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MANAGEMENT REPORT AND RECOMMENDATION
IN RESPONSE TO THE
INSPECTION PANEL INVESTIGATION REPORT

UGANDA
NORTH EASTERN ROAD-CORRIDOR ASSET MANAGEMENT PROJECT
(CREDIT 5434-UG)

June 15, 2022

**MANAGEMENT REPORT AND RECOMMENDATION
IN RESPONSE TO THE INSPECTION PANEL INVESTIGATION REPORT
OF THE
UGANDA
NORTH EASTERN ROAD-CORRIDOR ASSET MANAGEMENT PROJECT
(CREDIT 5434-UG)**

Pursuant to paragraph 23 of the Resolution Establishing the Inspection Panel (IBRD Board Resolution 2020-0004 and IDA Board Resolution 2020-0003), attached for consideration by Executive Directors is Management's Report and Recommendation in response to the findings set out in the Investigation Report No. 170485-UG dated May 3, 2022, of the Inspection Panel on the captioned Project (North Eastern Road-Corridor Asset Management Project, Credit 5434-UG).

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IN RESPONSE TO THE
INSPECTION PANEL INVESTIGATION REPORT NO. 170485-UG**

**UGANDA
NORTH EASTERN ROAD-CORRIDOR ASSET MANAGEMENT PROJECT
(CREDIT 5434-UG)**

CONTENTS

| | |
|--|-----|
| ABBREVIATIONS AND ACRONYMS | vi |
| EXECUTIVE SUMMARY | vii |
| I. INTRODUCTION | 1 |
| II. PROJECT BACKGROUND | 1 |
| III. PANEL FINDINGS | 6 |
| IV. MANAGEMENT RESPONSE..... | 11 |
| V. ACTION PLAN IN RESPONSE TO THE FINDINGS | 21 |
| VI. CONCLUSION..... | 25 |

Annexes:

- Annex 1. Findings, Comments and Actions
- Annex 2. Timeline of Events at the Merok Site

ABBREVIATIONS AND ACRONYMS

| | |
|--------|---|
| BP | Bank Procedure |
| C-ESMP | Contractor's Environmental and Social Management Plan |
| E&S | Environmental and Social |
| EA | Environmental Assessment |
| ESHS | Environmental, Social, Health and Safety |
| ESIA | Environmental and Social Impact Assessment |
| ESMF | Environmental and Social Management Framework |
| ESMP | Environmental and Social Management Plan |
| GRC | Grievance Redress Committee |
| Ha | Hectare |
| IDA | International Development Association |
| IPF | Investment Project Financing |
| IPN | Inspection Panel |
| ISM | Implementation Support Mission |
| km | kilometer |
| m | Meter |
| MAP | Management Action Plan |
| MoU | Memorandum of Understanding |
| NERAMP | North Eastern Road-Corridor Asset Management Project |
| NGO | Nongovernmental Organization |
| OP | Operational Policy |
| OPRC | Output and Performance-based Road Contract |
| PAP | Project-affected person/people |
| PMMC | Project Management and Monitoring Consultant |
| RAP | Resettlement Action Plan |
| RPF | Resettlement Policy Framework |
| UNRA | Uganda National Roads Authority |

Currency Unit (as of June 13, 2022)

US\$1.00 = UGX 3594
UGX 1.00 = US\$0.00028

EXECUTIVE SUMMARY

Background

i. ***The Uganda North Eastern Road-Corridor Asset Management Project (Project) seeks to reduce transport costs, enhance road safety, and improve and preserve road assets sustainably by applying cost-effective, performance-based asset management contracts, along the Tororo-Kamdini road corridor.*** The Project includes financing of improvement and maintenance of this 340-km corridor, which links South Sudan, parts of the Democratic Republic of Congo, and northern and eastern Uganda to the Port of Mombasa.

ii. The Uganda National Roads Authority (UNRA), the government agency implementing the Project, is responsible for developing and maintaining the national roads network. UNRA contracted *Mota-Engil Engenharia E Construção Africa S.A.* (the “Contractor”) for the road construction works financed by the Project. The Contractor subsequently engaged a local subcontractor, Ruhore Company Ltd. (the “Subcontractor”), to identify and acquire a quarry for the Project works.

iii. The Subcontractor identified a potential site for a proposed quarry at Merok Parish, which was selected due to the presence of a large rock, known as the Oruja rock, which could be mined for construction materials. The Subcontractor eventually acquired the land (approximately 26.6 acres) through 10-year lease agreements with eight landowners from the Merok community. This was done without informing UNRA or the Bank, and in the absence of approved environmental and social safeguard instruments.

iv. The Subcontractor then sub-leased the quarry site to the Contractor who proceeded to clear and level the site around the Oruja rock and deploy its equipment on site. This was also done without the Bank’s knowledge, without an approved Environmental and Social Management Plan (ESMP) and in breach of the Contractor’s contractual obligations, and contrary to Bank policy and national law.

v. ***In response to community complaints about the Contractor’s acquisition of the site, allegedly insufficient compensation payments, and allegations of intimidation and coercion by the Subcontractor, the Bank reviewed the situation and concluded that the Merok site was not suitable for the Project.*** In May 2020, the Bank objected to the use of the Merok site and requested UNRA to instruct the Contractor to demobilize from the site, which it subsequently did.

Management Response

vi. ***Management has maintained an enhanced focus on the Merok site ever since it learned of the attempt by the Contractor and Subcontractor to use the site as a quarry for the Project without the Bank’s prior knowledge or approval, and without having the requisite safeguard instruments in place.*** The actions of the Contractor and Subcontractor, coupled with UNRA’s insufficient oversight, prevented the Bank from assessing the suitability of the quarry site at the outset. The Bank’s subsequent review of the site, combined with social tensions surrounding the site and allegations of coercion,

intimidation, and reprisals against the community, all led the Bank to the conclusion that the site was not viable as a quarry. This was the reason for the Bank's objection to the use of the Merok site as a Project quarry and its request to UNRA to suspend Project works for almost two years.

vii. ***Management observes that the harm experienced by some community members flows from the Contractor's unauthorized selection and clearing of the Merok site, which occurred without the Bank's knowledge and in response to which the Bank applied its contractual remedies by suspending works.*** Determining the extent of this harm retroactively has been challenging. However, Management's review confirms that 16 land users and owners have been affected, and some of these have not been compensated adequately, including for the destruction of crops, trees, and some basic structures, with total damage amounting to approximately US\$10,000. The Bank has advised UNRA that any damage to assets of Project-affected people resulting from the Contractor's clearing of the Merok site must be compensated adequately, including any that still remain outstanding.

viii. ***Contrary to the Panel's findings, the harm alleged by the Requesters is the consequence of the Contractor's unauthorized use of the Merok site, and not Management's objection to the use of the site.*** In Management's view, the Panel's finding conflates unfulfilled expectations by the community with policy requirements that pertain to the environmental assessment (EA) process. Management reiterates that the Bank's swift objection to the Merok site was an appropriate and necessary response to instances of non-compliance by the Contractor; persistent social tension; allegations of coercion, intimidation, and reprisals against the community; and a wide array of unmitigated risks that rendered the site unsuitable as a quarry. However disappointed some community members may now be that the Merok site has been excluded from use under the Project, the potential for unrealized and speculative economic rewards cannot override the Bank's responsibility to take prompt measures to comply with its policies and address immediate harms and threats to the community. Moreover, finding harm because some community members might have otherwise economically benefited under the Project is inconsistent with the Panel Resolution, which stipulates that the Requesters' "unfulfilled expectations" cannot be considered as harm.

ix. ***In Management's view, the Panel process is not the appropriate forum to resolve the dispute relating to the lease agreements and the negotiation about royalties for exploiting the rock.*** As Management has repeatedly stated, the legal validity of the leases, including community claims of coerced signing, is a matter for the Ugandan legal system to resolve. Management notes that despite maintaining the claim of coercion, the Requesters have not initiated such legal action. Management is not in a position to opine on the legal validity of these lease agreements. However, Management commissioned a review of the lease agreements and stipulated payments, which suggested that the rates agreed may have been up to twice the market prices for leasing comparable land. Management notes that there are conflicting statements by the contracting parties as to whether or not the leases were signed voluntarily, which the Ugandan legal system is best placed to consider. The Bank is not able to resolve or adjudicate the dispute about the

lease agreements, which needs to be resolved either between the contracting parties or through the national legal system.

x. ***As described in the Panel Report, there have been repeated and serious allegations of intimidation and reprisals against the community, including by Subcontractor staff.*** Management has raised these concerns at the highest levels of government and requested a review of such incidents by the appropriate legal authorities. The role of Subcontractor staff in these allegations and the continued concerns voiced by the community contributed to the Bank's decision to request UNRA in May 2020 to instruct the Contractor and its staff to vacate the Merok site.

xi. ***Management agrees with the Panel that the Contractor should never have gone ahead with the acquisition of the quarry and clearing of adjacent land without first having the required safeguard instruments and permits in place.*** However, Management does not agree that contractual clauses were insufficiently clear and caused the Contractor to proceed in this way. On the contrary, the relevant contractual Clause 10.1 prohibits land clearing and other quarry-related works without safeguard instruments, and the Contractor was in flagrant breach of this requirement. The clause contains a narrow exception for low-impact *exploratory actions* for quarries, while the Contractor's actions went far beyond that.

xii. ***Virtually all of the non-compliance issues raised in the Panel Report result from the original failure by the Contractor to conduct an EA and seek authorization from UNRA and the Bank.*** No satisfactory safeguard instruments have been received and accepted by the Bank, and no meaningful consultations with the community have taken place. This was despite the Bank's numerous requests to UNRA and the Contractor, which eventually led to the 24-month suspension of Project works and objection to use of the Merok site as a Project quarry.

xiii. ***Management further does not agree that OP 4.01 required consultations with the community before the Bank's objection to using the Merok site.*** Paragraphs 14 and 15 of OP 4.01, which the Panel cites, require the Borrower to consult project-affected groups on the EA process during project preparation, and EA-related issues during project implementation. This, however, does not mean, and the policy cannot be interpreted to mean, that every Management decision regarding a project requires such external consultation. Operational or administrative decisions by Management on specific project-related matters outside the EA process are not within the scope of what is covered under OP 4.01. The Bank had no obligation to undertake consultations before taking a decision necessary to comply with its policies. Local communities are informed of Project-related decisions that affect them, as they were in this case, but the Panel here finds a violation of a policy obligation that does not exist.

xiv. ***In Management's view the safeguard framework instruments prepared for the Project – Resettlement Policy Framework (RPF) and Environmental and Social Management Framework (ESMF) – did comply with Bank policy.*** Management, however, agrees that these framework instruments could have been strengthened in certain respects. In any event, one of the key issues regarding the framework instruments in this case is not their contents, but rather the Contractor's failure to implement them.

xv. ***The number and frequency of Bank supervision missions were commensurate with the type and size of the Project, sufficient to address the issues uncovered at the Merok site, and consistent with Bank policy.*** In response to the events at the Merok site, the Bank team doubled the number of missions and undertook four missions within 11 months. In addition, virtual missions have been held every six months, including monthly meetings to follow up on progress made on the agreed action plans since the preceding mission. Early missions found irregularities at the Merok site, which the Bank raised with UNRA and which led to the suspension of Project works and exclusion of the Merok site from the Project. Additional missions would have done nothing to prevent the harm that had already occurred, or cause the Bank to suspend the works at the site any faster.

xvi. UNRA's capacity was found to be adequate during appraisal. The UNRA project team included one environmental specialist and two social development specialists, including an international social development specialist who was supporting capacity building of UNRA staff. Environmental and social capacity within UNRA remained adequate throughout implementation. The challenges lay primarily in enforcing the contract requirements for the Contractor to have specialized environmental and social capacity on the Project.

xvii. ***The Bank commissioned an independent Social Audit to assess the impact of the Contractor's actions at the Merok site prior to the demobilization from the site. The results of the Social Audit will serve as the basis for the Bank to advise UNRA on any outstanding compensation payments to community members.*** The completion of the Social Audit encountered unexpected delays beyond the original target date, mainly due to Uganda's strict COVID-19 restrictions, which significantly constrained the ability of the team to conduct field inquiries, as well as the lack of cooperation from the community. Community members either declined to engage or refused to provide the information necessary to complete the Social Audit, reportedly based on advice from their lawyer. The Social Audit report was finalized in May 2022, and the affected community members will be consulted about it soon.

Management Action Plan

xviii. ***Management has developed a Management Action Plan (MAP) in response to the Panel's findings, which was agreed with the Borrower and consulted upon with the Requesters.*** The MAP includes the following elements:

- *UNRA will compensate unaddressed damage to assets at the Merok site, informed by the Social Audit commissioned by the Bank, and consultation with the community, which the Bank will oversee. This will specifically include affected persons who were not included in the original lease agreements, but nonetheless suffered damage and disturbances as a result of Contractor activities. The Bank will review the compensation process to ensure it is consistent with Bank policy requirements.*
- *UNRA will formally advise the Contractor of its breach of Clause 10.1 and of the contractual remedies that UNRA may invoke as a result of that breach. UNRA will instruct the Contractor in writing to comply with the clause for the remainder of the Project. UNRA also will advise all subcontractors under the Project of the applicable*

reporting obligations and the clarification of the limitations of Clause 10.1. The Bank will issue that clarification to UNRA.

- *UNRA will review and update the Project's framework safeguard documents (RPF, ESMF) in line with OP 4.12, in order to better address the acquisition process for quarries, including what qualifies as a willing-seller-willing-buyer transaction that falls outside the scope of OP 4.12. The Bank will review and clear the updated documents.*
- *UNRA will review the Project's existing reporting system between UNRA, contractors, project management consultants, and the Bank, and identify areas for improvement. This will include a review of the operations of the Grievance Redress Committee (GRC) and identifying ways they can be improved as well. The Bank will review these findings and approve any changes suggested.*

xix. Management believes that the Bank's policies and procedures were appropriately applied to support the Bank's mission statement in the context of the Project. Management acknowledges the Panel's findings and believes that the proposed actions described in the MAP address these findings.

I. INTRODUCTION

1. On November 9, 2020, the Inspection Panel registered a Request for Inspection, IPN Request RQ20/03 (hereafter referred to as “the Request”), concerning the Uganda: North Eastern Road-Corridor Asset Management Project (“the Project”) financed by the International Development Association (“the Association” or “the Bank”). The Request for Inspection was submitted by ten community members representing eight families in the Project area (hereafter referred to as “the Requesters”).

2. The Request raised two sets of concerns. The first related to the valuation of the Oruja rock, which had been acquired to be used as a quarry for the road works. The second related to the involuntary resettlement process, which the Request alleged had led to the removal of crops, trees, and houses belonging to community members, without prior notice or adequate compensation for the losses.

3. The Executive Directors and the President of IDA were notified by the Panel of receipt of the Request. Management responded to the claims in the Request on December 11, 2020. In its Report to the Board on February 26, 2021, the Panel found the Request eligible and recommended that the Executive Directors authorize an investigation. The investigation was authorized by the Executive Directors on March 12, 2021.

4. On May 3, 2022, the Panel issued its report outlining the findings of the investigation. Management appreciates the Panel’s insights and findings. This report, responding to the findings of the Panel, is organized in six sections. Section II provides Project background information. Section III summarizes the findings of the Panel. Section IV contains Management’s responses to the Panel’s findings. Section V presents Management’s Action Plan in response to the findings, and Section VI contains the conclusion. The Panel’s findings, along with Management’s responses, are described in detail in Annex 1. Annex 2 presents a timeline of events as they occurred at the Merok site.

II. PROJECT BACKGROUND

5. ***The Project.*** An IDA Credit to the Republic of Uganda (“the Recipient” or “the Borrower”) to finance the Uganda North Eastern Road-corridor Asset Management Project (P125590) was approved by the Board of Executive Directors on April 30, 2014. The agency implementing the Project is the Uganda National Roads Authority (UNRA). The total cost of the Project is US\$255 million. IDA is financing US\$243.8 million equivalent as investment project financing through an IDA credit and the Recipient is contributing US\$11.2 million to the Project. The closing date of the Credit is October 31, 2024.

6. ***Project Objectives.*** The Project Development Objective is to reduce transport costs, enhance road safety, and improve and preserve the road assets sustainably by applying cost-effective, performance-based asset management contracts, along the Tororo-Kamdini road corridor. The Project includes financing of improvement and maintenance of the North Eastern Road Corridor through Output and Performance-based Road Contracts (OPRC). The Project road comprises a paved road that stretches from Tororo up to

Kamdini, located in the eastern and northern parts of Uganda, respectively. There are two road corridors from Kamdini: (a) to the Democratic Republic of Congo through Goli and Vurra and onward to South Sudan through Oraba in northwestern Uganda; and (b) to South Sudan through Nimule in northern Uganda. The Project road is feeding traffic from the Mombasa port in Kenya to South Sudan, Democratic Republic of Congo, and Uganda. The road traverses mainly a flat-to-rolling terrain through the districts of Tororo, Mbale, Bukedea, Kumi, Ngora, Soroti, Kaberamaido, Dokolo, Lira, Kole, and Oyam.

7. ***Project Components.*** The Project has two components: Component 1 – Road Rehabilitation, Operations and Maintenance (US\$241 million) and Component 2 – Institutional Support to UNRA (US\$14 million).

- *Component 1 – Road Rehabilitation, Operations and Maintenance (US\$241 million).* This component finances long-term OPRC for rehabilitation and maintenance of the Tororo–Mbale–Soroti–Lira–Kamdini road (340 km). The works and services under the OPRC include: (a) the design and rehabilitation of sections of the road corridor; (b) routine and periodic maintenance of the whole corridor; and (c) operations which will include management of traffic, road safety, and axle-load control measures. This component also finances consultancy services for the Project Management Unit that is responsible for administering and supervising the OPRC.
- *Component 2 – Institutional Support to UNRA (US\$14 million).* To ensure sustainability, technical assistance to UNRA focuses on designing, awarding, and managing OPRC. This component includes asset management support and road safety (US\$7.5 million), support in contract supervision and management of OPRC (US\$5.5 million), and operating costs (US\$1 million).

Contractual arrangements under the Project

8. ***As is standard practice in any Bank loan agreement, it is the Borrower that is in a direct legal contractual relationship with the contractor for the Project.*** The Bank has no contractual relations with either contractors or subcontractors. Instead, the Borrower has obligations under the loan agreement to ensure that any contractor or subcontractor engaged for works or services under the Bank-financed Project acts in accordance with the loan agreement, including the Project's safeguard instruments.

9. Management's supervision responsibilities include carrying out due diligence on the Borrower's oversight of the proper execution of those contractual arrangements. This includes the Borrower's enforcement of the contractual provisions governing the works and services contracts that are required for the Project.

10. ***UNRA, the agency implementing the Project, is a government agency, under the Ministry of Works and Transport, mandated to develop and maintain the national roads network, advise the government on general roads policy, contribute to addressing national transport concerns, and perform certain other functions.*** UNRA is charged

with, among other things, the selection of contractors, the supervision of construction, the scheduling of maintenance, and the prioritization of national road works.

11. ***UNRA contracted Mota-Engil Engenharia E Construcao Africa S.A. (“the Contractor”) on June 27, 2018 for the road construction works financed by the Project.*** The Contractor was selected through an international competitive bidding process. The agreed contract start date was August 13, 2018.

12. ***The Contractor engaged a local company, Ruhore Company Ltd. (“the Subcontractor”), through a Memorandum of Understanding (MoU) on October 16, 2018, to identify and acquire a quarry that the Subcontractor would then sub-lease to the Contractor.*** Under the MoU, the Subcontractor was to obtain all clearances and permits required from local authorities and pay compensation for the quarry as might be needed for rock mining and the installation and deployment of equipment and materials. The MoU identified land for a proposed quarry situated at Omolokony Village, Merok Parish, Katine Subcounty, Dakabela County, Soroti District. The site was selected due to the presence of a large rock (“Oruja rock”), which had the potential to be mined for construction materials.

13. In January 2019, the Subcontractor entered into 10-year lease agreements (January 19, 2019, to January 19, 2029) with eight landowners from the Merok community for a combined area of approximately 26.6 acres (ca. 10.7 Ha) that was identified to serve as a quarry and buffer zone. The lease payments for the 10 years were made to each of the landowners in lump sums.

14. The Subcontractor then sub-leased the quarry site to the Contractor on March 1, 2019. The Contractor proceeded to deploy its equipment on site and cleared and levelled the site around the Oruja rock (see Photos 1 and 2, below), affecting properties around the rock (see Map 1, below). This involved the removing of crops and trees, as well as some basic structures.

15. All of the actions described above (paragraphs 13-14) were done without the Bank’s knowledge or an approved Environmental and Social Management Plan (ESMP), despite it being required by national law and the Project’s Environmental and Social Management Framework (ESMF) (as required under the Bank’s safeguard policies applicable to this Project).



Photo 1: Section around Oruja rock before vegetation clearance (February 27, 2019)



Photo 2: Section around Oruja rock after vegetation clearance (September 4, 2019)



Map 1: Area of Contractor's clearance of vegetation and structures around the Oruja rock and affected plots.¹

¹ Information provided by UNRA.

III. PANEL FINDINGS

| Issue Area | Panel Observations and Findings |
|---|--|
| Chapter 2 – Institutional Arrangement, OPRC Modality, and Safeguards Approach | |
| Capacity Assessment | The Bank determined the [environmental and social (E&S)] capacity for the Project needed improvement. Despite the Bank’s initiatives – such as training – the E&S capacity for this Project was inconsistent, contributing to poor implementation of E&S safeguard requirements. The Panel finds the Bank failed to (i) identify the risk resulting from the changes in the E&S capacity of the implementing entities throughout the duration of the Project and (ii) suggest follow-up actions to restore such capacity. This is in non-compliance with the Bank Policy on Investment Project Financing, paragraph 20, and the Bank Directive on Investment Project Financing, paragraph 43. |
| Choice of Frameworks in the Context of OPRC Modality | The decision to adopt an OPRC modality for NERAMP was well-founded and aligned with Project objectives. The Panel also finds the choice of frameworks to manage E&S risks was justified since – under OPRC – detailed project location, design, and impacts are unknown at the time of appraisal. This is in compliance with OP 4.01, paragraph 7 and Annex A, paragraph 4, and with OP 4.12, paragraph 28 and Annex A, paragraph 23. |
| Quality of the Framework Documents | The Panel finds that while the framework documents cover the basics, they do not address specific safeguard measures for acquiring quarry sites. The ESMF and RPF have key gaps around the description of the Ugandan legal and policy frameworks, land acquisition by a private entity (and potential willing seller/willing buyer scenario versus the application of OP 4.12), and E&S safeguard management. The Panel finds the framework documents are not in compliance with OP 4.01, paragraphs 2 and 3 and Annex A, paragraph 4, or with OP 4.12, Annex A, paragraph 24. |
| Negotiated Clause 10.1 | The Panel finds that the Bank’s no-objection to the negotiated Clause 10.1 enabled the Contractor to carry out activities and works at the proposed quarry site at Merok prior to the preparation of safeguard documents, adversely affecting the community. The Panel finds that negotiated Clause 10.1 circumvents the intent of Bank policies and Management’s no-objection to it was in non-compliance with OP 4.01, paragraphs 2 and 3. |
| Chapter 3 – Land Acquisition, Stakeholder Engagement, and Reprisals | |
| Applicability of Bank Policy on Involuntary Resettlement OP/BP 4.12 and Request for Safeguard Documents | The Panel finds that the particular social context of the proposed quarry site in Omolokony Village and the complexities and contestations about customary ownership of both the land and the Rock meant that OP/BP 4.12 did apply to the proposed Merok quarry site. There were conflicting and confusing views among the |

| Issue Area | Panel Observations and Findings |
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| | <p>various stakeholders and among Bank staff on whether OP 4.12 should have applied. Management stated in its Response that when it learned Merok was a proposed quarry site it requested UNRA to ensure that the Contractor prepared a [Resettlement Action Plan (RAP)].</p> <p>The Panel notes the lack of clarity in the framework documents concerning the application of the Involuntary Resettlement Policy for quarry sites. Management, once it became aware of the proposed quarry site and the lack of site-specific safeguard documents ([Environmental and Social Impact Assessment (ESIA)] and RAP), determined there was non-compliance. The Bank requested preparation of these documents and asked that activities at the proposed quarry site stop.</p> <p>Notwithstanding the lack of clarity in the framework documents, the Panel finds Management is in compliance with the Bank Policy on Involuntary Resettlement, OP 4.12, paragraph 3, for deciding that the policy applied to the proposed Merok quarry site. The Panel also finds the Bank is in compliance with OP 4.01, paragraph 1, and with OP 4.12, paragraph 6, for requesting a site-specific ESIA and RAP for the proposed Merok quarry site.</p> |
| Disclosure of Information and Meaningful Consultations | <p>The Panel accepts as credible evidence the [Project-affected person (PAP)] claims that no proper consultation occurred during the process of acquiring the Rock and adjacent land. The Project's ESMF, RPF, and the valuation report were not shared with the community. The Contractor and the Subcontractor provided no records of meaningful consultation meetings.</p> <p>Furthermore, there is a strong linkage between the lack of an environmental assessment process and the absence of meaningful consultations. The Panel finds the lack of consultations resulted in the community entering into lease agreements without the benefit of sufficient information concerning their rights. This is in non-compliance with OP 4.01, paragraphs 14 and 15, and OP 4.12, paragraph 2(b).</p> |
| Intimidation, Reprisal, and Coercion | <p>The Panel notes that the lack of consultations created an environment in which the PAPs felt intimidated and coerced into certain actions. The Panel finds that Management, upon learning about the allegations of intimidation, reprisal, and coercion, took appropriate action to protect the affected parties. The Panel finds that Management is in compliance with the Bank Policy on Investment Project Finance, paragraph 20. The Panel appreciates that there have been no further reported incidents of intimidation and reprisal to the date of this Report, indicating that Management's reaction was both timely and effective.</p> |
| Bank Objection to Using the Rock for the Project | <p>Management's decision to object to the use of the Rock in the Project may have ultimately caused further harm to the PAPs. Such harm includes i) insufficient compensation for destroyed assets, ii) lost opportunities to benefit from the Rock, iii) continued resentment from</p> |

| Issue Area | Panel Observations and Findings |
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| | <p>the wider community against the PAPs for the quarry cancellation, iv) reduced incentives for either UNRA or the Contractor to resolve matters in a timely and satisfactory manner to all stakeholders, and v) uncertainty regarding the status of the leases agreed by the PAPs and the Subcontractor.</p> <p>Stakeholders informed the Panel that the problems relating to the proposed Merok quarry site could have been resolved had Management not objected to the use of the Rock. The Panel observes that Management neither consulted with the PAPs nor with the Contractor on the objection to use the Rock.</p> <p>The Panel finds that, given the harm listed above, Management's decision to object to using the Rock in the Project without consulting with the community is in non-compliance with OP 4.01, paragraphs 14 and 15.</p> |
| Chapter 4 – Project Supervision and Bank Response to the Request | |
| Deployment of Environmental and Social Expertise | <p>The Panel finds the Bank's deployment of environmental and social expertise since Project approval in April 2014 to be adequate. The Panel finds the Bank is in compliance with the Bank Policy on Investment Project Financing, paragraph 20, and with the Bank Directive on Investment Project Financing, paragraph 43.</p> |
| Frequency of Supervision | <p>There was no increase in the frequency of supervision after the Bank learned about the potential Merok quarry site in April 2019, despite knowing that harm had already occurred there. This was inadequate.</p> |
| No-Objection to the Negotiated Clause 10.1 | <p>Concerning the quality of supervision, the Panel finds the Bank's no-objection to the negotiated Clause 10.1 allowed the Contractor to circumvent requirements of OP 4.01, and to conduct pre-construction activities without safeguard documents. The Panel finds this to be contrary to the requirements of the Bank Policy on Investment Project Financing, which requires the Bank to monitor the implementing entities' compliance with their E&S obligations. The Panel finds Management is not in compliance with the Bank Policy on Investment Project Financing, paragraph 20.</p> |
| Effective Reporting and Monitoring Systems | <p>By June 2018 the Contractor had identified Merok as a quarry site, in October 2018 the [Project Management and Monitoring Consultant (PMMC)] had recorded several grievances from the community regarding this site, and in September- October 2018 the Bank conducted a field visit to Katine Subcounty. Although the implementing entities had access to this information, the Bank failed to identify issues at Merok or visit the proposed Merok quarry site until April 2019. The Panel notes that the available supervision reports did not capture the relevant information. The Panel finds Management failed to ensure effective reporting and monitoring systems and as a result, there was a lack of timely knowledge of the Merok site until</p> |

| Issue Area | Panel Observations and Findings |
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| | as late as April 2019. The Panel finds that Management is not in compliance with the Bank Policy on Investment Project Financing, paragraph 20, and the Bank Directive on Investment Project Financing, paragraph 43. |
| Bank Reactions to Address the Impact Caused by Non-Compliance | <p>The Panel notes that until June 2019 the Bank maintained the overall E&S rating as “Satisfactory” despite delays in preparing safeguard documents. The Panel also notes the Bank characterized the continuing harm suffered by the Merok community as an “inconvenience” and the slow pace of follow-up actions, including the two-year delay of the Audit – all of which demonstrated a lack of urgency to rectify the harm.</p> <p>The Panel finds that Management did not ensure that systemic problems or violations were addressed in a timely and effective manner, and that Management failed to review information on the progress of implementation adequately. The Panel finds that Management is not in compliance with the Bank Policy on Investment Project Financing, paragraph 20, and the Bank Directive on Investment Project Financing, paragraph 43.</p> |

MANAGEMENT RESPONSE

16. ***Management appreciates the insights provided by the Panel in its Investigation Report. Management has maintained an enhanced focus on the Merok site ever since it learned of the attempt by the Contractor and Subcontractor to use the site as a quarry for the Project without the Bank’s prior knowledge or approval, and without having the requisite safeguard instruments in place. The actions of the Contractor and Subcontractor, coupled with UNRA’s insufficient oversight, prevented the Bank from assessing the suitability of the quarry site at the outset. The Bank’s subsequent review of the site, combined with social tensions surrounding the site and allegations of coercion, intimidation, and reprisals against the community, all led the Bank to the conclusion that the site was not viable as a quarry. This in turn led the Bank to object to the use of the Merok site as the Project quarry and to suspend Project works for almost two years.***

17. ***Management observes that the harm experienced by some community members flows from the Contractor’s unauthorized selection and clearing of the Merok site, which occurred without the Bank’s knowledge.*** Determining the extent of this harm retroactively has been challenging for reasons described below, but Management’s own review confirms that 16 land users and owners have been affected, and that some of those have not been compensated adequately, including for the destruction of their assets, with total damage amounting to approximately US\$10,000. The Bank has communicated to UNRA that all uncompensated damage to assets of Project-affected people resulting from the Contractor’s clearing of the Merok site must be compensated. With respect to the leases, Management notes that the Requesters continue to argue that the lease agreements are undervalued. A review of the lease agreements commissioned by Management suggests that the lease payments may have been up to twice the market rate for leasing comparable land.

18. ***Contrary to the Panel’s findings, the harm alleged by the Requesters is the consequence of the Contractor’s unauthorized use of the Merok site, and not Management’s objection to the use of the site.*** Management reiterates that the Bank’s swift objection to the use of the Merok site was an appropriate and necessary response to instances of non-compliance by the Contractor; persistent social tension; allegations of coercion, intimidation, and reprisals against the community; and a wide array of unmitigated risks that rendered the site unsuitable as a quarry. However disappointed some community members may now be that the Merok site has been excluded from the Project, the potential for unrealized and speculative economic rewards cannot override the Bank’s responsibility to take prompt measures to comply with its policies and address immediate harms and threats to the community. Moreover, finding harm because some community members might have otherwise economically benefited under the Project is inconsistent with the Panel Resolution, which stipulates that the Requesters’ “unfulfilled expectations” cannot be considered as harm.² As explained in more detail below, Management also does

² 2020 Inspection Panel Resolution, paragraph 39: “For assessing material adverse effect, the without-project situation should be used as the base case for comparison, taking into account what baseline information may be available. Non-accomplishments and unfulfilled expectations that do not generate a material deterioration compared to the without-project situation will not be considered as a material adverse effect for this purpose.”

not agree that the Bank's objection to the use of the site would have required a formal consultation with the community.

19. ***In Management's view, the Panel process is not the appropriate forum to resolve the dispute regarding the lease agreements and the negotiation about royalties for exploiting the rock.*** As Management has repeatedly suggested, the legal validity of the leases, including community claims of coerced signing, are for the Ugandan legal system to resolve as appropriate. Management notes that neither the Requesters nor their lawyers – despite maintaining the claim of coercion – have initiated such legal action. Management has nevertheless requested UNRA to ensure that any uncompensated damage from the Contractor's actions suffered by Project-affected people is compensated, based on the Social Audit that the Bank commissioned.

20. ***As described in the Panel Report, there have been repeated and serious allegations of intimidation and reprisals against the community, including by Subcontractor staff.*** Bank Management has raised these concerns at the highest levels of government and requested a review of such incidents by the appropriate legal authorities. The role of Subcontractor staff in these allegations and the continued concerns voiced by the community contributed to the Bank's decision to request UNRA in May 2020 to instruct the Contractor and its staff to vacate the Merok site.

21. ***Management agrees with the Panel that the Contractor should never have gone ahead with the acquisition of the quarry and clearing of adjacent land without first having the required safeguard instruments and permits in place.*** However, Management does not agree that contractual clauses were insufficiently clear and caused the Contractor to proceed in this way. On the contrary, the relevant contractual clause (Clause 10.1) prohibits land clearing and other quarry-related works without safeguard instruments and the Contractor was in flagrant breach of this requirement. The clause contains a narrow exception for low-impact *exploratory actions*, which clearly did not extend to the Contractor's land acquisition and clearance actions here. The Contractor abused this exception, in violation of its contract. In Management's view, these actions were carried out by the Contractor not *because* of Clause 10.1 but *in breach* of it.

22. ***Virtually all of the non-compliance issues raised in the Panel Report result from that original failure by the Contractor to conduct an environmental assessment (EA) and seek authorization from UNRA and the Bank.*** No satisfactory safeguard instruments have been received and accepted by the Bank, and no meaningful consultations with the community have taken place. This was despite numerous requests to UNRA and the Contractor, the continued lack of response to which eventually led to a 24-month suspension of Project works.

23. ***In Management's view, the safeguard framework instruments prepared for the Project – Resettlement Policy Framework (RPF) and ESMF – comply with Bank policy requirements.*** As explained in more detail below, Management, however, agrees with the Panel that these framework instruments could have been strengthened in certain respects. In any event, one of the key issues regarding the framework instruments in this case is not their contents, but rather the Contractor's failure to implement them.

24. Below are more detailed responses to the Panel's findings and observations.

Clause 10.1

25. ***Management agrees that the Contractor's unauthorized start of works in the absence of appropriate safeguard instruments led to the harm found in the Panel Report.*** However, in Management's view, the Contractor's actions were not enabled by the wording of Clause 10.1 but rather by the Contractor's disregard of that clause, coupled with the Contractor's continued inability or unwillingness to comply with contractual provisions and UNRA's instructions, together with UNRA's inconsistent contract enforcement.

26. ***Clause 10.1 is an amended version of a standard contract clause. The amended version of Clause 10.1 at issue here actually imposed stricter requirements on the Contractor than the original wording, not more lax ones.*** Compared to the original Clause 10.1 in the bidding document – which merely stipulated that works were to begin within 45 days of signing the contract – the amended version applicable under the Project introduces a prohibition on the commencement of “any Works” without the Project Manager's written confirmation that appropriate environmental and social measures are in place. Clause 10.1 also contains a narrow exception for the kind of low-impact mobilization and pre-construction activities at potential quarries that are necessary to identify an auxiliary site and gather the information to prepare a safeguard instrument. And even under that exception, these pre-construction activities are subject to interim management strategies adequate for those limited activities. This exception, which is common industry practice and consistent with Bank policy, was abused by the Contractor, as the exception did not allow for the clearance of land and displacement of people around a potential quarry. In Management's view, the Contractor ignored the restrictions contained in Clause 10.1 and carried out activities that clearly fell outside the scope of preparatory steps.

27. ***The Contractor breached Clause 10.1, which clearly stipulates that only the investigation of quarries could start ahead of the availability of safeguard instruments for the physical works.*** The exception in Clause 10.1 concerns “*geotechnical investigations or investigations to select ancillary features such as quarries and borrow pits,*” thereby clearly limiting quarry-related activities to investigatory activities only. The Contractor evidently breached this clause by instead carrying out a complex process of land acquisition and compensation, including moving people and clearing the ground – none of which can reasonably be described as “investigating” the quarry site.

28. ***While the interim management strategies were likely insufficient to govern the activities carried out by the Contractor at the Merok site, it needs to be understood that these interim management strategies were never meant to govern and guide complex activities such as land acquisition, compensation, moving people, or clearing the grounds in a cultivated or inhabited area.*** The interim management strategies that contractors have to submit at bidding are very basic rules to guide limited preparatory works, with limited impact, of the type that may take place before the contractor's ESMP is produced and approved.

29. *In Management's view, Clause 10.1 is sufficiently clear with regard to the very limited investigatory activities at potential quarries that are permitted prior to the submission and clearance of safeguard instruments. That view notwithstanding, Management will issue a comprehensive clarification to UNRA to ensure that there can be no further misinterpretation of this clause by the Contractor for the remainder of the contract. Management will also request UNRA to communicate this clarification to all contractors under the Project.*

Bank Supervision

30. *In Management's view, the number and frequency of Bank missions were commensurate with the type and size of the Project, sufficient to address the issues uncovered at the Merok site, and consistent with Bank policy. Early missions found a number of irregularities on site, which the Bank raised with UNRA and which led to the suspension of Project works and exclusion of the Merok site from the Project. Additional missions would have done nothing to prevent the harm that had already occurred, or cause the Bank to suspend the works at the site any faster.*

31. The Bank undertook four missions in 11 months – in April 2019, July 2019, October 2019, and the last in February 2020 just before the start of the COVID-19 pandemic, which restricted any further travel. Even during the height of the pandemic, the Bank continued to hold virtual follow-up meetings with UNRA – in April, May, and September 2020 – specifically to discuss the Merok site issues, and one physical mission in October 2020 with the exceptional approval of the Regional Vice President, which was then required under the Bank's pandemic precautions. In addition, virtual missions have been held every six months, beginning in November 2020, including monthly meetings to follow up on progress on the agreed action plans since the preceding mission.

32. Based on the mission of April 2019, which uncovered the situation at the Merok site, the Bank requested the Borrower to halt the mobilization and works there and ensure that the site-specific ESIA and RAP were retroactively prepared. These actions were intended to stop any adverse impacts to the Project-affected people and, through the RAP, to address the prior impacts that had occurred. Further, when the Bank carried out a follow-up mission in October 2019 and established that the Contractor had disregarded the recommendations from the previous mission, Bank Management asked UNRA to issue a Stop-Work Order for the entire Project and initiate a remedial action plan to address the environmental and social consequences of the Contractor's non-compliance.

Bank decision to object to the use of Merok site

33. *The harm alleged by the Requesters is the consequence of the Contractor's unauthorized use of the Merok site, not Management's objection to the use of the site for the Project. Management does not agree with the Panel's conclusion that the Bank's objection "may have ultimately caused further harm to the PAPs." As explained below, this assessment is not supported by the sequence of events and does not relate to non-compliance with Bank policy.*

34. ***On May 1, 2020, following a review of the facts and careful consideration of the suitability of the site for use under the Project, the Bank communicated to UNRA its objection to using the proposed Merok site for the Project.*** This decision was taken after the Contractor had been requested to stop works and first develop appropriate safeguard instruments for the Bank's clearance, which it did not deliver despite repeated reminders and the suspension of works. This was accompanied by a continued failure by the Contractor to adhere to Bank policy requirements that are enshrined in its contractual obligations. The decision was further informed by the Bank's assessment that the acquisition and operation of the site as a quarry would not be able to achieve compliance with Bank policy requirements in any case. Due to the lack of safeguard instruments, the viability of operating the site as a quarry has never been demonstrated. Management considered the challenges and impacts of the site and concluded that the following risks could not be adequately mitigated to meet Bank policy requirements: (a) the long distance (approximately 7 km) between the quarry and main road, which about 270 trucks would have to travel daily, passing by two markets, schools, and a church, and the need to acquire additional land to widen existing roads; (b) the complex layers of ownership which remain unresolved to this day; (c) the fact that Oruja rock is considered sacred by some members of the community; (d) the absence of an analysis of alternative sites; and (e) the difficulties of implementing the required 500 m buffer zone for blasting in a complex social and physical environment. Management also considered the difficulty of operating on a site at which the community consistently complained about the conduct of both the Contractor and the Subcontractor, including through allegations of deception, coercion, and intimidation, which included the Contractor's use of security personnel and death threats. On May 21, 2020, UNRA formally informed the Merok community of that decision and of the underlying reasons for it.

35. ***Against this backdrop, Management is surprised to learn of the Panel's position that objecting to the use of the Merok site was not an appropriate reaction.*** This is even more surprising when considering similar situations where the Panel faulted Management for not taking timely action to address contractor actions that were inconsistent with Bank policy and that harmed the affected community. ***Management remains convinced that, in light not only of its review of the site, but also of the Contractor's conduct and the severity of the community complaints, the decision to object to the use of the site and to therefore demobilize the Contractor from the site was entirely correct and prudent.***

36. In Management's view, the Panel's finding conflates unfulfilled expectations by the community and policy requirements that pertain to the EA process. Below are specific responses to the points cited in the Panel Report.

- ***"Lost opportunities to benefit from the Rock."*** ***The community's expectation to benefit from the Project in one way or another cannot be a factor that overrides the Bank's obligation to ensure that proper safeguard instruments for the operation of the quarry are produced, and then approved by the Bank and adhered to by the Contractor.*** Moreover, the Panel Resolution is clear about the fact that ***unfulfilled*** expectations that do not generate a material deterioration (compared to the without-project situation) do not represent material adverse effects, which undoubtedly is the case here.

- **“Continued resentment from the wider community against the PAPs for the quarry cancellation.” The fact that some community members may disagree with the corrective actions taken by the Bank cannot override the Bank’s need to take such actions to comply with its policies.** Community members may hold diverse views about Bank-financed projects, their implementation, and their possible suspension or the implementation of remedial actions. However, the existence of such disagreements and the possibility that they may generate tension between community members cannot be the determining factor in the Bank’s decision to support an activity or not. Management notes that the Panel found that the Requesters and Project-affected people “no longer felt threatened or intimidated.”³
- **“Insufficient compensation for destroyed assets.” The issue of insufficient compensation for destroyed assets is unrelated to the decision on whether or not to use the rock as a quarry going forward.** Management has made it clear that sufficient compensation for any damage needs to be paid to Project-affected people, even though the Merok site will not be used for Project purposes. Management has commissioned a Social Audit to verify earlier damage assessments and to serve as the basis for determining compensation to affected parties. This process will be concluded regardless of the decision to not use the Merok site.
- **“Reduced incentives for either UNRA or the Contractor to resolve matters in a timely and satisfactory manner to all stakeholders.” In Management’s view, the Merok site plays no role regarding incentives for UNRA or the Contractor to resolve the matter.** Management invoked contractual remedies by suspending Project works for almost two years subject to the satisfactory resolution of the issues at the Merok site. This means that the US\$173 million⁴ contract could not be disbursed even though the Contractor had fully mobilized, thus incurring all the associated costs. This, in Management’s view, constituted a significant incentive for resolution of the issues, notwithstanding discontinued use of the site. ***In any event, the Bank cannot be expected to continue pursuing a flawed Project activity in the hope that continued pressure on the Contractor might eventually help resolve some—but not all—of the underlying issues with the site.***
- **“Uncertainty regarding the status of the leases agreed by the PAPs and the Subcontractor.” This uncertainty has been present from the outset and would have persisted even if the Merok site had been used under the Project.** Management agrees with the Panel that uncertainty remains surrounding the adequacy of the lease agreements. This uncertainty, however, falls outside of the Bank’s mandate and is for the parties and Ugandan legal system to resolve.

³ Inspection Panel Investigation Report, paragraph 169.

⁴ The Contractor was awarded two contracts, Lot 1 for UGX290.98 billion and Lot 2 for UGX331.62 billion (US\$81 million and US\$92 million, respectively, at the current exchange rate of UGX3594 = US\$1).

37. ***In Management's view, the reported views of stakeholders, who believe that the issues surrounding the quarry could have been resolved, are highly unrealistic.*** Management notes the complete breakdown of trust and communication between the parties involved, as well as the fundamental difference in their understanding of the underlying facts. As confirmed by the Panel's report,⁵ the community refused to engage with the Subcontractor and was trying to negotiate directly with the Contractor, which in turn refused to engage with the community, referring it to the Subcontractor with whom the community has a contractual relationship. While the community, Subcontractor and Contractor eventually have communicated several times through UNRA and the community's legal representative, they have been unable to reconcile their expectations or arrive at any form of agreement. It is important to underline that these discussions and disputes had not even begun to address the technical challenges of operating the Merok site as a quarry, which would require further land acquisition and have additional significant adverse impacts on the community.

38. ***The Panel process is not the appropriate forum to resolve commercial disputes and criminal allegations.*** If there was indeed an inclination to resolve the dispute, as claimed in the Panel Report, then it is not apparent why the parties have not pursued it and resolved the matter. Management notes that the Requesters have retained a lawyer who has been advising the community and who has advanced their demands vigorously. Management is not aware of any good-faith attempts made by the community or the Contractor to engage in direct negotiations to either (a) renegotiate the terms of the leases; or (b) cancel the leases and repay the rent already received. Nor has the community attempted to challenge the validity of the leases in court.

39. ***The Panel Report suggests that an agreement between the parties was possible, while failing to take into account each parties' preconditions.*** Management had requested UNRA to engage with the Contractor, Subcontractor, and community to evaluate the possibility of resolving or renegotiating the lease agreements. This did not produce any outcome. The community was not prepared to return the 10-year lease payments, which the Contractor and Subcontractor demanded in exchange for terminating the leases. The Contractor was not willing to compensate for any damage to assets which it considered as already covered by payments made pursuant to the lease agreements. Both UNRA and the Contractor stated that the leases were valid contracts under Ugandan law that they could not terminate. The Subcontractor took the position that the quarry was acquired for a longer-term purpose and not tied to the Bank-supported Project.

40. ***Management also does not agree that the objection to using the Merok site would have required prior consultations with the community.*** Paragraphs 14 and 15 of OP 4.01, which the Panel cites, require that the Borrower consult project-affected groups on the EA

⁵ Inspection Panel Investigation Report, paragraph 136.

process during project preparation, and EA-related issues during project implementation.⁶ This, however, does not mean that any Management decision regarding a project requires such consultations. Of course, local communities are informed of Project-related decisions that affect them, as they were in this case,⁷ but the Panel here presents a violation of a policy obligation that does not exist. The Panel would have been correct that OP 4.01 would have required community consultations as part of an environmental assessment of the Merok site. ***However, this is different from Management's decision to object to the site, which was based on a combination of factors that Bank Management has the authority and responsibility to consider in its own right.*** The only relevant consultations in this context are about assessing and compensating those adverse impacts that resulted from the Contractor's earlier actions, which will occur as part of the Bank-commissioned Social Audit.

Lease agreements

41. As stated in its initial response, Management is not in a position to verify the representations made by either party since the Bank was not a party or witness to these negotiations.

42. ***Management commissioned a review of the lease agreements and stipulated payments. The review has suggested that the rates agreed may have been up to twice the market prices for leasing comparable land.*** Management agrees with the Panel that there remain doubts surrounding the adequacy of the lease agreements. Nevertheless, it is not clear on what basis the Requesters continue to claim that the leases are “undervalued.”

43. ***Management also notes that there are conflicting statements by the contracting parties as to whether or not the leases were signed voluntarily.*** While the Requesters maintain that the lease agreements were signed under duress, they and their attorney have nonetheless chosen not to challenge them in court. Contractual agreements signed under duress may be voided by a court of law. The community has not pursued legal action to have the alleged coercion reported and investigated, despite having retained a lawyer to advise them on the matter as early as November 2018.

⁶ OP 4.01, para 14: “For all Category A and B projects proposed for IBRD or IDA financing, **during the EA process**, the Borrower consults project-affected groups and local nongovernmental organizations (NGOs) about the project's environmental aspects and takes their views into account. The borrower initiates such consultations as early as possible. For Category A projects, the borrower consults these groups at least twice: (a) shortly after environmental screening and before the terms of reference for the EA are finalized; and (b) once a draft EA report is prepared. In addition, the borrower consults with such groups throughout project implementation as necessary to address **EA-related issues** that affect them” (emphasis added).

OP 4.01, para 15: “For meaningful consultations between the borrower and project-affected groups and local NGOs on all Category A and B projects proposed for IBRD or IDA financing, the borrower provides relevant material in a timely manner prior to consultation and in a form and language that are understandable and accessible to the groups being consulted.”

⁷ The community was informed by UNRA on May 21, 2020, of the decision to not use the Merok site for the Project.

44. The Bank is not able to resolve or adjudicate the dispute about the lease agreements, which either needs to be resolved between the contracting parties or through the Ugandan legal system.

Potential exploitation of the Oruja rock

45. *While the possible exploitation of the Oruja rock might indeed have been to the benefit of the Merok community, there is no obligation or requirement for the Project to enable this.* Moreover, such benefit to the community cannot override the serious concerns regarding the suitability of the site, the Contractor's conduct towards the community, and its repeated unwillingness to adhere to Bank policy requirements or to comply with UNRA's instructions.

46. *Management agrees with the Panel that the ownership of the Oruja rock is legally ambiguous, and that the stakeholders involved – Project-affected people, the wider clan members, the Contractor, the Subcontractor, and UNRA – hold divergent views on the ownership of the rock, the process to acquire it, and the outcomes of the negotiations.* This ambiguity and the competing claims of ownership are among the reasons why the Bank deemed this site to be unsuitable for the Project. A legal opinion to clarify the status of the rock might indeed have been useful ahead of any acquisition negotiations, though it may not have altered the relevant parties' views on this issue. In addition, as stated above, the Bank was not involved in or advised of this acquisition process. With the decision to not use the Merok site for the Project, the question of ownership and legal status of the rock no longer relates to the Project.

47. *Management understands that the Merok clan initially sought to receive US\$1.7 million for the exploitation of Oruja rock, which the Contractor refused to pay.* Despite the Requesters' position that the eventual payments made by the Subcontractor for the exploitation of the rock were insufficient, they nonetheless accepted a payment of US\$40,000 from the Subcontractor and in return "authorized" the Subcontractor in writing to begin its activities.

Bank's Social Audit and assessment of adverse impacts

48. *As noted in Management's first Response to the Request, the Bank commissioned an independent Social Audit at the Merok site to assess the impact of the Contractor's actions and inform UNRA's next steps.* The Social Audit's objective was to "validate the adequacy of compensation amounts for community members' damaged property (structures, crops, and other assets), and suggest additional measures if compensation is found insufficient."

49. *The completion of the Social Audit encountered unexpected delays beyond the original target date.* Once the team was in place, Uganda's strict COVID-19 protocols significantly constrained the ability of the team to conduct the needed field inquiries and required a number of mid-course revisions to the sequencing and scheduling of work. Subsequent, lengthy consultations with UNRA to reach consensus on the preliminary findings of the Social Audit and the methodology occasioned further delays. Uganda's

strict COVID protocol during that period made travel within the country virtually impossible, which considerably delayed the consultant's required field work.

50. ***An additional significant challenge met by the Social Audit team was the lack of cooperation from the community.*** Community members either declined to engage or refused to provide the information necessary to complete the Social Audit. Some community members reported that their lawyer had advised them not to cooperate with the Social Audit team and not to provide any documentation or specific information. This has made the assessment and quantification of impacts difficult, as has the complete absence of any reliable baseline data.

51. ***In Management's view, the current version of the Social Audit report is now suitable for consultation with the community and for determining the outstanding compensation to be paid.*** Although the absence of baseline data and lack of community cooperation mean that any conclusions are necessarily tentative, the Social Audit has identified gaps between the compensation previously paid and what the available evidence suggests the affected people should have received. It also has identified several affected persons who were not included in the original lease agreements but nonetheless suffered loss as a result of Contractor activities. Despite these challenges, Management now believes the current version of the Social Audit is sufficiently robust to serve as the basis of consultations with the community and final determination and payment of outstanding compensation. (See Management Action Plan, below.)

52. ***Management acknowledges that the Social Audit process has taken considerably longer than anticipated.*** Nonetheless, Management does not agree with the Panel's assertion that these delays evidence a "lack of urgency" on the part of the Bank. In Management's view, given the constraints mentioned above, much of the delay was unavoidable and the additional time was necessary to produce a draft of sufficient quality and reliability. In this context Management also wishes to clarify that the community's grievances have not been trivialized by Management as "inconveniences", as incorrectly suggested in the Panel Report. This term is taken out of context from a letter sent to the affected community in which Bank Management expresses concerns about the delays in the compensation process and assures the community that steps have been taken to ensure that affected persons are adequately compensated.

IV. ACTION PLAN IN RESPONSE TO THE FINDINGS

53. On May 9, 2022, Management invited the Requesters to participate in consultations on the proposed Management Action Plan (MAP). Invitations were extended using the Requesters' contact details as provided by the Panel, in English, Ateso, and Kumam. On May 10, 2022, the Requesters responded by accepting and confirming their participation in the consultation meeting scheduled for May 23 and 24, 2022 at the Merok site.

54. The consultation meeting spanned two days to allow for sufficient time for the community to internally discuss the draft MAP presented on day one, before providing their feedback on the proposed actions on the next day. A total of 29 community members (14 women, 15 men) took part in the consultations at Merok on May 23 and 24, 2022. They agreed to the Bank representatives recording their attendance and taking photographs of the consultation meetings. No representatives of UNRA or any other Borrower agency were present during the consultations.

55. The Bank did not set any limit on the number of participants. The Bank team facilitated the meeting, which began with a short opening presentation and background information on the proposed actions to address Panel findings. All community members then had the opportunity to speak, with multiple rounds of questions and answers. The meeting was translated into the local language Kumam by an interpreter of the community's choice. Bank team members proficient in Kumam monitored the translation to correct any inaccuracies.

56. The meeting also included an inspection of the rock to ensure a joint understanding of the areas affected by the Contractor's activities.

57. **Community feedback.** The community members appreciated the ample clarifications around the process and regarding the roles and responsibilities of the parties involved (UNRA, Contractor, Subcontractor, Bank Management, Inspection Panel). The community members further expressed support for the proposed actions and satisfaction that the Social Audit and related compensation process will be overseen by the Bank.

58. While community members did not have specific views regarding the proposed actions in the MAP itself, they submitted a number of suggestions and requests that were not related to the Panel's findings or the Project, and hence cannot be considered for the MAP. These requests included the following: (a) construction of staff quarters at the primary school; (b) fencing of the primary school; (c) provision of electricity access to the village; (d) construction of water access point; (e) construction of a health facility; and (f) provision of tents, chairs, and saucepans for the clan.



Photos 3 and 4: MAP Consultations on May 23, 2022 at the Merok site

COVID-19 related implications

59. Management notes that depending on the course of the COVID-19 pandemic in the Project area, delays in MAP implementation cannot be ruled out. As public health measures and other issues related to COVID-19 continue to affect supervision and Project implementation, the Borrower and the Bank are relying on more frequent reporting and virtual monitoring, supervision, and outreach.

Proposed Management Action Plan

| <i>Issue/Finding</i> | <i>Borrower Action</i> | <i>Bank Management Action</i> |
|---|--|--|
| 1. Uncompensated Damage at the Merok site | <p>UNRA will ensure compensation of unaddressed damage at the Merok site, informed by the Social Audit commissioned by the Bank and consultations with the affected community members. This will specifically include all affected persons who were not included in the original lease agreements, but nonetheless who suffered damage and disturbances as a result of Contractor activities at Merok, prior to the Contractor's demobilization from the site.</p> <p><i>Date: December 31, 2022</i></p> | <p>The Bank will oversee the consultations with the affected Merok community. The Bank will also follow up with UNRA regarding any compensation payments as per the findings of the Social Audit.</p> <p><i>Date: December 31, 2022</i></p> |
| 2. Negotiated Clause 10.1 | <p>(a) UNRA will formally advise the Contractor of its breach of Clause 10.1 and of the contractual remedies that UNRA may invoke as a result of that breach. UNRA will instruct the Contractor in writing to comply with the clause for the remainder of the Project.</p> <p>(b) UNRA will also advise all subcontractors under the Project of the applicable reporting obligations and the requirements imposed by Clause 10.1.</p> <p><i>Date: August 31, 2022</i></p> | <p>(a) Management will admonish UNRA to properly supervise contractors and to carefully examine the Contractor's breaches of contract in order to consider possible contractual penalties. The Bank will issue to UNRA a detailed clarification of the obligations imposed by Clause 10.1 to ensure that there can be no further misinterpretation of this clause by the Contractor for the remainder of the contract.</p> <p><i>Date: July 31, 2022</i></p> <p>(b) The Bank will review UNRA's report about this outreach and provide feedback and recommendations as may be needed.</p> <p><i>Date: September 30, 2022</i></p> |
| 3. Quality of the Framework Documents | <p>UNRA will review and update the Project's framework safeguard documents (RPF, ESMF) in line with OP 4.12, in order to provide more details on the process for acquiring quarries, including what qualifies as a willing-seller-willing-buyer transaction that falls outside the scope of OP 4.12, for Bank review and clearance.</p> <p><i>Date: December 31, 2022</i></p> | <p>The Bank will review and clear the revised Project framework documents.</p> <p><i>Date: January 31, 2023</i></p> |

| <i>Issue/Finding</i> | <i>Borrower Action</i> | <i>Bank Management Action</i> |
|---|---|--|
| 4. Effective Reporting and Monitoring Systems | <p>UNRA will review the existing reporting system between UNRA, contractors, PMMC and the Bank and identify areas for improvement. This will also include a review the operations of the Grievance Redress Committee (GRC) and identifying ways they can be improved.</p> <p><i>Date: July 31, 2022</i></p> | <p>The Bank will review UNRA's assessments, provide comments and recommendations, and eventually clear any changes.</p> <p><i>Date: September 30, 2022</i></p> |

V. CONCLUSION

60. Management believes that the Bank's policies and procedures were appropriately applied to support the Bank's mission statement in the context of the Project. Management acknowledges the Panel's findings and believes that the proposed actions described in the MAP address these findings.

ANNEX 1
FINDINGS, COMMENTS AND ACTIONS

| No. | Panel Findings | Policy | Response |
|--|---|--------|---|
| Institutional Arrangement, OPRC Modality, and Safeguards Approach | | | |
| 1. | <p><i>Capacity Assessment</i></p> <p>The Bank determined the E&S capacity for the Project needed improvement. Despite the Bank's initiatives – such as training – the E&S capacity for this Project was inconsistent, contributing to poor implementation of E&S safeguard requirements. The Panel finds the Bank failed to (i) identify the risk resulting from the changes in the E&S capacity of the implementing entities throughout the duration of the Project and (ii) suggest follow-up actions to restore such capacity. This is in non-compliance with the Bank Policy on Investment Project Financing, paragraph 20, and the Bank Directive on Investment Project Financing, paragraph 43.</p> | IPF | <p><i>Management disagrees with the conclusion that the Bank is in non-compliance with paragraph 20 of the Policy on Investment Project Financing (IPF) and paragraph 43 of the IPF Directive.</i> Shortcomings in borrower or contractor capacity do not automatically result in non-compliance just because they may contribute to challenges during project implementation. The Policy and Directive defer to Management's sound discretion regarding the extent of capacity-building assessment, training, and follow-up needed to respond to such shortcomings. As explained below, Management acted well within that sound discretion in this instance.</p> <p>The Bank observed the Contractor's lack of environmental and social capacity during the visit to the NERAMP project road, which took place as part of the September-October 2018 implementation support mission (ISM). The Bank team immediately reiterated to the Contractor the importance of having the required environmental and social staff onsite to manage risks and strongly recommended a learning mission to another Bank-financed project, also managed by UNRA, that had recently established a well-functioning system to address environmental and social risks. The Contractor's contractual requirement to fully mobilize environmental and social as well as health and safety staff (together, ESHS staff) was again communicated by the Bank team during the subsequent ISM of April 2019. In light of insufficient progress on this issue observed during the October 2019 ISM, the Bank issued a "Stop-Work Order" in November 2019.</p> <p>During Project appraisal, UNRA's capacity was found to be adequate. The UNRA counterparts for the Project included one environmental specialist and two social development specialists, including an international social development specialist who was recruited as a consultant for the Project and embedded within UNRA's environmental and social department. One of this specialist's duties was capacity building of UNRA staff. Environmental and social capacity within UNRA remained adequate throughout implementation. The challenges lay primarily in enforcing the contract requirements for the</p> |

| No. | Panel Findings | Policy | Response |
|-----|---|------------|--|
| | | | Contractor to have specialized environmental and social capacity on the Project. |
| 2. | <p><i>Choice of Frameworks in the Context of OPRC Modality</i></p> <p>The decision to adopt an OPRC modality for NERAMP was well-founded and aligned with Project objectives. The Panel also finds the choice of frameworks to manage E&S risks was justified since – under OPRC – detailed project location, design, and impacts are unknown at the time of appraisal. This is in compliance with OP 4.01, paragraph 7 and Annex A, paragraph 4, and with OP 4.12, paragraph 28 and Annex A, paragraph 23.</p> | OP 4.12 | Management acknowledges the Panel’s finding of compliance. |
| 3. | <p>Quality of the Framework Documents</p> <p>The Panel finds that while the framework documents cover the basics, they do not address specific safeguard measures for acquiring quarry sites. The ESMF and RPF have key gaps around the description of the Ugandan legal and policy frameworks, land acquisition by a private entity (and potential willing seller/willing buyer scenario versus the application of OP 4.12), and E&S safeguard management. The Panel finds the framework documents are not in compliance with OP 4.01, paragraphs 2 and 3 and Annex A, paragraph 4, or with OP 4.12, Annex A, paragraph 24.</p> <p><i>Note: not in Table of Findings: Para 49, Executive Summary and Para 250, main text conclusions - The Panel finds that the focus on both the preparation and the clearance of the framework documents was template-driven rather than case-specific and was neither</i></p> | 4.01; 4.12 | <p><i>Management disagrees with this non-compliance finding. Although the current level of detail is consistent with Bank policy and has proven sufficient for other sites under the Project, Management agrees that the 196-page ESMF and 67-page RPF could have addressed the specifics of acquiring quarry sites in even more detail. Still, had the Contractor followed the safeguard framework instruments in their current form, the harm alleged by the Requesters would not have occurred. That alleged harm is a consequence not of the contents of the framework instruments, but of the Contractor’s failure to implement them. Since the Contractor did not apply the instruments when acquiring the quarry, in contravention of the contract, this compliance finding is unrelated to the harm found.</i></p> <p>The RPF and ESMF do cover quarries. Specifically, the RPF notes: “Quarrying activities must not displace existing community livelihood activities. Where this happens, households affected must be compensated.”</p> <p>Moreover it states that “the Resettlement Policy Framework will apply where the impacts: ... 2) Will result into an interruption in the current use of property or land by the affected person as a result of the sub project activities. Project Activities under this category for which the RPF will be applied include the following: Opening</p> |

| No. | Panel Findings | Policy | Response |
|--|--|------------|--|
| | <p><i>project-specific nor tailored to its key risks.</i></p> <p><i>Para 86, main text The Panel finds that the frameworks should have been more detailed and prescriptive, especially given the first use of the OPRC modality in Uganda, and this level of detail should have been reflected in the bidding documents.</i></p> | | <p><i>new Quarry sites on land belonging to affected households and creating access to the quarry site.”</i></p> <p>The ESMF covers an appropriate array of measures to be planned for and managed by the Contractor.</p> <p>The RPF envisaged that the quarry site would be acquired by the Contractor, acting as an agent for UNRA using Uganda’s compulsory acquisition laws and OP 4.12. As such, Management considers that the RPF complies with Annex A, Paragraph 24 of OP 4.12.</p> <p>However, Management agrees that, given the use of an OPRC, the framework instruments could have laid out in more detail the range of possible contractual arrangements available to acquire ancillary sites.</p> <p>Action: See proposed MAP, Item 3.</p> |
| 4. | <p>Negotiated Clause 10.1</p> <p>The Panel finds that the Bank’s no-objection to the negotiated Clause 10.1 enabled the Contractor to carry out activities and works at the proposed quarry site at Merok prior to the preparation of safeguard documents, adversely affecting the community. The Panel finds that negotiated Clause 10.1 circumvents the intent of Bank policies and Management’s no-objection to it was in non-compliance with OP 4.01, paragraphs 2 and 3.</p> <p>Note: not in Table of Findings:</p> <p><i>Para 97, main text – The Panel finds that, owing to their vagueness, the IMS were harder to apply than well-defined requirements. The use of the IMS also presupposed that the Contractor had sufficient knowledge of GIIP, strong internal controls, and high E&S capacity.</i></p> | OP 4.01 | <p>Management disagrees with this non-compliance finding. Clause 10.1, as negotiated between UNRA and the Contractor, imposed <u>stricter</u> requirements on the Contractor than the original version during bidding. This negotiated clause generally prohibits the Contractor from carrying out “any Works” without appropriate ESHS measures and the Project Manager’s approval. Clause 10.1 contains a narrow exception for the kind of low-impact mobilization and pre-construction activities at potential quarries necessary to identify an auxiliary site and gather the information necessary to prepare a safeguard instrument. And even under that exception, these pre-construction activities are subject to interim management strategies adequate for those limited activities. This exception, which is common industry practice and consistent with Bank policy, was abused by the Contractor, as the exception did not allow for the clearance of land and population displacement. Consequently, the cause of the alleged harm is not Clause 10.1 but the Contractor’s failure to comply with it.</p> |
| Land Acquisition, Stakeholder Engagement, and Reprisals | | | |
| 5. | Applicability of Bank Policy on Involuntary Resettlement | 4.01, 4.12 | Management acknowledges the Panel’s findings of compliance. |

| No. | Panel Findings | Policy | Response |
|-----|---|--------|----------|
| | <p>OP/BP 4.12 and Request for Safeguard Documents</p> <p>The Panel finds that the particular social context of the proposed quarry site in Omolokony Village and the complexities and contestations about customary ownership of both the land and the Rock meant that OP/BP 4.12 did apply to the proposed Merok quarry site. There were conflicting and confusing views among the various stakeholders and among Bank staff on whether OP 4.12 should have applied. Management stated in its Response that when it learned Merok was a proposed quarry site it requested UNRA to ensure that the Contractor prepared a RAP.</p> <p>The Panel notes the lack of clarity in the framework documents concerning the application of the Involuntary Resettlement Policy for quarry sites. Management, once it became aware of the proposed quarry site and the lack of site-specific safeguard documents (ESIA and RAP), determined there was non-compliance. The Bank requested preparation of these documents and asked that activities at the proposed quarry site stop.</p> <p>Notwithstanding the lack of clarity in the framework documents, the Panel finds Management is in compliance with the Bank Policy on Involuntary Resettlement, OP 4.12, paragraph 3, for deciding that the policy applied to the proposed Merok quarry site. The Panel also finds the Bank is in compliance with OP 4.01, paragraph 1, and with OP 4.12, paragraph 6, for requesting a site-specific ESIA and RAP for the proposed Merok quarry site.</p> | | |

| No. | Panel Findings | Policy | Response |
|-----|---|---------------|--|
| 6. | <p>Disclosure of Information and Meaningful Consultations</p> <p>The Panel accepts as credible evidence the PAP claims that no proper consultation occurred during the process of acquiring the Rock and adjacent land. The Project's ESMF, RPF, and the valuation report were not shared with the community. The Contractor and the Subcontractor provided no records of meaningful consultation meetings.</p> <p>Furthermore, there is a strong linkage between the lack of an environmental assessment process and the absence of meaningful consultations. The Panel finds the lack of consultations resulted in the community entering into lease agreements without the benefit of sufficient information concerning their rights. This is in non-compliance with OP 4.01, paragraphs 14 and 15, and OP 4.12, paragraph 2(b).</p> | 4.01, 4.12 | <p><i>Neither the Bank nor UNRA agreed to the acquisition of the Merok site, nor were they involved in the Contractor's initial efforts to acquire it. As discussed in Item 11, the Contractor breached its contractual obligations to implement the Project's safeguard instruments and engage in the kind of consultation the Panel found was missing. Had Management been aware of the Contractor's plans for the site, it would have insisted on meaningful consultations in accordance with Bank policy as a condition of acquiring the site for the Project.</i></p> <p>Once it became aware of the Contractor's efforts to acquire the site, UNRA attempted to retrofit the acquisition and have the Contractor produce the required safeguard instruments. That is when the Bank learned that the Contractor had not shared any safeguard-related instruments with the community and that no records of meaningful consultations had been provided by either the Contractor or Subcontractor. The Bank learned that the Contractor did conduct some community consultations and trainings prior to the acquisition of the site by the Subcontractor, including a financial literacy training and workshop on September 21, 2018, which was conducted by Centenary Rural Development Bank.</p> <p>A review of the lease agreements commissioned by Management suggests that the lease payments were up to twice the market rate for leasing comparable land.</p> <p>Nevertheless, the Bank concluded that the consultations were insufficient. This fact, together with the Contractor's continued unwillingness to comply with applicable contract provisions and regulations, led to the Bank's decision to object to the use of the site under the Project.</p> |
| 7. | <p>Intimidation, Reprisal, and Coercion</p> <p>The Panel notes that the lack of consultations created an environment in which the PAPs felt intimidated and coerced into certain actions. The Panel finds that Management, upon learning about the allegations of intimidation, reprisal, and coercion, took appropriate action to protect the affected parties. The Panel finds</p> | IPF | <p><i>Consistent with its position on reprisals, Bank Management indeed acted swiftly and decisively to address allegations of intimidation and coercion related to the Merok site.</i></p> <p><i>IPF Policy paragraph 20, quoted in the Panel Report, however, does not address these issues.</i></p> |

| No. | Panel Findings | Policy | Response |
|-----|--|--------|--|
| | <p>that Management is in compliance with the Bank Policy on Investment Project Finance, paragraph 20. The Panel appreciates that there have been no further reported incidents of intimidation and reprisal to the date of this Report, indicating that Management's reaction was both timely and effective.</p> | | |
| 8. | <p>Bank Objection to Using the Rock for the Project</p> <p>Management's decision to object to the use of the Rock in the Project may have ultimately caused further harm to the PAPs. Such harm includes i) insufficient compensation for destroyed assets, ii) lost opportunities to benefit from the Rock, iii) continued resentment from the wider community against the PAPs for the quarry cancellation, iv) reduced incentives for either UNRA or the Contractor to resolve matters in a timely and satisfactory manner to all stakeholders, and v) uncertainty regarding the status of the leases agreed by the PAPs and the Subcontractor.</p> <p>Stakeholders informed the Panel that the problems relating to the proposed Merok quarry site could have been resolved had Management not objected to the use of the Rock. The Panel observes that Management neither consulted with the PAPs nor with the Contractor on the objection to use the Rock.</p> <p>The Panel finds that, given the harm listed above, Management's decision to object to using the Rock in the Project without consulting with the community is in non-compliance with OP 4.01, paragraphs 14 and 15.</p> | 4.01 | <p><i>This finding relies on speculative assumptions regarding unfulfilled expectations that "may have ultimately" been frustrated by the Bank's objection to the use of the Oruja rock under the Project.</i></p> <p><i>Out of concern for the community and to comply with its policies, the Bank objected to the use of the rock when it became clear that it would not be possible to address the environmental and social risks related to using the Merok site in a satisfactory manner. Consultations with the affected communities would not have overcome the incompatibility of the Merok site with safeguard requirements.</i></p> <p><i>The Bank, as early as October 2019, recommended that UNRA search for an alternate site for the quarry. This recommendation took into consideration the site observations and the scale of the negative impacts that would likely be associated with operation of a quarry at the Merok site. The 2019 mission team therefore strongly recommended that an alternative site be assessed and associated safeguard instruments submitted to the Bank for its "No Objection".</i></p> <p><i>In Management's view, the reported views of stakeholders who believe that the issues surrounding the site could have been resolved in fact overlook diverging views within the community about how to proceed, and fail to take into consideration the technical challenges of operating the Merok site as a quarry. Management notes the complete breakdown of trust and communication between the parties involved, as well as the fundamental difference in their understanding of the underlying facts. As confirmed by the Panel Report, the community "did not want to engage with the</i></p> |

| No. | Panel Findings | Policy | Response |
|-----|----------------|--------|---|
| | | | <p><i>Subcontractor,</i>”¹ which is the contracting party to the lease agreements. It is not clear how the matter could have been resolved when one contracting party declined to engage with the other one. While the community, Subcontractor and Contractor have communicated several times with the help of UNRA and through the community’s legal representative, they have been unable to reconcile their expectations to arrive at an agreement.</p> <p>Management notes that the Requesters have retained a lawyer who has been advising the community and who has advanced their demands vigorously against UNRA and the Contractor. Management is not aware of any good-faith attempts made by the community or the Contractor to engage in direct negotiations with each other to either (i) renegotiate the terms of the leases; or (ii) cancel the leases and repay the rent already received. Nor has the community attempted to challenge the validity of the leases in court.</p> <p><i>Moreover, due to the lack of safeguard instruments, the viability of operating the site as a quarry has never been demonstrated. Management considered the challenges and impacts of operating the site as a quarry and concluded that the following risks could not be adequately mitigated to meet Bank policy requirements:</i> (i) long distance (approximately 7 km) between quarry and main road that about 270 trucks would have to travel daily, passing by two markets, schools, and a church, and the need to acquire additional land to widen existing paths, (ii) complex layers of ownership which remain unresolved to this day; (iii) classification of the Oruja rock by some community members as sacred, (iv) the absence of an analysis of alternative sites, and (v) the difficulties of implementing the required 500 m buffer zone for blasting. No consultation with the community would have changed these facts or the Bank’s conclusion.</p> <p><i>In addition, as the Panel points out, NEMA regulations for operating a quarry would have required considerable additional land acquisition – given the breakdown in relations between the</i></p> |

¹ Inspection Panel Investigation Report, paragraph 136.

| No. | Panel Findings | Policy | Response |
|-----|----------------|--------|--|
| | | | <p><i>community and the Subcontractor, this would have constituted a significant obstacle to surmount.</i></p> <p>Management notes that during the October 2019 mission, some Project-affected people pointed out disagreements within the community, with elders concerned about the potential loss of the shrine while younger Project-affected people favored commercial exploitation of the rock. The draft ESIA proposed the relocation of the shrine (located in the middle of the rock) as an alternative. During engagements with the community it became clear that some community members showed concern for the reported cultural significance of the shrine, while others did not.</p> <p>Below are specific responses to the points cited in the Panel Report.</p> <ul style="list-style-type: none"> • <i>“<u>Insufficient compensation for destroyed assets.</u>” The issue of insufficient compensation for destroyed assets is unrelated to the decision on whether or not to use the rock as a quarry going forward.</i> Management made it clear that sufficient compensation for any damage needs to be paid to Project-affected people. Management commissioned a Social Audit to verify earlier damage assessments, and which should be the basis for compensation to affected parties. This process will be concluded regardless of the decision to not use the Merok site. • <i>“<u>Lost opportunities to benefit from the Rock.</u>” The community’s expectation to benefit from the Project in one way or another cannot be a factor that overrides the Bank’s obligation to ensure that proper safeguard instruments for the operation of the quarry are produced, and then approved by the Bank and adhered to by the Contractor.</i> Moreover, the Panel Resolution is clear about the fact that <i>unfulfilled expectations</i> (when compared to the no-project situation) do not represent material harm, which undoubtedly is the case here. • <i>“<u>Continued resentment from the wider community against the PAPs for the quarry cancellation.</u>” The fact that some community members may disagree with the corrective actions taken by the Bank cannot override the Bank’s need to take such actions to comply with its policies.</i> Community members may hold diverse views about Bank-financed projects, their implementation, and their possible suspension or the implementation of remedial actions. However, the |

| No. | Panel Findings | Policy | Response |
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| | | | <p>existence of such disagreements and the possibility that they may generate tension between community members cannot be the determining factor in the Bank's decision to support an activity or not. Management notes that the Panel found that the Requesters and Project-affected people <i>"no longer felt threatened or intimidated."</i>²</p> <ul style="list-style-type: none"> • <i>"Reduced incentives for either UNRA or the Contractor to resolve matters in a timely and satisfactory manner to all stakeholders." In Management's view the Merok site plays no role regarding incentives for UNRA or the Contractor to resolve the matter.</i> Project implementation has been suspended for almost two years subject to the satisfactory resolution of the issues at the Merok site. This means that the US\$173 million contract could not be disbursed even though the Contractor had fully mobilized already, thus incurring all the associated costs. This, in Management's view, constituted a significant incentive for resolution of the issues, notwithstanding discontinued use of the site. <i>In any event, the Bank cannot be expected to continue pursuing a flawed Project activity in the hope that continued pressure on the Contractor might eventually help resolve some—but not all—of the underlying issues with the site.</i> • <i>"Uncertainty regarding the status of the leases agreed by the PAPs and the Subcontractor." This uncertainty has been present from the outset and would have persisted even if the Merok site had been used under the Project.</i> Management agrees with the Panel that uncertainty remains surrounding the adequacy of the lease agreements. This uncertainty, however, falls outside of the Bank's mandate and is for the parties and Ugandan legal system to resolve. |
| Project Supervision and Bank Response to the Request | | | |
| 9. | Deployment of Environmental and Social Expertise The Panel finds the Bank's deployment of environmental and social expertise since Project | IPF | Management acknowledges the Panel's finding of compliance. |

² Inspection Panel Investigation Report, paragraph 169.

| No. | Panel Findings | Policy | Response |
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| | approval in April 2014 to be adequate. The Panel finds the Bank is in compliance with the Bank Policy on Investment Project Financing, paragraph 20, and with the Bank Directive on Investment Project Financing, paragraph 43. | | |
| 10. | Frequency of Supervision There was no increase in the frequency of supervision after the Bank learned about the potential Merok quarry site in April 2019, despite knowing that harm had already occurred there. This was inadequate. | N/A | <p><i>The Bank's missions were commensurate with the type and size of the Project, sufficient to address the issues uncovered at the Merok site, and consistent with Bank policy. Early missions found a number of irregularities on site, which the Bank raised with UNRA and which led to the suspension of Project works and the exclusion of the Merok site from the Project. Additional missions would have done nothing to prevent harm that had already occurred, or cause the Bank to suspend the works at the site any faster.</i></p> <p>The Bank undertook four missions in 11 months – in April 2019, July 2019, October 2019, and the last in February 2020 just before the start of the COVID-19 pandemic, which restricted any further travel. Even during the height of the pandemic, the Bank continued to hold virtual follow up meetings with UNRA – in April, May, and September 2020 – specifically to discuss the Merok site issues, and one physical mission in October 2020 with the exceptional approval of the Regional Vice President, which was then required under the Bank's pandemic precautions. In addition, virtual missions have been held every six months, beginning in November 2020.</p> <p>Based on the mission of April 2019, which uncovered the situation at the Merok site, the Bank requested the Borrower to halt the mobilization and works there and ensure that the site-specific ESIA and RAP were retroactively prepared. These actions were intended to stop any adverse impacts to the Project-affected people and, through the RAP, to address the prior impacts that had occurred. Further, when the Bank carried out a follow-up mission in October 2019 and established that the Contractor had disregarded the recommendations from the previous mission, Bank Management asked UNRA to issue a Stop-Work Order for the entire Project and initiate remedial action plan to address the environmental</p> |

| No. | Panel Findings | Policy | Response |
|-----|---|--------|--|
| | | | and social consequences of the Contractor's non-compliance. |
| 11. | <p>No-Objection to the Negotiated Clause 10.1</p> <p>Concerning the quality of supervision, the Panel finds the Bank's no-objection to the negotiated Clause 10.1 allowed the Contractor to circumvent requirements of OP 4.01, and to conduct pre- construction activities without safeguard documents. The Panel finds this to be contrary to the requirements of the Bank Policy on Investment Project Financing, which requires the Bank to monitor the implementing entities' compliance with their E&S obligations. The Panel finds Management is not in compliance with the Bank Policy on Investment Project Financing, paragraph 20.</p> | IPF | <p><i>Management agrees that the Contractor's unauthorized start of works in the absence of appropriate safeguard instruments led to the harm found in the Panel Report. However, in Management's view, the Contractor's actions were not enabled by the wording of Clause 10.1 but rather stemmed from the Contractor's disregard of the clause, coupled with its continued inability or unwillingness to comply with contractual provisions and UNRA's instructions, together with UNRA's inconsistent contract enforcement.</i></p> <p>Clause 10.1 is an amended version of a standard contract clause. The amendment actually imposed stricter requirements on the Contractor than the original wording, not more lax ones. Compared to the original Clause 10.1 in the bidding document – which merely stipulated that works were to begin within 45 days of the signing of the contract – the amended version applicable under the Project introduces interim safeguard requirements. This also includes the possibility for a contractor to carry out some low-impact preparatory steps for potential quarries. In Management's view, the Contractor ignored the restrictions contained in Clause 10.1 and carried out activities that clearly fell outside the described scope of the preparatory steps allowed for quarries.</p> <p>The Contractor breached Clause 10.1, which clearly stipulates that only the <u>investigation</u> of quarries could start ahead of the availability of safeguard instruments for the physical works. The wording in Clause 10.1 (“[...] geotechnical investigations or investigations to select ancillary features such as quarries and borrow pits [...]”) clearly limits any permitted quarry-related activities to investigatory activities only. The Contractor evidently breached this clause by instead initiating and carrying through a complex process of land acquisition and compensation, including moving people and clearing the ground – none of which could be described as “investigating” the quarry site.</p> <p>While the interim management strategies were likely insufficient to govern the activities carried out by the Contractor, it needs to be understood that these interim management strategies were never meant to govern and guide complex activities such as land acquisition, compensation, moving people, or clearing the grounds in a cultivated or inhabited area. The interim management</p> |

| No. | Panel Findings | Policy | Response |
|-----|----------------|--------|---|
| | | | <p>strategies that contractors have to submit at bidding are basic rules to guide limited preparatory works, with limited impact, of the type that may take place before the contractor's ESMP is produced and approved.</p> <p><i>In Management's view, Clause 10.1 is sufficiently clear with regard to the very limited investigatory activities that could be permitted at potential quarries prior to the submission and clearance of safeguard instruments. That view notwithstanding, Management will issue a comprehensive clarification to UNRA to avoid any further misinterpretation of this clause by the Contractor for the remainder of the contract.</i></p> <p><i>Action:</i> See proposed MAP, Item 2.</p> <p><i>Background:</i></p> <p>The original Clause 10.1 reads as follows, "The Contractor shall start the Works and Services within the period specified in the PC. Upon request from the Contractor, the Employer shall confirm in writing the Start Date, after verifying that works and services have started on the Site."</p> <p>UNRA had the Contractor strengthen this clause as follows:</p> <p><i>"Notwithstanding the Start Date as specified in this Sub-Clause, the Contractor shall not carry out any Works, unless the Project Manager has confirmed in writing that he is satisfied that appropriate measures are in place to address environmental, social, health and safety risks and impacts. However, exception shall be granted for mobilization and/or pre-construction activities (e.g., limited clearance for haul roads, site accesses and work site establishment, geotechnical investigations or investigations to select ancillary features such as quarries and borrow pits) that may be allowed based on the interim management strategies and implementation plans and code of conduct, submitted by the contractor and agreed as part of the contract.</i></p> <p><i>The Contractor shall submit, on a continuing basis, for the Project Manager's approval, such supplementary Management Strategies and Implementation Plans as are necessary to manage the ESHS risks and impacts of ongoing works. These Management Strategies and Implementation Plans collectively comprise the Contractor's Environmental and Social Management Plan (C-ESMP). The C-ESMP shall be approved prior to the commencement of construction activities (e.g., excavation,</i></p> |

| No. | Panel Findings | Policy | Response |
|-----|---|--------|---|
| | | | <p><i>earth works, bridge and structure works, stream and road diversions, quarrying or extraction of materials, concrete batching and asphalt manufacture). The approved C-ESMP shall be reviewed, periodically (but not less than every six (6) months), and updated in a timely manner, as required, by the Contractor to ensure that it contains measures appropriate to the Works activities to be undertaken. The updated C-ESMP shall be subject to prior approval by the Project Manager.”</i></p> |
| 12. | <p>Effective Reporting and Monitoring Systems</p> <p>By June 2018 the Contractor had identified Merok as a quarry site, in October 2018 the PMMC had recorded several grievances from the community regarding this site, and in September- October 2018 the Bank conducted a field visit to Katine Subcounty. Although the implementing entities had access to this information, the Bank failed to identify issues at Merok or visit the proposed Merok quarry site until April 2019. The Panel notes that the available supervision reports did not capture the relevant information.</p> <p>The Panel finds Management failed to ensure effective reporting and monitoring systems and as a result, there was a lack of timely knowledge of the Merok site until as late as April 2019. The Panel finds that Management is not in compliance with the Bank Policy on Investment Project Financing, paragraph 20, and the Bank Directive on Investment Project Financing, paragraph 43.</p> | IPF | <p>The Contractor signed the OPRC contract on June 27, 2018. As noted, the acquisition of the Merok site was done without regard for the NERAMP ESMF and RPF, and consequently without the necessary safeguards and engineering due diligence.</p> <p>The Bank’s 2018 site visits reviewed (i) the proposed main campsite in Katine subcounty; (ii) the proposed campsite in Mbale; (iii) the proposed asphalt camp and quarry site in Bukedea; and (iv) the proposed Boroboro campsite. The Bank at this point had not been advised by UNRA about the grievances regarding the Merok site. Nor did the Bank receive any complaints about Merok until April 2019, and thus the Bank team did not visit the Merok site in 2018.</p> <p>In January 2019, the Contractor, through the local company (Ruhore), paid compensation to the Project-affected people for the acquisition of their land and properties. In the first week of April 2019, the Contractor started the pre-construction activities, such as levelling up of ground and removing the properties of some landowners for purposes of setting up the camp, without obtaining prior clearance of the ESIA and RAP, which was a violation of the Contract Clause 10.1.</p> <p>All this happened between March 18 and April 8, 2019, and the Bank became aware of the grievances during a joint Bank-UNRA site mission to the Merok site on April 9, 2019.</p> <p>The very next day, PMMC instructed the Contractor to suspend the work until the ESIA and RAP were duly approved in accordance with the policies of the Bank and statutory procedures of the Government of Uganda.</p> <p>That same day, April 10, 2019, UNRA submitted an incident report to the Bank, and an Environment and Social Incidence Response Toolkit report was filed accordingly using the notification protocol established under the Project and detailing the issue at the Merok site.</p> |

| No. | Panel Findings | Policy | Response |
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| | | | <p>On April 15, 2019, three representatives of the Project-affected people at the Merok site sent a complaint to the Contractor (Mota-Engil) with a copy to UNRA and NEMA regarding their concerns about the negotiation process used and the determination of the compensation due for their property. This was the first official communication from Project-affected people regarding the compensation process at the Merok site of which the Bank is aware. In response, UNRA, through the PMMC, immediately requested the Contractor to submit all documentation pertaining to the acquisition of the site. The Contractor submitted a response to UNRA on May 2, 2019. Following this submission, UNRA held a top-level management meeting, first at UNRA headquarters and then at the Merok site, on May 10, 2019, involving the Project-affected people, the Contractor and the PMMC. The Project-affected people were assured that the matter was being looked into in consultation with relevant authorities, i.e., NEMA, and the Ministry of Land, Housing and Urban Development.</p> <p>Furthermore, in an effort to raise the awareness of the communities about their rights and the ESHS guidelines, two public meetings were conducted by UNRA in the presence of the PMMC and the Contractor on April 24, 2019, and April 26, 2019. This process concluded with the setting up of a Grievance Redress Committee (GRC) at the Merok site on April 26, 2019.</p> <p>As noted in Item 10, once the Bank became aware of the issue, it carried out four supervision missions in the following 11 months and held regular meetings in between missions to follow up on the issue. This included providing technical support to UNRA for the preparation and clearance of the required instruments.</p> <p>The Bank team continued to monitor the situation (i) through regular communication with UNRA's project team; (ii) through exchanges with some of the Project-affected people met during the mission; and (iii) by supporting UNRA throughout the preparation and review of the required safeguard instruments. It is important to note that by April 2019, the Project-wide grievance redress mechanism was functioning appropriately, with 104 grievance redress committees (GRCs) established and trained along the road corridor and ancillary sites. However, as stated above, a GRC was not formed at the Merok site before April 2019 because the site had been acquired and prepared without regard for the Bank instruments.</p> |

| No. | Panel Findings | Policy | Response |
|-----|--|--------|--|
| | | | <i>Action:</i> See proposed MAP, Item 4. |
| 13. | <p>Bank Reactions to Address the Impact Caused by Non-Compliance</p> <p>The Panel notes that until June 2019 the Bank maintained the overall E&S rating as “Satisfactory” despite delays in preparing safeguard documents. The Panel also notes the Bank characterized the continuing harm suffered by the Merok community as an “inconvenience” and the slow pace of follow-up actions, including the two-year delay of the Audit – all of which demonstrated a lack of urgency to rectify the harm. The Panel finds that Management did not ensure that systemic problems or violations were addressed in a timely and effective manner, and that Management failed to review information on the progress of implementation adequately. The Panel finds that Management is not in compliance with the Bank Policy on Investment Project Financing, paragraph 20, and the Bank Directive on Investment Project Financing, paragraph 43.</p> | IPF | <p><i>The Panel has taken one word in one Bank letter out of context to incorrectly suggest that the Bank was trivializing the Contractor’s harm to the community. Management has not used the term “inconvenience” to characterize the events at the Merok site in any internal document or its Response to the Request.</i> This term appears in one single instance in a letter to the community in which the Bank apologized to the community and assured community members of efforts to mobilize compensation payments for the damage they suffered. The Panel Report takes this word out of context to suggest incorrectly that the Bank was trivializing the impacts on the community. Management wishes to point out that it promptly reacted to the reports and applied appropriate contractual remedies under the Financing Agreement by suspending the Project works pending resolution of the issues at the Merok site. Hence, it does not agree that there was a lack of concern or urgency to address the situation on the Bank’s part.</p> <p><i>As noted in Management’s first Response to the Request, the Bank commissioned an independent Audit at the Merok site to assess the impact of the Contractor’s actions and inform UNRA’s next steps.</i> The Audit’s objective was to “validate the adequacy of compensation amounts for community members’ damaged property (structures, crops, and other assets), and suggest additional measures if compensation is found insufficient.”</p> <p><i>The completion of the Audit encountered unexpected delays beyond the original target date.</i> Once the team was in place, Uganda’s strict COVID-19 protocols significantly constrained the ability of the team to conduct the needed field inquiries and required a number of mid-course revisions to the sequencing and scheduling of work. Subsequent, lengthy consultations with UNRA to reach consensus on the preliminary findings of the Audit and the methodology occasioned further delays. Uganda’s strict COVID protocol during that period made travel within the country virtually impossible, which considerably delayed the consultant’s required field work.</p> <p><i>An additional significant challenge met by the Audit team was the lack of cooperation from the community.</i> Community members either declined to engage or refused to provide the information necessary to complete the</p> |

| No. | Panel Findings | Policy | Response |
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| | | | <p>Audit. Some community members reported that their lawyer had advised them not to cooperate with the Audit team and not to provide any documentation or specific information. This has made the assessment and quantification of impacts difficult, as has the complete absence of any reliable baseline data.</p> <p><i>In Management's view, the current version of the Audit report is suitable for consultation with the community and for determining the outstanding compensation to be paid.</i> Although the absence of baseline data and lack of community cooperation means that any conclusions are necessarily tentative, the Audit has identified gaps between the compensation previously paid and what the available evidence suggests the affected people should have received. It also has identified several affected persons who were not included in the original lease agreements but nonetheless suffered loss as a result of contractor activities. Despite these challenges, Management now believes the Audit is sufficiently robust to serve as the basis of consultations with the community and final determination and payment of outstanding compensation.</p> <p><i>Action:</i> See proposed MAP, Item 1.</p> |

ANNEX 2.
TIMELINE OF EVENTS AT THE MEROK SITE

| Date | Event |
|------------------------|--|
| December 1, 2013 | ESMF disclosed on World Bank website. |
| April 30, 2014 | World Bank Board approved Project. |
| February 16, 2015 | Financing Agreement signed. |
| July 1, 2015 | Project became effective. |
| July 30, 2015 | UNRA issued bidding documents for procurement of works and services under OPRC. |
| December 28, 2015 | Bank suspended disbursement of NERAMP, as part of TSDP-related cross-suspension. |
| June 6, 2017 | Suspension of disbursement lifted for NERAMP. |
| June 2018 | Contractor approached community to discuss using Oruja rock as quarry for NERAMP. |
| June 27, 2018 | Contract signed between UNRA and Contractor. |
| June 27, 2018 | Contract signed between UNRA and PMMC. |
| August 13, 2018 | Start date of contract between UNRA and Contractor. |
| September 2018 | Subcontractor initiated negotiations with community for access to rock and some adjacent land; surveying and valuation of land around rock carried out for Subcontractor. |
| September-October 2018 | Bank team, UNRA, PMMC, and Contractor visited the NERAMP project road, including proposed workers' camp sites, including proposed Katine Subcounty campsite, and asphalt plant; visit did not include proposed Merok site. |
| October 9, 2018 | PMMC visited proposed Merok quarry site and recorded grievances of community members, including dissatisfaction with proposed compensation, lack of consultation and understanding of involuntary resettlement process, fears about potential loss of homes and livelihoods, and of water sources and other activities around the rock; PMMC recommended that Contractor implement RAP, including detailed valuation survey of PAP-owned assets and communicate with PAPs. |
| October 16, 2018 | Contractor engaged Subcontractor through MoU to identify and acquire quarry to sublease to the Contractor. |
| November 7, 2018 | PAPs wrote to Contractor, dissatisfied with compensation offered by Subcontractor and asking to deal directly with Contractor. |
| January 18, 2019 | Lease agreements signed between PAPs and Subcontractor; Subcontractor made lump sum payments to PAPs. |
| January 22, 2019 | Contractor's law firm submitted land ownership due diligence report for lease agreements. |
| February 2019 | PAPs submitted a complaint to UNRA; local GRC established to receive complaints. |
| February 2019 | PMMC communicated to Contractor need to submit ESIA and RAP for Merok site, in accordance with Government of Uganda and Bank policies and procedures. |
| February 13, 2019 | Contractor informed PMMC that all land had been acquired for quarry, campsite, stone-crushing and asphalt plants. |
| February 27, 2019 | PMMC requested full documentation from Contractor |
| February 28, 2019 | Contractor submitted draft valuation methodology to Chief Government Valuer office for approval. |

| Date | Event |
|------------------------|--|
| March 1, 2019 | Subcontractor subleased proposed Merok site – including land leased from PAPs (26.57 acres) and the rock – to Contractor on 10-year lease for US\$350,000. |
| April 8, 2019 | GRC established. |
| March 18-April 8, 2019 | Contractor mobilized construction equipment and cleared and leveled leased land |
| April 8, 2019 | Contractor informed PMMC that “contractor is preparing to undertake pre-construction activities including the ESIA” and sent it a Methodology and Work Plan for conducting an ESIA for a stone quarry. |
| April 9, 2019 | PMMC established that proposed quarry site had been cleared, leveled up, and preliminary camp facilities established. PMMC advised Contractor this was a clear violation of contract Clause 10.1. Bank team, with UNRA, PMMC, and Contractor representatives, visited proposed quarry site at Merok during ISM, April 3-17, 2019,. Bank observed recent clearance of trees, crops, possibly structures, and two bulldozers bearing Contractor’s logo in area around rock. |
| April 10, 2019 | Incident Report issued by UNRA; per Project reporting procedures, UNRA provided report to Bank next day. PMMC issued letter to Contractor requesting that clearing activities be suspended until all E&S due diligence carried out / “instructed Contractor to suspend work (until and unless ESIA and RAP approved).” Contractor immediately suspended work. |
| April 12, 2019 | CGV approved methodology report submitted by Contractor in February 2019. |
| April 12, 2019 | Based on incident report, Bank requested Borrower to halt works at the site and ensure that the site-specific ESIA and RAP were retroactively prepared. |
| April 15, 2019 | PAP chairpersons for Merok site sent complaint to Contractor (Mota-Engil), copied to UNRA, NEMA and Bank Country Office regarding concerns about negotiation process used for compensation of their property. |
| Date unclear | UNRA (through PMMC) asked Contractor to submit all documentation regarding acquisition of quarry. |
| April 20, 2019 | UNRA sent draft ESIA for planned Merok quarry site to Bank for review. |
| May 2, 2019 | Mota-Engil submitted response to complaint to UNRA. |
| May 9, 2019 | PMMC met Contractor to explain methodology for preparation of ESIA/RAP. Deadlines agreed – ESIA June 20, 2019, and RAP July 15, 2019 |
| May 10, 2019 | UNRA met with PAPs, Contractor, and PMMC at Merok site to hear and discuss grievances. |
| May 22, 2019 | Bank formally informed the Government of its observations from April 2019 visit to Merok, including requests that (i) Contractor stop works on site until ESIA/RAP prepared and approved; and (ii) UNRA investigate land acquisition process and provide Bank with report on complaint and any necessary remedial actions. |
| May 25, 2019 | Multiple grievances registered with GRC, including allegations of undervalued payment and no payment for land, crops, trees, graves, and assets. |
| June 5, 2019 | CGV withdrew approval because land acquisition process was marred by procedural flaws. |
| August 12, 2019 | Contractor submitted draft ESIA to UNRA and Bank for review. |
| September 6, 2019 | Bank reviewed ESIA and provided comments to UNRA on September 6, 2019. Bank never received an updated version addressing its comments. |

| Date | Event |
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| October 16, 2019 (ISM October 14-25, 2019) | Bank team, along with UNRA, PMMC, and Contractor representatives, visited Merok site. |
| October 25, 2019 | Bank received from UNRA electronic copy of letter from affected community members' lawyer dated April 15, 2019 and addressed to Mota-Engil Country Representative copied to, among others, the UNRA Executive Director and Bank Country Manager. Country Office has no record of this letter. |
| November 6 2019 | Management requested UNRA to stop all works on entire NERAMP road corridor until non-compliance issues had been addressed; Management indicated Bank would hire independent consultant to carry out a Social Audit at Merok quarry site to assess impacts and inform UNRA's next steps. |
| December 2, 2019 | UNRA issued Stop-Work order to Mota-Engil through PMMC. |
| February 19, 2020 | Bank Country Office received formal complaint from representative of affected community members addressed to Country Manager. |
| February 24, 2020 | Complaint forwarded to Bank's Grievance Redress Service for registration. |
| February 17-27, 2020 | Bank mission. |
| March 6, 2020 | UNRA submitted RAP methodology report for Merok site to Bank. |
| March 11, 2020 | Acknowledgement letter sent to community from Bank GRS responding to PAP letter of February 2019. |
| April 13, 2020 | Bank requested update on RAP from UNRA. RAP Consultant had been hired by Contractor who had challenges in accessing community members. Consultant was to reengage with affected community members after pandemic restrictions had been lifted. |
| April 28, 2020 | Follow-up high-level meeting held between Bank and UNRA. It was agreed that an UNRA team would reach out to affected community members and Contractor to initiate valuation process for damage. |
| April 2020 | Virtual follow-up meeting with UNRA. |
| April 30, 2020 | UNRA sent team to site to initiate planned re-evaluation of compensation amounts. |
| May 2020 | Virtual follow-up meeting with UNRA. |
| May 1, 2020 | Bank communicated to UNRA its objection to use Merok site for Project. |
| May 4, 2020 | UNRA issued letter to Contractor to begin demobilizing from Merok site, while addressing pending grievances from community. |
| May 8, 2020 | Bank team received call from representative of affected community members alleging death threats by Subcontractor representative to make community members withdraw their complaints. Bank Country Manager flagged issue to UNRA ED, requesting appropriate action. |
| May 9, 2020 | UNRA team investigated case. Preliminary findings confirmed threats and UNRA submitted report to Bank recommending steps to ensure community members' safety. |
| May 14, 2020 | UNRA and Mota-Engil met and decided to travel to Merok to verify issues, attempt to resolve them, and establish plan to demobilize from quarry. |
| May 15, 2020 | UNRA/PMMC/Mota-Engil visited site and met affected community members. Value of damaged crops/developments was discussed. PAPs raised concerns about how payments could be made as Contractor was leaving, and about potential retaliation from wider community due to Project stoppage. |
| May 18, 2020 | UNRA and Bank met regarding valuation of loss of assets; Contractor was willing to compensate affected community members for loss of crops and structures. Bank team requested UNRA to immediately register threats made to community members with local police and ensure safety of affected community members. |

| Date | Event |
|------------------------------|--|
| | UNRA agreed to take actions to ensure their safety. UNRA ED informed Bank of planned site visit on May 21, 2020 to meet with affected community members. |
| May 21, 2020 | UNRA team traveled to Merok site to inform PAPs that site would not be included in NERAMP, and to close out grievances. PAPs were asked to forgive Subcontractor employee who allegedly threatened them, were advised that leases would remain and would not need to be repaid, and that Subcontractor might use the Rock for another purpose at a later date. PAPs were asked to confirm their acceptance of these terms in a letter to UNRA. |
| May 22, 2020 | PAPs wrote to UNRA that they forgave Subcontractor employee who allegedly made death threats, that Subcontractor and PAPs did not owe each other anything. PAPs also asked that Project continue so the community could benefit from the development. |
| May 26, 2020 | UNRA provided report of meeting with handwritten letter signed by affected community members indicating their withdrawal of grievance but with no indication that they had been compensated. UNRA indicated that it considered the grievance addressed and the case was closed. |
| June 6, 2020 | Representative of affected community members contacted Bank team by phone, claiming they had signed May 21, 2020 letter under duress. |
| June 6, 2020 | Mota-Engil initiated demobilization – completed by June 18. |
| June 18, 2020 | Contractor completed demobilization from Merok site. |
| June 26, 2020 | Bank requested UNRA to alert relevant authorities of risk of retaliation against community members, and to advise them that any form of retaliation could jeopardize future of Project. UNRA also published in local newspapers a statement to that effect and provided evidence to Bank. |
| August 12, 2020 | UNRA reported to Bank that Mota-Engil had completed demobilization on June 18, 2020. Report also indicated that two access roads previously used by Contractor would be repaired as soon as weather permitted. |
| September 2020 | Virtual follow-up meeting with UNRA. |
| October 1, 2020 | IPN Request received. |
| October 25, 2020 | Bank team conducted field visit to Merok. During visit, team observed that one access road was partially repaired, while the second was completed with some spots that needed further interventions to address drainage issues. |
| November 9, 2020 | IPN registered Request for Inspection. |
| November 11, 2020 | UNRA reported to Bank that all road repairs had been completed by Contractor. |
| November 2-13, 2020 | Virtual mission. |
| December 11, 2020 | Management Response to IPN Request. |
| December 2020 | Management commissioned E&S Audit to validate adequacy of compensation amounts for community members' damaged property (structures, crops, and other assets), and suggested additional measures if compensation was found to be insufficient. |
| February 11, 2022 | Stop-Work order on Lot 2 lifted. |
| February 26, 2021 | IPN Report to Board recommending investigation. |
| March 12, 2021 | IPN Investigation authorized by Executive Directors. |
| June 14-25, 2021 | Virtual mission. |
| November 15-December 9, 2021 | Virtual mission. |
| May 3, 2022 | Panel issues Investigation Report. |

| Date | Event |
|-------------------|------------------------------|
| May 23 - 24, 2022 | MAP Consultations with PAPs. |