agents of the 2nd defendant who sealed off the construction sites and confiscated some the access to 10 construction equipment and trucks. Further, by notice dated 15/11/2016 Ref. MMW/Gent/16, and another dated 16/11/2016 Ref. NEMA/4.2.5, the 2^{nd} defendant notified the plaintiff to halt the sand mining activities altogether and to restore affected areas and submit restoration and excavation plans. The plaintiff contends that 15 without any lawfull justification, the agents of the 2nd defendant frustrated the plaintiff's project and thus occasioning heavy loss of business and income, for which the plaintiff seeks the remedies above.
- 20 The 1st defendant denies the claim and contends that the plaintiff has no any cause of action as against the 1st defendant. While conceding to the facts as pleaded by the plaintiff, the 1st defendant nevertheless denied that Parliament ever issued any directives

5 banning sand mining in wetlands and that as such, the plaintiff is not entitled to the remedies sought.

For its part, the 2nd defendant confirmed issuance of the said permits, but contended that it reserved the right to withdraw or cancel the permits mainly due to noncompliance, substantial modification or undesirable effects of permitted activities. While admitting that it issued notices for restoration of the affected areas to the plaintiff, the 2nd defendant avers that the same were not complied with. That in addition, the issued permits have, in any case, since expired and as such, denies any liability to the plaintiff.

10

The plaintiff adduced evidence of its Managing Director, Pastor Daniel Walugembe as PW1, Mr. Kigongo William the Managing Director of Victoria Construction Company Ltd as PW2, and Fred Kigereigu a Senior Geologist as PW3. The 1st defendant did not call any witnesses. For its part, the 2nd defendant called evidence of Dr.
Jerome Sebaduka Lugumira, its the National Resources Manager, as DW1. The plaintiff was represented by Ms. Grace Atuhaire of *M*/s. *Bashasha & Co. Advocates*, the 1st Respondent was

represented at different times of the hearing by Mr. Geoffrey

- Madette, Ms. Suzan Apita, both State Attorneys in the 1st Respondent's Chambers, and the 2nd Respondent was represented by Mr. J. Kamugisha. In the joint scheduling memorandum, counsel for the parties agreed on the following issues for determination;
- 10 **1.** Whether the defendants' actions amounted to breach of the permit rights.
 - 2. Whether the plaintiff suffered loss.
 - 3. Whether the defendants are liable for the plaintiff's loss.
 - 4. What remedies are available to the parties?
- In addition to the above, counsel for the 1st defendant raised the issue in their submissions, as to whether the Applicant's application discloses a cause of action against the 1st defendant. This particular issue is, however, intertwined with, and can be appropriately resolved jointly with issue No.3. Counsel for the parties also argued the case by way of written submissions, which
 - Counsel for the parties also opted to resolve issue No.1 and 3 jointly

court has duly considered along with the evaluation of the evidence.

5 and issue No.2 and 4 together. Court will follow the same order in resolving the issues as framed.

Resolution of Issues:

Issue No.1: Whether the defendants' actions amounted to breach of the permit rights.

10 Issue No.3: Whether the defendants are liable for the plaintiff's loss.

The plaintiff led evidence that the 2nd defendant made an Inspection Report, dated September 2016, *Exhibit "D1"* on court record. That in the said report, it is recommended that there was no sand in the area and that the permits be withdrawn. That after the said Inspection Report was issued, the plaintiff received notices to halt sand mining and submit lay out, excavation and restoration plans. The evidence further shows that by its reply dated 16/12/2016, the plaintiff submitted the layout/excavation and restoration plans which the 2nd defendant found satisfactory and could genuinely issue the said permits. The PW1 testified that despite the plaintiff's submission of said plans, the 2nd defendant did not respond to the

said letter, but instead inspected plaintiff's sites again in December
 2016 and observed in its report pursuant to that inspection, that
 contrary to earlier reports, the plaintiff had in fact not mined sand
 and was only at a stage of the construction of access roads. The
 plaintiff contends that the reasons for halting the permits in the
 November 2016 notices were unfounded and baseless.

The plaintiff further testified that the 1st defendant through the Committee of Parliament on Natural Resources, in the report dated 16/11/2016 –plaintiff's *Exhibit "G2*, reported in the newspaper plaintiff's *Exhibit "G1"*; noted at page 15 of the report, that the plaintiff's activities had been limited, and recommended at page 28 thereof, that the 2nd defendant issues restoration orders and ensures enforcement of the same. The plaintiff further led evidence maintaining that the said Committee's reasons assigned for halting the plaintiff's permits were the alleged land conflicts. The plaintiff 20 gave evidence that this was not true as no such conflicts existed or at all. The plaintiff's evidence is that the said Committee did not carry out proper investigations, or at all, into the activities of the

5 plaintiff and hence made wrong recommendations to halt the plaintiff's permits.

For its part, counsel for the 1st defendant submitted that no right of the plaintiff was violated or breached by the 1st defendant and that the plaintiff's plaint does not disclose a cause of action against the

¹⁰ 1st defendant. That the resolutions made by Parliament's Committee on Natural Resources, were made way after the permits had been cancelled. That this was confirmed by the 2nd defendant's witness DW1, during cross - examination. Further, that in any case, the permit contract was between the plaintiff and 2nd defendant to ¹⁵ which the 1st defendant was not party, and that as such bears no liability under the contract, to the plaintiff.

Counsel for the 2^{nd} defendant, submitted that the grant of permits to the plaintiff was conditional with both general and specific conditions. That the 2^{nd} defendant reserved the right to withdraw or cancel the permit(s). That in October 2016, when the 2^{nd} defendant's agents inspected the project area, they found access roads on *Permit No. NEMA/RB/LS/WT/411*, with unrestored pits. Further, that the access roads were not built in accordance with the

20

permit conditions, thus the notices were issued to the plaintiff on 15/11/2016 and 16/11/ 2016, respectively. That the notices to halt sand mining were written to the plaintiff following inspections by the 2nd defendant and as a result of the recommendations from 1st defendant's agent, the Committee of Parliament on Natural
Resources. The 2nd defendant maintained that the plaintiff was accorded a fair hearing.

After carefully evaluating the evidence on issue, it is observed that on 14/03/2016, the plaintiff applied for a permits to carry out a regulated activity in a wetland, river banks and lake shores. The respective applications are on court record as defense Exhibit "E" 15 and "G", respectively. Evidence further shows that the plaintiff submitted project briefs dated April 2015 and March 2016, respectively. These are defendant's *Exhibit "B" and "F"* respectively. Further, evidence shows that on 08/06/2015, the plaintiff was accordingly issued by the 2^{nd} defendant. with Permit 20 No.NEMA/RB/LS/WT/411 for sand mining on 69.6 Hectares on Plot 7 Block 149 Kakwanzi Village, Kitti Parish, Kalungu District. Subsequently, on 06/04/2016, the plaintiff was issued with yet two

5 other *Permits No. NEMA/RB/LS/WT/459* for sand mining and fish farming on 50 acres at Block 149 Plot 27 in the same area location.

One of the specific conditions of the permits, was to construct access roads to the project sites. It not disputed that the plaintiff commenced construction of the access roads. PW1, that of PW2

- testified that they executed a contract between themselves to construct the access roads and indeed the work commenced in earnest. The contract is plaintiff's *Exhibit "C"* on court record. It is also in evidence, and it is not disputed by all parties, that on 15/11/2016 and 16/11/2016 respectively, the 2nd defendant
- issued notices to the plaintiff to halt sand mining in respect of both permits on grounds that the areas where sand was extracted have not been rehabilitated and /or restored. The plaintiff was thus required to restore all affected areas and submit site layout, execution and restoration/rehabilitation plans.
- After the evaluation, there is no evidence whatsoever, which shows that the said inspection conducted on 22/10/2016 was done in the presence of the plaintiff or its agents. As a matter of fact, the 2^{nd} defendant's report *-Exhibit 'J*", shows at page 10 thereof, that no

- one was found at the site. Secondly, defendant's *Exhibit "L"* also shows that through its lawyers, by letter dated 16/12/2016 which duly received by 2nd defendant, the plaintiff responded to the 2nd defendant's concerns, and gave details of construction of the access roads and explained that there were no affected areas that necessitated restoration and that the site lay out plans and restoration plans were submitted with the application. It is noted that after its said response to the 2nd defendant, the plaintiff never received any communication from the 2nd defendant and was not allowed access to the site.
- Reg.14 of the National Environment (Wetlands, River Banks and Lake Shores Management) Regulations No.3/2000, provided that;

"14. Revocation of permit.

20

The Executive Director may, at time, after consultation with the lead agency a permit granted under these Regulations if he or she is satisfied that the conditions of the grant of the permit have not been complied with or that the continued use of the wetland is likely to be injurious to the community and the environment."

From the provisions above revocation of a permit issued to any person vests in the Executive Director (ED) of the 2nd defendant after consultation with the lead agency, if he or she is satisfied that there has been noncompliance with the conditions of the grant of the permit by the grantee. Counsel for the 2nd defendant submitted that that examination, DW1 the National Resources Manager of the 2nd defendant, admitted that the letters/notices to halt sand mining were written to the plaintiff following inspections by the 2nd defendant and as a result of recommendations from the 1st defendant's agents, the Parliament. Reg.2 (supra) defines "lead 15 agency" as;

".... any ministry, department, parastatal agency, local government system, or public officer in which or upon whom any law vests functions of control or management of any segment of the environment;"

²⁰ The cited Reg.2 (supra) does not anywhere envisage Parliament or any of its Committees, to be or act as a lead agency. In the instant case, therefore, the Executive Director of the 2nd defendant could not have consulted Parliament to halt the permits held by the

⁵ plaintiff. As such, the reliance placed upon recommendations or pressures or directives of Parliament was erroneous and illegal.

In its report of the December 2016, the 2^{nd} defendant conducted a further inspection between 8/12/2016 and 11/12/2016 respectively, and made a report to that effect. At page 8 thereof, it was noted as follows;

10

"(b) Contrary to earlier reports, this site has never mined sand (Figure 6). They have only established access routes, which are yet to be completed to allow access to their site."

A closer look at defendant's *Exhibit "M"* - a letter/notice dated 16/11/2016, invariably shows that there are words scribed in ink, at the top right hand, stating as follows;

"DMW is not mining sand. Site was inspected and it was not operational. The initial Inspection has misled..."

A similar stance appears to have been the basis of the parties in their joint scheduling memorandum, *Item 5* thereof, where it is listed as an agreed fact that;

"On the 10th December, 2016, the 2nd defendant's agents inspected the sand mining site with Permit Number NEMA/RB/LS/WT/459 and observed among others that contrary to earlier inspection reports, the plaintiff had never mined sand and only access roads were being established."

10

15

20

5

From the above well corroborated and uncontroverted evidence of the plaintiff, it is quite clear that the 2nd defendant erroneously and in breach of the plaintiff's permit rights, halted the plaintiff's sand mining activities with or under the directives of the Committee of Parliament on Natural resources without any justification at all.

Under Part VII on the consequences of breach of contract, Section 61 (1) of the Contracts Act No.7 of 2010, provides as follows;

"(1) Where there is a breach of contract, the party who suffers the breach is entitled to receive from the party who breaches the contract, compensation for any loss or damage caused to him or her."

5 To the above latter effect, where there is breach of contract, the party who suffers the breach is entitled to compensation from the party who is in breach. Under Section61 (3) (supra) where an obligation similar to that created by contract is incurred and is not discharged, any person injured by the failure to discharge it is 10 entitled to receive the same compensation from the party in default.

The evidence as evaluated above in light of the cited law applicable, amply demonstrates that the plaintiff complied with all conditions of the permit, but its project was unlawfully and unjustifiably halted due to the actions of the defendants in that breach of the plaintiff's rights under the respective permits. That renders the defendants severally and jointly liable for the breach. Issue No. 1 and 3 are answered in the affirmative.

Issue No. 2: Whether the plaintiff suffered loss.

15

Issue No.4: What remedies are available to the parties?

The plaintiff led evidence that it had conducted a valuation on the sand deposits through PW3 a Senior Geologist, under the Reports on court record as plaintiffs *Exhibit "B1" "B2" and "B3"*. The plaintiff was to mine 3.2 million tons of sand on Block 149 Plot 27

in the aforesaid area location, which was valued at UGX.64 billion 5 under Permit No. NEMA/RB/LS/WT/459. Similarly, under the evaluation report, on court record as plaintiff's Exhibit "B2" in respect of Permit No. NEMA/RB/LS/WT/459, the plaintiff was projected to mine 1.4 million tons of sand on Block 149 Plot 27(supra) at the cost of UGX.26 billion. Further, under evaluation 10 report Exhibit "B3", in respect of Permit No. NEMA/RB/LS/WT/411 issued on 08/06/2015, the plaintiff was projected to mine 4.4 million tons of sand on Block 149 Plot 7, at a cost of UGX.88 billion. The plaintiff further led evidence through plaintiff's *Exhibit "E"* and Exhibit "F" respectively, that he had entered into contracts with 15 M/s.Embet Engineering Ltd and M/s. SEK B Services Ltd, to supply them with sand from the sites under the respective permits. The first contract was for the supply of sand worth UGX.43.2 billion while the second contract was for sand worth UGX 24 billion. The plaintiff also led evidence through PW2 and plaintiff's Exhibit "C", 20 showing that it had contracted M/s. Victoria Construction Limited, to construct an access road to the sand mining sites. According to paragraph 2 of the contract, a sum of UGX. 3,000,000,000 (Three

5 billion shillings) was paid for the construction works. All this evidence was not rebutted by the defendants.

Ultimately, the plaintiff once issued with permits had a legitimate expectation to earn from the sand mines and its license was halted unlawfully and without any justification before the expiry of the respective terms of the permits. This without doubt occasioned

financial loss of business expectation, which is a legitimate expectation by the plaintiff.

10

In the case of Hajj Kaala Ibrahim vs. Attorney General and Commissioner General of URA HCMC No. 23 of 2017 the principle of legitimate expectation, was elucidated upon at page 9 thereof, and court held in part as follows;

> "...Legitimate expectations may include expectations which go beyond legal rights, provided that they have some reasonable basis."

20 Also, this court in Associate Professor Charles Niwagaba vs. makerere University HCMC No...2019, which relying on the

5 English case of Council of Civil Service Union vs. Minister for
 Civil Service [1984] ALL ER 935 at page 949, held that;

Legitimate expectation derives from the need to secure certainty and predictability in administrative or quasi administrative decisions/actions. It seeks to enforce promise or representation given by or on behalf of an authority to an individual to the end that lawful bargains are not thwarted."

10

Therefore, the legitimate expectations may be based on some statement or undertaking by or on behalf of public authority which has the duty of making the decision if the authority has through its officers acted in a way that would make it a part or inconsistent with good administration for a person to be denied an inquiry. In addition, when a public authority has promised to follow a certain procedure, it is in the interest of good administration that it would act fairly and should implement its promises so long as

As applicable to the instant case, evidence shows that the 2^{nd} defendant issued three permits to the plaintiff for sand mining and

implementation does not interfere with its statutory duty.

- fish farming. Before the permits expired, the 2nd defendant halted the exploitation of the same. The 2nd defendant in its defense avers that it halted the plaintiff's use of the permits following recommendations from agents of the 1st defendant as shown above. That being the case, the defendants, without doubt, created and raised expectations and /or promise to the plaintiff, which they unfairly, illegally, and without justification, withdrew from the plaintiff. Without doubt, the plaintiff as a result suffered loss, which was caused by the unfair acts and the misleading and contradictory inspection reports done and issued by the defendants.
- The plaintiff sought for orders of compensation for loss of business or earnings, special damages, general damages, interests and costs of the suit. Starting with compensation, as already observed above, Section 61(1) and (3) of the Contracts Act, (supra) entitles a party who suffers breach to receive compensation for the breach. Both plaintiff's and the 2nd defendant's counsel cited the cases of Uganda Petroleum Co, Ltd vs. Kampala City Council H.C.C.S NO.250 of 2005 and Erukana Kuwe vs. Isaac Patrick Matovu & Another H.C.C.S No. 177 Of 2003. In both cases, the courts held

- 5 to the effect that damages are direct probable consequences of the act or omission complained of. Further, that the consequences could be in loss of property, physical inconveniences, mental distress, pain and suffering. Also, in the case of **Robert Cuossens** *vs Attorney General SCCA No. 8 Of 1999*, Oder JSC held;
- 10 "The object of an award of damages is to give the plaintiff compensation for the damage, loss or injury he or she has suffered."

The general rule regarding measures of damages applicable both to contract and tort has its origin in what was stated in *Livingstone*

15 vs Ronoyard's Coal co (1880) 5 APP CRS 259 as;

20

".... <u>that sum of money which will put the party who has</u> <u>been injured or who has suffered in the same position as</u> <u>he would have been in if he had not sustained the wrong</u> for which he is now getting his compensation or reparation." [Emphasis added].

The evidence as evaluated on court record, shows that the plaintiff had commenced the sand mining project pursuant to the permits

⁵ issued by the 2nd defendant. The projects were halted without illegally and without justification and thus causing the plaintiff enormous loss of business. This entitles the plaintiff to compensation for the all the loss it suffered.

In the case of Robert Cuossens vs. Attorney General (supra) it

¹⁰ was further held, at page 6 thereof, that where future loss cannot assuredly be proved, the court has to make a broad estimate taking into account all the proved facts and the probabilities of the particular case.

Counsel for the 2nd defendant submitted that the plaintiff's first *Permit No. NEMA/RB/LS/WT/459No.459* had just four (4) months
left to expire out of the possible twelve (12) months. Also, that *Permit No. NEMA/RB/LS/WT/411* lay idle for eighteen (18) months
and only had fourteen (14) months. Thus, in assessing the
compensation due to the plaintiff, consideration has to be had to
the period the plaintiff had the permits but did not utilize them,
which fault cannot be ascribed to the plaintiff.

Under Permit NO. NEMA/RB/LS/WT/459No.459 on Block 149 Plot 27, issued on 06/04/2016, Evaluation Report- plaintiff's Exhibit

"B1", estimated the value of sand that was available for the plaintiff to exploit in twelve 12 months at UGX. 64,000,0000,000 (Sixty-four billion). That is the amount that court awards the plaintiff as compensation in respect of that particular permit.

Regarding *Permit No. NEMA/RB/LS/WT/459*, on Block 149 Plot
27(supra) also issued the plaintiff on 06/04/2016, the plaintiff was projected to mine 1.4 million tons of sand at the cost of UGX.26 billion. Evidence has shown that it was to run for 12 months and was halted remaining with four months to expiry. Therefore, the plaintiff is entitled to, and is awarded as compensation UGX.26 billion in respect of that particular permit.

Permit No. NEMA/RB/LS/WT/411 issued on 08/06/2015. The plaintiff was projected to mine 4.4 million tons of sand on Block 149 Plot 7, at a cost of UGX.88 billion. Evidence has shown that it was to run for three years or thirty-six (36) months. Accordingly,
20 UGX.88 billion is awarded as compensation in respect the particular permit. Therefore, the total compensation awarded to the plaintiff is UGX. 178,000,000,000 (One hundred seventy-eight

5 billion) for loss of business and earnings, which shall be paid by the defendants jointly and severally.

The plaintiff also prayed for the award of special damages. Counsel for the plaintiff submitted that UGX. 3,000,000,000 be paid as special damages. On the other hand, counsel for the 2nd defendant submitted that special damages must be specially pleaded and strictly proved. PW2 testified in court that he was paid UGX.3,000,000,000, but that there was neither a receipt nor evidence of any bank transfer. In the case of **Robbert Coussens vs**

10

Attorney General, (supra) at page 5, it was held that the exact or
approximate amount can be proved and if proved will be awarded as special damages. In the case of Gapco (U) Ltd vs. AS Transporters
Ltd SCCA No.7 of 2007, Okello JSC, citing with approval the case of Kampala City Council – vs – Nakaye (1972) EA 446held as follows;

20 "...the principle governing an award of special damages is clear. Special damages must be pleaded and proved... Special damages however need not always be peeved by

5 production of documentary evidence. Cogent verbal evidence can also do."

The plaintiff averred in its plaint that it contracted M/s. Victoria Construction Company Ltd to build access roads from the Masaka-Kampala highway to the sand mine sites. The plaintiff adduced evidence of its MD PW1, and PW2 the MD of Victoria Construction Company Ltd, who confirmed that the construction company was contracted and paid and commenced the construction of access roads works. The plaintiff further led evidence, in plaintiff's *"Exhibit C"*, which is a contract dated 23/08/2016 between the plaintiff and

10

M/s. Victoria Construction Limited for construction of the said access roads.

In the said contract, paragraph 2, it is stated that by Mr. William Kigongo, affirming his signature thereto, acknowledged receipt of a sum of UGX.3,000,000,000 on behalf of the contractor. All this evidence not rebutted in any way by the defendants. Therefore, court finds that the plaintiff pleaded and has proved special damages to the tune of UGX.3,000,000,000 and accordingly awards the plaintiff same.

5 The plaintiff also prayed for general damages and gave an indication of the quantum in counsel's submissions, to the tune of UGX. 1,000,000,000 (one billion). The same was not objected to by the defendants. As earlier noted, the purpose of the award of general damages is to put an injured party in the same position the party 10 would have been in if it had not sustained the loss or injury. It is therefore court's considered view that given the particular circumstances of this case, where the legitimate expectations of the plaintiff were dashed and the attend inconveniences, given the magnitude of the project loss generally, the sum of UGX. 15 1,000,000,000 is fair reasonable considering the magnitude of the case and court awards the same to the plaintiff as general damages.

The plaintiff prayed for interest. Under Section26 of the Civil Procedure Act, Cap 71, the award of interest is in the discretion of court, and where the decree is for payment of money, court may to
order payment of interest of such rate as it considers reasonable. The plaintiff prays for interest on the amount of compensation, special and general damages at a rate of 25% per annum. However, court considers that rate to be on the higher side. The appropriate

- ⁵ rate in the circumstances would be 10% per annum on the amount awarded as compensation from the date of halting use of the permits till payment in full, and on special and general damages respectively at the rate of 10 % per annum from the date of this judgment till payment in full.
- Regarding the issue of costs, Section 27(2) of the Civil Procedure Act (supra) provides to the effect that costs shall follow the event and a successful party should not be deprived of costs except for good reasons court directs otherwise. The plaintiff suffered loss and was forced to bring this suit as a result of the defendants' acts. Therefore, the plaintiff is awarded costs of this suit.

BASHAIJA K. ANDREW JUDGE. 20/05/2020.