

Uganda Martyrs University

School of Arts and Social Sciences

Department of Governance, Peace and International Studies

Master of Arts in Local Governance and Human Rights

Year II & III: 2022/2023 (2020 & 2021 Intakes)

LGHR 3310: PUBLIC PRIVATE PARTNERSHIP

END OF MODULE EXAMINATION

Date: Wednesday 21st June 2023

Time: 2:00pm-5:00pm

INSTRUCTIONS:

1. Read the instructions very carefully.
2. Answer three questions in all; One from section A and any other two from section B
3. Question 1 carries 40 Marks, and all other questions carry 30 Marks.
4. Each answer must start on a new page.
5. Write clearly and neatly, unreadable work attracts loss of marks.

QUESTIONS:

SECTION A: COMPULSORY QUESTION

- 1) Recently, Ugandan media has been awash with uncertainty regarding the nature of contracts of some of the mega PPP projects, especially, the upgrading of the airport, Isimba dam, Karama dam among others. Taking the case of Karuma and Isimba hydro projects, the observer newspaper ran a story entitled "Why Isimba, Karuma are falling apart." Below is an excerpt of the article to contextualise the question below.

...Uganda's power generation company said it has identified more than 500 construction defects in a Chinese-built 183-megawatt hydro-power plant on the Nile River that has suffered frequent breakdowns since it went into operation in 2019.

China International Water & Electric Corp., which led construction of the Isimba Hydro Power Plant, failed to build a floating boom to protect the dam from water weeds and other debris, which has led to clogged turbines and power outages, according to the Uganda Electricity Generation Co., or UEGC.

There have also been leaks in the roof of the plant's powerhouse, where the generators and turbines are located, UEGC said. The plant cost \$567.7 million to build and was financed mostly through a \$480 million loan from the Export-Import Bank of China.

Completion of another Chinese-built hydro-power plant further down the Nile, the 600-megawatt Karuma Hydro Power Project, is three years behind schedule, a delay that Ugandan officials have

blamed on various construction defects, including cracked walls. UEGC also said the Chinese contractor, Sinohydro Corp., installed faulty cables, switches and a fire extinguishing system that need to be replaced.

[...] Earlier this year, the government had to start paying back the \$1.44 billion it borrowed from the Export-Import Bank of China to finance the project, even as the plant remains in operational. Sinohydro and China International Water didn't respond to requests for comment on the Ugandan projects.

Interviewed for this story by *The Observer*, Julius Mukunda, the executive director of the Civil Society Budget Advocacy Group (CSBAG) attributed the defects in Uganda's Chinese projects on the conditions pegged to financing.

"Most of the loan contracts tie project implementation to engineering firms from their home countries (China). You will find Chinese firms competing amongst themselves to implement the projects in Uganda. This in most cases makes the price for some of these projects very high and exorbitant," he said.

[...] Mukunda emphasized that the absence of anti-corruption measures in Chinese financing contracts had been exploited by several project negotiators for their benefit.

"The major reason why we don't have several European and North American companies implementing projects in Uganda is that they have anti-corruption measures in their home countries. This is not the case with their Chinese counterparts. The Chinese have understood that Ugandans want a cut of anything. The Chinese then present something similar to the work done and also give the Ugandans their cut."

"Ugandans both in government and the private sector do not have the necessary capacity to supervise complex projects like the dams. Why should the same firm undertake a project feasibility study and implement the construction of the same project as we have seen? Making mistakes becomes inevitable."

A 2020 study titled "the hidden side of Chinese investments in Uganda" done by the Uganda Consortium on Corporate Accountability, reported that there are about 200 Chinese firms in Uganda and had invested approximately US\$4 billion in Uganda by the end of 2017. These firms are engaged in various sectors including infrastructural development, natural resource exploitation, etc.

The open-door policy to Chinese investors by the government of Uganda resulted in the prioritization of Chinese investors without specific undertakings regarding human rights compliance and other regulatory frameworks regarding the social and environmental impact of investment projects...

In September 2022, Daily Monitor reported several Chinese-funded and implemented projects that had been red-flagged as poorly

done. Some of these were; the 55km Fort Portal to Hima to Kasese road, which developed potholes a year after it was handed over by China Chongqing International Construction Corporation (CICO); Pakwach-Nebbi Road (Shs22.2b) in 2015 was found to be in a poorer state than when it was upgraded to bitumen; the \$200m Entebbe international Airport upgrade and expansion project also had issues of improper markings of the runway, aprons and taxiways among others...

As a student of PPP who has explored the various types and nature of PPP contracts, explain the key problems facing the two projects. Provide practical recommendations to the ministry of energy and mineral development on how best such concerns can be addressed and what it needs to consider in securing future PPPs. [40 Marks]

SECTION B: ANSWER ANY TWO QUESTIONS OF YOUR CHOICE

- 2) Although the experiences of PPPs vary globally, these experiences offer opportunities for various public sector actors to draw lessons and plan better for their PPP projects. Examine the critical factors for successful PPP projects and discuss the lessons Uganda can draw from the critical factors to enhance efficiency of its PPP projects. [30 Marks]
- 3) One of the success factors for any PPP is a governance framework that stipulates the environment within which PPPs should function. Discuss Uganda's PPP governance framework. With reference to Uganda's PPP governance framework, explain how it has helped Uganda improve public service delivery. [30 Marks]
- 4) The project company is one of the fundamental stakeholders in any PPP project. With reference to any PPP project in Uganda, discuss the role of the project company and the various stakeholders involved in PPP projects. [30 Marks]
- 5) Financing PPP is fundamental in implementing PPP projects. With relevant examples of any country of your choice, explore the various sources of financing for PPP projects. Discuss the importance of financing in achieving successful PPP projects. [30 Marks]

Good Luck!