



**House Financial Services Subcommittee on Monetary Policy and Trade Hearing:
Examining Results and Accountability at the World Bank**

Testimony of Elana Berger

Introduction

Good morning. My name is Elana Berger and I manage the Social Inclusion and Accountability program at the Bank Information Center (BIC). BIC is an independent, non-governmental organization whose mission is to advance social, ecological and economic justice by amplifying community voices and democratizing international development finance.

BIC serves partners around the world by equipping them with information about the intended benefits and identified risks of multilateral investments so that they can exercise more agency in the development decisions that affect their lives. When problems arise, we help communities access decision makers at the Multilateral Development Banks (MDBs) who can take corrective action.

Timeline of Uganda Transport Sector Development Project (TSDP) Case and Inspection Panel Investigation

In the summer of 2014, Joy for Children, a Ugandan civil society organization that works to end child marriage, alerted BIC to a World Bank funded road project in Western Uganda that was associated with an increase in the sexual exploitation of young girls in a local community. The project had created a "boomtown effect" where there was a large influx of construction workers into what had been a somewhat isolated, rural community. Teenage girls were being sexually harassed on their way to school and many were sexually exploited or raped by project workers. Higher rates of teenage pregnancy, HIV/AIDS and girls dropping out of schools soon followed. Additionally, while the "boomtown" created economic opportunities for women and girls in the area, such as selling food and other goods to the workers, these activities also created opportunities for girls to be sexually exploited through increased exposure to project workers in night markets and other risky situations.

Months of attempts to convince the contractor carrying out the project to take measures to prevent this harm had been fruitless. Efforts to seek assistance from the Ugandan government to force the contractor to address this harm was similarly unsuccessful. The local police were unable and unwilling to investigate cases of sexual abuse and the Ugandan National Roads Authority (UNRA), the implementing agency for the project, was riddled with corruption. The capacity of UNRA to prevent and mitigate social and environmental harms resulting from its projects was virtually nill and the agency was completely incapable of complying with the World Bank's social and environmental safeguards, the standards that apply to all of the Bank's investment lending projects to prevent unintended negative consequences from Bank projects.

In December 2014, with support from BIC, Joy for Children alerted the World Bank's country office in Kampala, along with the World Bank Inspection Panel, the Bank's independent accountability mechanism, to the community's concerns around the project. The immediate response by the Bank was denial, with representatives of Bank management arguing that there was no sexual exploitation occurring around the project. Initially, the Bank's DC headquarters responded by sending a communications specialist to Uganda to assist in managing public relations around the case, rather than sending experts in gender issues or sexual violence who could look into the harm being experienced by the children around the construction site.

The Bank continued its denial through the Spring of 2015, at which point it agreed to a joint mission to the community with Joy for Children to look into the allegations made by community members. During this mission, at the end of May 2015, Joy for Children insisted that the Bank speak one on one with affected girls and their families. At this point the Bank staff participating in the mission began to recognize that sexual exploitation was taking place at high rates, and also substantiated other concerns expressed by community members around road safety, insufficient compensation for land, and violations of labor rights of project workers. However, even once the Bank did recognize the legitimacy of these concerns, the response was anemic and slow. Initial remediation measures consisted of things like the placement of road signs and posters about HIV prevention that failed to protect the girls of the community from sexual exploitation.

By September of 2015 the community was fed up with the delays in addressing the most serious issues with the project and the continued failure by the government and the Bank to demonstrate that they cared about the issues facing the community. A formal request was filed with the Bank's Inspection Panel for a full investigation into the harm caused by the Bank's failures to comply with its safeguard policies. Following the filing of this request, the Bank became much more serious about addressing the harms resulting from this project, sending a letter to the Ugandan National Roads Authority (UNRA) expressing grave concern about the sexual exploitation of young girls by project workers, and hiring child protection consultants to advise the Bank in investigating and providing remedial services to the community. On October 22, 2015 the World Bank suspended the disbursement of funds for the project, pending remediation efforts by the government and contractor. Three months later the Bank took the extraordinary step of cancelling the Project, with Bank President Jim Kim stating in a press release that "an early review of the World Bank-financed project found inadequacies in Bank supervision and lack of follow-through after serious issues were identified."

After the Inspection Panel released its full report from the investigation, the Bank also developed an action plan, with input from affected community members, to fully redress the harm suffered as a result of the project. This is standard in Inspection Panel cases which reach this stage. However, the Bank also took the unusual, and welcome, step of putting together a document on "lessons learned and agenda for action" which demonstrated it was committed to learning from its failures and moving forward with institutional reform. This document looked at institutional failures more broadly than the management response discussed above and noted two critical gaps for the Bank. One was the lack of an appropriate skill set on its project teams to address gender based violence (GBV), and a failure to adequately listen to communities and civil society organizations. The Bank committed to remedy these issues in several ways, most prominent among these was the establishment of a GBV task force with several recognized experts on the topic advising the Bank on how to prevent future instances of GBV in its projects.

Aftermath and Ongoing Reform Efforts

Several days before the Bank announced the cancellation of the project, management submitted its official response to the Inspection Panel on the case. It is important to note that, in this document and going forward, the Bank was particularly open about, and accepting of, its responsibility for failures around this project. The primary failures that the Bank acknowledged allowed the harm to young girls to occur included improper risk categorization, poor quality social assessment, the lack of robust prevention and mitigation measures to prevent harm to communities, a blindness to the weak institutional capacity of UNRA, and a complete failure to adequately supervise and monitor the project.

In addition to the considerable influence of the Inspection Panel investigation, the World Bank Board of Directors, led by the U.S. government, played a central role in encouraging institutional reforms in the aftermath of this specific case. In the words of Bank management, the US was the most active Board chair on this case and frequently brought in experts from across the US government to meetings with those in the Bank handling the case. This interagency representation allowed the US to ask detailed questions, backed up with subject area knowledge, to ensure that the Bank was taking appropriate remediation measures.

Representatives of the US Executive Director's office and the Treasury Department also encouraged the Bank to think comprehensively in its examination of the lessons learned from the project and the reforms needed. Specifically, the US insisted that the Bank address the issue of adequate staffing of projects, requiring that environmental and social safeguards specialists have responsibility for project oversight throughout the life cycle of a project. This is critical because the most significant failures to prevent the harm to communities along the Bank funded roadway resulted from a complete lack of appropriate supervision and monitoring of project implementation by Bank staff. There were a number of reasons why supervision was lacking but, chief among those, was the lack of any staff trained in identifying and addressing sexual exploitation and GBV.

This was a project that the residents were excited about; they wanted this roadway to be built and recognized the significant economic benefits that would result from its construction, including increased access to markets. Even once the project started resulting in harm the residents supported the continuation of the project; they simply wanted "someone to care" about the harm that was resulting to their families and communities. Unfortunately, when community members raised their concerns about the harm being caused by the project with the contractor, the Ugandan government, and World Bank personnel who visited the community, these concerns were summarily dismissed.

Our work at BIC centers around the need for local communities and civil society to be considered and engaged in the design and implementation of development projects, and this case demonstrates how the failure to do so can have devastating results. Several key opportunities to do so that were missed included the failure to properly categorize the project as a category A—meaning it posed significant social risks to the local community and required enhanced due diligence and risk mitigation efforts. Instead, despite the well-documented history of boomtown effects occurring alongside road and other infrastructure projects, it was labeled a category B project, meaning it carried far fewer requirements for the engagement of local communities and consideration of social risks. Once these risks became a reality, the Bank failed to respond quickly and appropriately to ensure further girls were not victimized. Its slow response allowed the harm to continue.

In our experience, it is often the profound failures at the Bank that lead to the most significant reforms, and we are seeing that now. The openness the Bank exhibited in accepting responsibility for its failures in the management response to the Inspection Panel was a positive step that allowed the Bank to begin

a process of introspection and reform that has the potential to create an institution that is stronger and better able to prevent these types of harms resulting from its projects. Even before the Inspection Panel completed its investigation the Bank took steps to redress the harms to community members and institute systematic reform. For example, in May of 2016 the Bank contracted the CSO BRAC-Uganda to provide six months of life skills and livelihoods training to girls in the affected communities.

The impacts of reforms stemming from this case are starting to reach beyond the World Bank itself. In the wake of the project cancellation the World Bank developed a guidance note on addressing risks around an influx of project workers. This guidance note has been shared with other multilateral development banks in the hope that it will be widely adopted as a common approach across institutions.

At the national level, this case has also led to important changes within the country's own institutions so it can better prevent and mitigate such harms. Beginning with the September 2015 suspension of the project, Bank management used its considerable influence over the government of Uganda to create significant change within UNRA. In part as a result of World Bank engagement and the failures around this project, combined with the fact that corruption was rampant within the agency, a new head of UNRA was appointed and all UNRA staff were fired and required to reapply for their jobs. Additionally, UNRA developed a child protection policy to prevent sexual abuse and other types of violence against children in all future projects implemented by the agency, whether financed by the World Bank or by other multilateral, bilateral, or private sources. Finally, the World Bank has provided ongoing capacity building support to UNRA, and other Ugandan Government agencies aimed at strengthening their financial controls, addressing corruption, and ability to monitor and supervise contractors' compliance with environmental and social standards.

We appreciate the Committee's interest in this case and look forward to working together to push for key reforms at the World Bank. Throughout the Bank's history, the US government has been a critical leader in reforming the institution, which has led to lasting changes across the development finance landscape. Most relevant for this case is the role of the US Congress in the creation of the Inspection Panel, the first Independent Accountability Mechanism, which has now been replicated at almost all of the other MDBs. The Inspection Panel was established in 1993 in the wake of previous failed projects where communities lacked a mechanism for redress. As in this case, it provides redress for harm suffered by communities as a result of Bank projects, and it plays an important role in deterring harms from occurring. But for the US government's leadership, there is no guarantee that some of the most important reforms at the Bank, such as the creation of the Panel, would have ever happened.

Specific Reforms Still Needed

Going forward, to ensure that the Bank does come out of this experience stronger and more able to prevent, and more promptly and effectively respond to, sexual abuse and other serious negative impacts from Bank projects, it is absolutely essential that all of the recommendations made in the Bank's lessons learned document, along with the recommendations made by the GBV Task Force, be fully implemented.

It is also critical that the Bank improve its social assessments to ensure that these assessments identify risks to disadvantaged and vulnerable groups, those most marginalized by society who are least likely to have a voice in the process. As part of the review and update of the World Bank safeguards, management is now required to assess the potential impacts on specific disadvantaged and vulnerable groups. This requirement must be accompanied by detailed guidance that will inform Bank staff how best to approach such issues. Once these risks are identified, robust prevention and mitigation

measures must be put in place to address the risks to these groups.

Additionally, the Bank must prioritize genuine citizen engagement. It must seek out ways to listen more effectively to affected communities and local civil society organizations in borrowing countries. Consultations must include more than just community leaders who cannot necessarily represent the needs and concerns of marginalized populations, and those most vulnerable to negative impacts from development projects. Improving the consultation process requires including the voices of disadvantaged and vulnerable groups as well as providing regular openings to listen to community voices throughout the project cycle. Gaining meaningful feedback from civil society and affected communities about local context, necessary for maximizing project benefits and minimizing project related harm, also requires the proactive disclosure of expected risks and benefits from a project.

Allegations of sexual abuse must also be addressed swiftly and appropriately, with the involvement of experts and social service providers. The significant delay between the community raising concerns about harm to young girls around the project and the Bank becoming serious about addressing this harm meant that there was a nine month period in which work on the project continued absent appropriate security measures. During this period several additional girls reportedly became pregnant, dropped out of school, or contracted HIV. It is clear that the steps taken by the Bank beginning in late September 2015 were effective at influencing the government and the contractor to implement appropriate measures to prevent the sexual exploitation of children. This makes it all the more devastating that the Bank's initial response was one of denial and delay, but raises the hope that, in future projects when the Bank is better prepared to respond quickly, it can provide the needed interventions to ensure that child sexual abuse and gender based violence are swiftly and comprehensively addressed.