

OPEN LETTER TO THE PRESIDENT OF THE WORLD BANK

September 13, 2016

The President
The World Bank
Washington D.C

Dear President Kim,

We send you greetings from Uganda. We also avail ourselves the opportunity to thank you and the World Bank for the Bank's historic and continued role in Uganda's path to development over the years. Up until now, we believe that the engagement between the World Bank and our government provides critically needed financial and human resources needed to assist our country in the journey towards development and socioeconomic transformation.

We are a consortium of Ugandan civil society organisations working with ordinary Ugandans across the country. Our work gives us the privilege and honour to interact with our people on a day-to-day basis, often coming face-to-face with the reality of unfulfilled development promises, the impact of a broken public services delivery system and publicly funded projects that fail to meet the expectations of the target beneficiaries and those most in need. More importantly, we are deeply conscious of the unwavering determination of our people to better their lives, and the shared objectives of our government and the World Bank to end poverty and improve the wellbeing of every citizen.

Over the last 54 years, the World Bank has been one of the most significant institutions in the socioeconomic and political reconstruction of Uganda. The first loan of US\$8.4 million concluded on June 1, 1961 funded the development of the Owen Falls Dam that until recently remained the main source of electricity in the country. Indeed, together with other donors, the Bank has enabled our country to increase primary school enrolment from less than 1 million pupils at the beginning of Universal Primary Education (UPE) in the 1990s to the current over 7 million pupils. Support provided towards this programme has for years benefitted the girl-child and many other children from the poor echelons of our society. We also recognize the support that has enabled our government to extend electricity lines in rural areas to cover over 35,500 km and increased grid and off grid connections to over 650,000 and 20,600 customers respectively. Over the last decade, the Bank's support has enabled our government to increase electricity generation to over 800MW today. The Bank continues to support construction of dams, roads, the oil sector, the water sector and many others.

However, despite the commendable progress registered by the government of Uganda with the support of the World Bank and other development partners, we have taken the unusual step of writing and directly appealing to you because we believe that the shared objectives of economic development, increasing opportunities for the majority of Ugandans and eradicating poverty are increasingly at risk because of the actions of our government and the inaction of the World Bank. We believe that the issues raised below put the future development of our country in great jeopardy and undermine the fundamental basis of the World Bank's engagement with and support to our government.

i) World Bank Portfolio Performance

The information and data available to us indicates that as of April 2016, the World Bank's Uganda portfolio included seventeen national active operations with a \$2.1 billion commitment, and five regional operations with a \$182 million commitment. Three operations are set to close this Financial Year 2016. This portfolio involves two fully integrated Global Environment Facility (GEF) interventions for a commitment of \$1.79

billion. In addition, Uganda benefits from a \$100 million Global Partnership for Education grant aimed at improving teacher and school effectiveness in the primary education system.

However, the performance of this portfolio leaves a lot to be desired.

- At the moment, both the government of Uganda and the Bank are not as transparent as we would expect about the performance of this portfolio -information available to us suggests that performance is at only 20%. We believe that the Bank has a responsibility to openly and transparently share the difficulties in the execution of projects that our government has negotiated and contracted on behalf of her citizens.
- The government of Uganda, the World Bank and other development partners have in the last seven years spent over \$200 million on Uganda's rural electrification. However, due to lack of transparency and public accountability in the projects, rural households remain trapped in darkness due to high tariffs caused by inflated costs of dam construction, single sourcing of companies, weak power distribution and corruption.
- Additionally, the Skills Development Project (supported to the tune of US\$100 million), which is supposed to accelerate training in skills development, and could help our nation's young people who are faced with the problem of acute unemployment is currently rated moderately satisfactory, more than a year after it was approved by the World Bank.

We believe that implementation of World Bank projects should cease to be secret business between the government and the Bank so that it becomes a three-way partnership where the civil society, the government of Uganda and the World Bank become partners in the negotiation and contract process, monitoring project implementation and securing compliance with agreed financing requirements.

ii) Compensation and the plight of citizens displaced by Development Projects

The World Bank and the government of Uganda are consistently failing to judiciously follow established rules and guidelines regarding compensation and resettlement hence undermining the plight of the people they claim to value and protect. Three examples highlight this problem as outlined below:

- The Uganda government, through the Uganda Electricity Transmission Company Limited (UETCL), has been undertaking major power line transmission projects, including: Mbarara-Rwanda (75km), Jinja-Kenya (250km) and Hoima-Nkenda (203km); these are funded by development partners, including the World Bank. A 2015 report by Uganda's Auditor General provided compelling evidence and information showing that there was no value for money in the execution of these projects. More importantly, the government of Uganda has failed to compensate most of the affected people since the commencement of these projects 10 years ago.
- The World Bank funded Uganda Transportation Development Project (TDSP): In addition to problems associated with compensation after displacement, the TDSP brought in an influx of workers which resulted in numerous cases of rape. For two years, the Bank did not respond to local complaints about this until an international organization brought it to their attention and helped the local community file a complaint. The risk assessment of this project failed to capture this potential risk, failed to monitor risks, and failed to respond to complaints when they were raised.
- We welcome the World Bank's continued support towards the development of our oil and gas resources within the Albertine Rift. The projected financial inflows from oil would provide much needed resources for investment in physical and service delivery infrastructure thereby creating a pathway out of poverty for many Ugandans. However, the promise of oil revenues cannot be achieved on the suffering of ordinary people. As you may be aware, communities that were relocated to create land for the proposed oil refinery project have not been resettled since 2012. The World Bank should not be a passive spectator to the deprivation and human rights abuses that are associated with such relocations of communities. We believe that in consistency with its core mission and mandate, the Bank can be more proactive in engaging and encouraging the government of Uganda to put the plight of affected citizens above the narrow interests of project implementation.

iii) Corruption and stealing of public funds has become endemic

We believe that both the government of Uganda and the World Bank are not demonstrating sufficient will necessary to decisively deal with the cancer of corruption that has become endemic threatening the execution of development projects and service delivery programmes in the country. The Black Monday Movement and other anti-corruption government and non-government agencies have documented multi-million corruption scandals. The World Bank itself estimates that Uganda loses an estimated US\$500 billion annually in procurement related corruption. In the most recent inquiry into the road sector, a Uganda government-instituted Commission of Inquiry reported that our country lost over US\$4 trillion to corruption in the roads sub-sector alone over a period of 7 years. This is the equivalent of stealing over 5000kms of paved roads.

iv) Use of public funds to finance burgeoning and unsustainable public administration costs

The World Bank has looked on as the current ruling elite builds an extensive political patronage network through creation of new districts and the associated expansion of the civil service and political bureaucracy. While the Ugandan government cannot find money to provide better pay for health workers, teachers, judicial officers, as well as service men and women in our security forces and police, it can find money to fund an ever expanding parliament, cabinet and presidency. We believe that by continuing to provide financing without demanding for more accountability to the citizens, the World Bank becomes a willing accomplice to the obscene public administration expenditure that undermines development and public service delivery in the country and will adversely affect Uganda's capacity to repay back its loans.

v) Violation of Ugandan laws and standard international best practices in procurement

It is of great concern to us that across many sectors supported by the World Bank, the government of Uganda has taken on the practice of navigating around national laws and international best practices governing public procurement. The single sourcing approach increasingly being adopted for major infrastructure projects under the watchful eye of the World Bank undermines the rule of law, contract transparency and efficiency gains inherent in competitive procurement practices. We believe that the single sourcing approach in public procurement poses a great economic risk for the country, and constitutes a safe haven for corruption and a basis for inflating the costs of projects. Whereas it is not legally wrong per se to use contractors from the same country such as China, it raises serious questions especially when majority of the companies taking on major infrastructure projects are single sourced. As you may be aware, most projects awarded through single sourcing procedures are given to Chinese companies, including the following:

- Karuma dam worth \$1.7 billion;
- Isimba dam worth \$560 million;
- Entebbe Airport Expressway worth over \$350 million;
- Kampala-Entebbe Southern Road Express at US\$400 billion;
- The Standard Gauge Railway at over \$4 billion.

The question has to be posed why Uganda's Karuma and Isimba dams of 783mw will cost over \$2 billion compared to Ethiopia's Grand Renaissance dam of 6,000mw at a cost of \$4.8 billion. It is inconceivable that the World Bank with its professed values of transparency and accountability has increasingly become a party to projects characterised by shady dealings that undermine Ugandan laws and create safe havens for corruption.

We are concerned that single sourcing of companies creates a safe haven for corruption and shady dealings, undermines quality and excellence in project execution and negotiation of terms that disadvantage local companies.

vi) Local content requirements, developing domestic manufacturing capability and creating jobs

Over the years, the World Bank and other development partners have pledged commitment and invested in projects to support the growth of the private sector and promotion of local content. This we believe is important as there is no private sector anywhere in the world that has become globally competitive without the support of government. While the Ugandan government has not yet passed a local content policy and legislation, the foreign companies contracted for infrastructure projects are exploiting this gap to import both construction materials and labour. The construction materials such as cement and steel imported by constructors are believed to be causing, directly and indirectly, major business failures in the country.

It is understood that the terms of concessional loans from Exim Bank require that construction materials be supplied from China. If this is true, then the practice is killing the private sector in Uganda hence undermining the stated objective of creating jobs for our nation's young people, which objectives are shared by both the government of Uganda and the World Bank. While we understand that the World Bank's engagements are often with governments, we still can't understand how the World Bank - an institution that claims to adhere to international principles of good corporate governance-, can be party to these clearly opaque dealings with the associated corrupt practices.

vii) The case of China Railway Corporation

We welcome the suspension of funding for the Fort Portal-Kamwengye Road owing to the human rights abuses occasioned by the China Railway Corporation. However, we wish to bring it to your attention that this same company was awarded a contract to implement the Kampala Integrated Development Project. This development undermines the very actions that the World Bank undertook and certainly stands in contrast with some of the professed values of the World Bank. Gross violations of human rights in the course of implementation of infrastructure projects requires judicious and expeditious actions that demonstrate immense risks for companies that have no regard for ordinary people that the World Bank claims to support.

viii) The Rising Trend of Public Debt and its Sustainability

Government borrows on behalf of its citizens. Ultimately, it is the citizens who will have to pay back these debts. Unless our government becomes more disciplined with regard to borrowing, Ugandans will end up choking on debt like it happened before the debt forgiveness under the Highly Indebted Poor Country Initiative (HPIC). According to our Central Bank, as of June 2016, Uganda's public debt stock including commitments in nominal value stood at Ugshs.46.1 trillion. This implies that each of Uganda's 34.9 million people including children was indebted to the tune of Ugshs.1,332,369 or the equivalent of \$395 at current prices. While borrowing is unavoidable and a standard economic practice, the idea that our government will borrow money it can't use or just misuse and the World Bank acquiesces to such a practice runs contrary to the aspirations of Ugandans and the stated shared objectives of both the government of Uganda and the World Bank.

In the light of the above, it is our humble petition to you and the World Bank to consider taking the following actions:

1. In line with the important commitments in the Sustainable Development Goals (SDGs) specifically relating to multi-stakeholder partnerships, all projects financed by the World Bank must be negotiated in an inclusive and transparent manner. The involvement of civil society in such a process will undoubtedly ensure more effective citizen oversight, monitoring and value for money.
2. Re-evaluate all ongoing and proposed operations in Uganda with a view to ensure that all World Bank support and future engagement must be based on clear commitments by the government of Uganda to respect the rights and freedoms of Ugandan citizens and the plight of citizens directly affected by World Bank-funded development projects.

3. Ensure that all World Bank-supported projects go through competitive bidding processes in order to increase the level of transparency, accountability and value for money. This will ensure that only the best companies from all over the world get the right projects for the benefit of citizens.
4. In order to move in the right direction to realise the benefits of World Bank investments in the electricity sector, we recommend that you fully take into account the findings from the 2014 parliamentary report on the mismanagement of the electricity sector and the 2016 Commission report on the operations of the Uganda National Roads Authority as well as other reports regarding lack of accountability and corruption in Uganda.
5. Ensure that any ongoing and future operations in the roads sub-sector involving China Railway Corporation and in which the World Bank is directly or indirectly associated be re-evaluated and continued only after satisfactory action on the blatant violation of human rights and dignity of Ugandans as it worked on the Fort-Portal-Kamwengye road project.

We welcome an opportunity to meet with you or your representative to further discuss the matters contained in this letter.

Please accept our highest assurances and regards.

Uganda National NGO Forum

The Uhuru Institute

Uganda Debt Network - UDN

Civil Society Budget Advocacy Group - CSBAG

ActionAid Uganda

Great Lakes Institute for Strategic Studies - GLISS

Africa Institute for Energy Governance - AFIEGO

Oxfam International Uganda

Global Rights Alert

Anti-Corruption Coalition of Uganda - ACCU

Platform for Labour Action

Southern and East Africa Trade Information and Negotiation Institute - SEATINI

CC Right Hon. Speaker of Parliament
 Right Hon. Prime Minister
 Minister for Finance, Planning and Economic Development
 Uganda Country Manager, the World Bank
 Minister in Charge of the Presidency