CIVIL SOCIETY PRESS STATEMENT

GOVERNMENT'S PROPOSAL TO ISSUE PROMISSORY NOTES NOT EXCEEDING US$ 379.71 MILLION TO FINASI/ROKO CONSTRUCTION SPV LIMITED FOR THE FINANCING OF THE DESIGN, CONSTRUCTION AND EQUIPPING OF THE INTERNATIONAL SPECIALIZED HOSPITAL OF UGANDA AT LUBOWA

***Above**: Executive Director Mr. Patrick Tumwebaze having a brief discussion with the chairperson parliamentary committee on National economy on the Lubowa hospital financing.*

***Below:** Press conference Pictures*

1.0 INTRODUCTION

1.1 We the undersigned Civil Society Organizations (CSOs) note that Government of Uganda (GoU), through the Ministry of Finance and Ministry of Health, is seeking parliamentary approval and authorization to issue Promissory Notes not exceeding US$ 379.71 Million to FINASI/ROKO Construction SPV Limited for the financing of the Design, construction and equipping of the international Specialized Hospital of Uganda at Lubowa –Kampala Uganda. It is envisaged that the project will reduce the costs of required specialized medical treatment abroad that is not available in Uganda eg for cancer, kidney transplant, heart and brain surgery, etc for sections of Ugandan citizens.

1.2 We as CSOs would like to sincerely appreciate GoU towards the delivery of public services and also Parliament's effort at large for the oversight role in promoting accountability and transparency in Uganda. While several infrastructural projects across the board have been fronted, their performance in terms of completion and expected returns have so far been received with mixed results by the intended population of Uganda.

1.3 With regard to the proposed International Specialized Hospital of Uganda (ISHU) - Lubowa facility, several discussions and agreements have been reached, including sessions between the Parliamentary Committee on National Economy with the Ministry of Health and MoFPED, to inform its approval process. CSOs are not against its construction but rather, concerned why the project is masked in somewhat unclear processes, with a few concerns highlighted below.

2.0 CSOs CONCERNS AND INSIGHTS ON THE PROPOSED LUBOWA SPECIALISED HOSPITAL

2.1 Rushed process for Parliamentary Approval:

We appreciate that in October 2014, the GoU approved the construction of the International Specialized Hospital of Uganda (ISHU), to run as a world-class internationally accredited health facility to treat medical conditions that Uganda has been referring abroad for medical care and offering other specialized services. That this would make Uganda save about $73m of which GoU accounts for $70m through referrals abroad for treatment of such ailments: cancer, kidney transplant, heart and brain surgery, etc. Indeed, the facility was officially launched in 2016.

concerns:

- CSOs are concerned about the manner in which the request for Parliamentary approval of the Promissory Note towards the ISHU facility was presented. We note that the approval process is being rushed and treated as an emergency now yet its procedures started in 2014.

- It is a legal requirement that all Government Loans and Guarantees to Private companies and/ or individuals have to comply with the Constitution of Uganda 1995 (as amended), the Rules of Procedure and the Public Finance Management Act 2015 (as amended). We CSOs are questioning the rush for this proposed request because the contractual obligations had hitherto been signed between GoU and a private sector entity without due Parliamentary approval.

Reccomedation:

Parliamentary approval process should be respected and adhered to by the relevant authorities at the earliest stage possible.

2.2 Preferential treatment to a private sector actor Vs public sector institutions: 2.2 Preferential treatment to a private sector actor Vs public sector institutions:

We as CSOs appreciate that GoU has undertaken impressive repairs and expansion of various health facilities in Uganda that are now complete or near completion such as;

a) The on-going renovations at Mulago hospital complex including the expansion of the Heart Institute with a $64.9 million Loan from the Islamic Development Bank, with an aim of providing similar specialized health services as envisaged for the ISHU- Lubowa facility.

b) The Uganda Cancer Institute to offer super specialized services in cancer treatment, research, training and prevention; also a top-notch facility not just in Uganda but also East Africa.

c) The Women's Hospital recently launched at Mulago as a highly specialized referral hospital.

d) The Pediatric Hospital in Entebbe expected to be completed this year 2019.

e) There are also several other referral hospitals or specialized units in the public sector and private sector.

Concerns:

As CSOs, we wish to interrogate what compelling reasons Government has to give preferential treatment to a private sector actor over public sector institutions.

The choice of FINASI/ROKO CONSTRUCTION SPV LTD to undertake the ISHU-Lubowa health facility was not done through an open bidding or even competitive processes.

That due legal, institutional and policy provisions, were flouted hence eroding standards of public procurement in Uganda.

Recommendations:

i) Uganda already has in place the Mulago hospital complex with specialized national referral hospitals or units plus multiple regional referral hospitals across the country. So, Government should complete, improve and/ or expand the existing referral facilities and upgrade some to provide specialized treatments as being targeted under the ISHU- Lubowa health *facility, to avoid duplication of services*

ii) The Mulago hospital complex should be enhanced with requisite specialized staffing (and commensurate remuneration) and equipped to obtain international accreditation for specialized treatment.

iii) The Uganda Heart Institute which installed a multi-billion heart operation theatre in 2013 with the capacity to facilitate 1,000 operation procedures per year allegedly remains under-utilized. Given that the Institute is underfunded, we recommend increased funding towards the facility to register significant reduction in the cost of heart- related treatment to many Ugandans, including the VIPs.

iv) If the Government thinks that the ISHU-Lubowa health facility is a critical must-have project, then it should go ahead with a feasibility study and implement the project on its own without recourse to a Third party (FINASI/ROKO CONSTRUCTION SPV LTD). Undertaking the project should be in respect to increasing the functionality of HC IVs and regional referral hospitals from the current 40% to 70%.

2.3 Discrepancy between the cost of financing and proposed Guarantee for the ISHU Lubowa facility:

According to the MoFPED, the total project cost is given as $249.9 million. Nonetheless, the amount of money for which GoU is seeking Parliamentary approval is $379.71 (i.e. $129.81 million more and nearly 52% of the original estimated cost). The Promissory Note financing modality gives the Private Investors in the ISHU- Lubowa facility 100% funding and guarantees to safeguard them from any losses whatsoever. This appears similar to the case where between 2002 and 2006, GoU through the African Development Bank guaranteed loans worth $10 million (at least UGX 22 billion then) to Tri-Star Apparel, a private company under AGOA, where Ugandan lost their money.

Concerns:

- Given the discrepancy between the project cost and requested funds for approval, we as CSOs are concerned about the said 52% “mysterious” increment (based on publicly available information).

- If the Promissory Note is actually not a loan (thus part of the sovereign guaranteed loan portfolio) how does the 52% of the original estimated cost request come about? We are concerned about the fact that the difference in amounts is a rise and not necessarily a decline.
- The investor seems assured of making a profit over the 8-year horizon involving construction and operating the ISHU –Lubowa facility.

Recommendations:

Before approval, Parliament should seriously scrutinize the proposal and its implications of GoU/taxpayers guarantee in the event of low financial returns or even disasters and who shoulders the contingent liability on having this health facility in place

3.0 CONCLUSION

If the proposed ISHU- Lubowa project is approved in its current form, it will become one of the most expensive undertakings (loan or guarantee) by Government for the Ugandan tax payers. There are already CSOs broader concerns that any new financing modalities should not cause more liabilities to Ugandans in the foregoing.

Moreover, this issue comes at the heels of IMF warning about Uganda's debt situation, Governance challenges and related paraphernalia. To this end, the ISHU- Lubowa project as it is, places the tax payers' money to greater risk of abuse (based on already available information on poor performance of externally financed infrastructural projects thereby undermining Parliament's oversight function

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Press cuttings

LETTERS

NEW VISION, Wednesday, February 27, 2019 15

Lubowa hospital funding request: Consolidate health services

EDITOR: Over the last two weeks, Parliament remains a beehive of activity, where the Government is benching for parliamentary approval to issue promissory notes not exceeding $379.71m to FINASI/ROKO Construction SPV.

This is said to be towards financing the design, construction and equipping of a specialised hospital at Lubowa. The argument is the project will reduce the costs required for specialised medical treatment abroad. The idea is welcome, for Uganda's health sector and entire Eastern African Community.

Let us ensure best-fit from this financing directed to specialised health interventions through greater public sector accountability and strategic investment.

All this is contingent on greater parliamentary scrutiny of ISHU-Lubowa request. It means adherence to procedure on government loans and guarantees to private companies, Public Finance Management Act 2015 (as amended) and associate provisions.

Impressive government-led efforts towards the stated specialised treatment are in gear. In health sector, the appropriated resources in shillings amounting to sh1.3 trillion in FY 2015/16, sh1.85 trillion (FY 2016/17), sh1.82 (FY 2017/18) and sh1.6 trillion in (FY 2018/19) have been approved by Parliament. A portion of this has gone towards the Uganda Cancer Institute (UCI) refurbishment. UCI is becoming a top-notch health and economic-benefit facility not just to Uganda, but also the greater eastern African corridor in super-specialised services. A specialised Women's Hospital was in 2018 officially opened, under Mulago complex.

A paediatric Hospital in Entebbe is due for completion during 2019. Expansion of Uganda Heart Institute with approximately $65m loan from Islamic Development Bank already commenced and it is also linked to $21.3m from African Development Bank towards Kiruddu and Kawempe hospitals.

The Government has further invested in 14 regional referral hospitals with levels of specialised units. Works are ongoing on over 800 HC IIIs – earmarked for improving functional capacity between FY 2018/19 and FY 2021/22.

The Government's consolidating of the ongoing expansion of Mulago referral complex is the way to go. Mulago interventions, nevertheless, are incomplete on account of lack of resources. Otherwise, the complex will squarely benefit the rich and low-income-bracket Ugandans, more than through the ISHU alternative.

Mulago Hospital complex should be the priority, with requisite specialised staffing and remuneration. Mulago should obtain international accreditation for specialised treatment. Uganda Heart Institute with installed multi-billion heart operation theatre in 2015 has the capacity to handle 1,000 operation procedures annually, but is grappling with underutilisation on account of underfunding. We can then significantly reduce cost of heart-related treatment to many Ugandans; while covering the VIPs.

If ISHU-Lubowa facility is a must-have, feasibility should let Government directly implement, without recourse to a third party. Let's also invest more, in functional capacity for the HC IVs and regional referral hospitals from current 40% to at least 70%.

MoFPED documentation presents $249.9m for ISHU-Lubowa, yet $379.71m is before Parliament. I consider $129.81m more (nearly 52%) of the original estimated cost an error, for parliamentary check.

The proposed financing modality gives the private investors in ISHU-Lubowa, 100% funding and guarantees against any losses. Parliament should scrutinise more and may reduce duplication of health services and loan liabilities in the foregoing.

Julius Kapwepwe, Kampala

Civil society wants govt to explain sh1.3 trillion specialised hospital loan

By Ali Twaha

Civil Society Organisations (CSOs) want MPs to stick to their guns and task the Government to explain the sh408b discrepancy in the cost of the multibillion-dollar International Specialised Hospital Project (ISHP) to be constructed under the public private partnership (PPP) in Lubowa, Wakiso district.

Recently, MPs sitting on the national economy committee questioned the circumstances under which the Government offered to provide financial assistance to an investor for the construction of the facility under a public-private partnership arrangement.

In 2017, President Yoweri Museveni [illegible] ceremony to kick start the construction of the $250m (sh900b) hospital.

Museveni, at the time, said the facility would save the country nearly $186m (sh668b) that was being spent on specialised medical treatment in countries like China and India.

Challenges

However, construction works have stalled due to land related compensation challenges.

The Government plans to guarantee $379m (sh1.3 trillion) to Finasi-Roko consortium to construct the hospital through a promissory note arrangement.

A promissory note refers to a financial instrument containing a written promise to pay a stated amount of [illegible] bearer at a specific date or on demand.

The facility to be built on a 30-acre piece of land will be operated as a world-class internationally accredited hospital with specialised healthcare capacity, inclusive of accommodation and 9MW power house.

"If the project is approved in its current form, it will become one of the most expensive undertakings by the Government for the taxpayers. There are already CSOs broader concerns that any new financing modalities should not cause more liabilities to Ugandans," Uganda Debt Network's executive director Patrick Tumwebaze said.

"Moreover, the issue comes at the heels of International Monetary Fund (IMF) warning about Uganda's debt [illegible] related issues. The hospital project places the tax payers' money at greater risk of abuse," he added.

Uganda's debt burden deteriorated from low to moderate risk, which means there is limited room for the economy to keep borrowing before hitting the high risk of debt distress.

Call for probe

The CSO's want Parliament to probe the discrepancy and establish whether the promissory note is not a loan and how the 'mysterious increment' in project cost came about?

"According to the finance ministry, the project will cost sh900b. Nonetheless, the amount of money for which the Government is seeking parliamentary approval is $379m," Tumwebaze said.

"The promissory note financing [illegible] modality gives the private investors 100% funding and guarantees to safeguard them from any losses. This appears similar to the case between 2002 and 2006 where the Government through the African Development Bank, guaranteed loans worth sh10[illegible] to Sri Lankan firm, Tri-Star Apparel and Ugandans lost money," he added.

They argue that if the project is so critical, the Government should conduct a feasibility study and implement the project on its own without recourse to a third party.

Emmanuel Ainebyoona, a spokesperson of the health ministry, said: "There was an explanation given by State Minister of Finance, David Bahati, which was linked to foreign exchange rates. Contact the finance [illegible]"

LETTERS TO THE EDITOR

[illegible] sent to: eastafrican@ke.nationmedia.com. Send attached text or Word documents

up close have said so.

Gender balance activists would perhaps have been incensed if a woman had not been depicted at all. Rather than wood, perhaps a laptop on the head of the woman (going to her home on an island that doesn't have electricity) could be considered as an idea for the next project.

I wonder if Mr Whatley's opinion would be of greater value if he had made the effort to dig deeper into the heart behind this project and to see the finished work for himself rather than write and publish a critique based on a photograph of an unfinished sculpture.

His speculation about what will become of the sculptures in the future, remain just that – speculations as neither the artist nor the patron has yet made any definitive decisions.

Joachim Sauter
Via e-mail

Of course Uganda needs a specialised hospital but not through using a rushed loan

IT IS not in doubt that Uganda needs a specialised hospital to treat some of the cases referred abroad for treatment, but a recent proposal in parliament for the government to borrow up to $379.71 million to finance an Italian investor to put up such a facility raises a number of uncomfortable questions.

One, why should the government guarantee a private investor to construct a hospital yet the same government can get a contractor to build the same hospital, source for suppliers, build staff capacity and offer attractive packages to medical workers?

Two, Uganda has referral hospitals, why can't the government use the available resources to revamp and expand some of these hospitals to ensure they provide specialised treatment? Why not get international accreditation for the Mulago specialised facility?

Three, rather than guarantee the investor 100 per cent even when he incurs losses, why can't the government spend money on establishing a national health insurance scheme that will benefit all Ugandans?

Four, what is the expected return-on-investment after completion of the hospital and what happens should the investor fail to deliver as expected?

It is equally important to note that should parliament hastily approve this loan request, the burden to repayment will be be borne by taxpayers if the return on investment is low. Servicing such loans has the potential to take away the available limited resources that could be used for public spending and improving service delivery in the health sector.

Michael Mugisha
Via e-mail

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