

CASE STUDY

SET 2

UGANDA

UGANDA CASE STUDY #1

The use of informal networks to obtain a driver's licence

Robert Lugolobi, Independent consultant

The respondents run a business training aspiring drivers of motor vehicles. They have been driving instructors for almost 20 years. They also offer their assistance to learning drivers who are going through the official process of obtaining a licence. The whole process starts with the applicant applying for a provisional driver's licence, during which the respondents assist people with filling out forms. The licencing process is supposed to commence with the applicant having their eyesight tested by a medical officer. However, the respondent's service entails taking the forms to the medical officer who then issues such aptitude attestation without actually testing the applicant. In exchange, the respondent pays the medical officer a bribe of 20,000 to 30,000 Uganda Shillings (UGX).

After the respondents obtain the aptitude report and pay the provisional license fees on behalf of the applicant, they take the application forms to the Face Technologies Office, which is a Government-contracted company in charge of processing and issuing driver's licences. There, the respondents pay another 5,000 to 10,000 UGX to jump the long queue. The scanning and processing of official documents costs yet another 30,000 UGX.

In the next stage, the applicant is tested by a Police Inspector of Vehicle (IOV) for their driving skills and knowledge of road signs and traffic rules. The respondents state: "This test is supposed to be free but in Africa nothing is". They pay the IOV an additional bribe of 60,000-70,000 UGX to be exempt from taking the actual test. Instead, the Inspector of Vehicles (IOV), a police officer designated to test applicants for their driving skills/competence, provides them with the PASS notification letter. All forms are then returned to 'Face Technology' for processing and final issuance of the driver's licence.

WHAT IS GOING ON "BEHIND THE SCENES"?

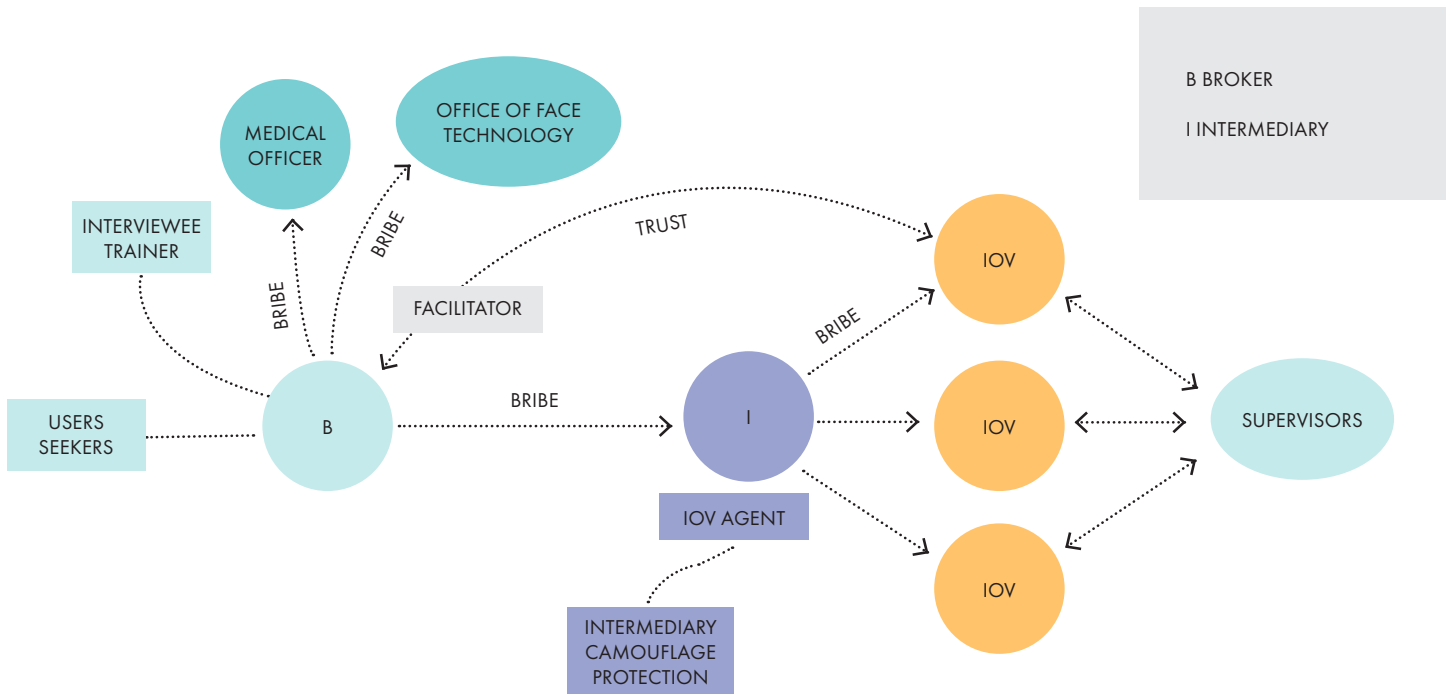
The Police Inspectors (IOVs) do not receive the money directly from the respondent, but payment is made via an IOV intermediary instead. The intermediary activates their network of colluding officers within the IOV's office, and communicates to the network that payment has been made. Those applicants deciding not to go down this route and not to pay the IOV colluding officials are believed to face greater risks of failing the driving test on the most flimsy grounds. The IOV intermediaries themselves are monetarily incentivised (usually between 5,000-10,000 UGX) to quickly communicate completion of payment transactions to the network. Thereafter, the intermediary makes sure the application is promptly processed and the certificate of having passed the driving test is issued. IOVs within the Inspectorate tend to use such intermediaries to avoid leaving any traces and by extension discovery. After all, transactions channeled through the networks are more difficult to reenact, therefore offering "anonymity and protection" to its members.

To keep up appearances, IOVs - and especially those suspected of accepting bribery - deliberately and sporadically fail some applicants on purpose. Usually they tend to target those few "honest ones" who refuse to go along with the scheme and pay a bribe. Therefore, those deciding not to bribe are most likely to run into difficulties in obtaining their licence the "honest yet unconventional" way.

NETWORK RELATIONS

The corruption chain does not stop with IOVs, since network relations are by no means only horizontal. The network is also hierarchical, reaching the higher levels of IOV departmental supervisors. IOVs have to pay these supervisors to receive a “receipt book”, which is used to issue the PASS notification notices necessary for a licence to be issued. If they fail to do so, the supervisors retain those books, which in fact are supposed to be provided freely.

In the last and final step, the applicant may again incur another small facilitation payment (5,000 to 10,000 UGX) to jump the queue one more time when picking up the license. Aside from paying to expedite the whole process, the



licence applicant pays the official fees of 80,000 UGX. In the end, the applicant pays double the amount officially required to obtain a licence.

HOW TO BUILD A NETWORK?

The respondents explain how they have built their network: They got acquainted with IOVs counterparts during the process of obtaining driving permits for their respective clients. Repeated interaction with IOVs enables them to get to know them personally and build a strong relationship based on mutual trust and reciprocity. To maintain trust, the respondents must diligently pay IOVs what they call *Kubatamera*, referring to payable duties among “friends” and interested parties. These agreements are personal but still transferable. For example, when an IOV is being transferred to another testing centre, the one leaving the station often briefs the new replacement officer, while introducing their clients to the incoming IOV. In this manner, new IOVs are inducted into the network system. The IOVs who leave often keep in touch with the respondents, and “help out” whenever their assistance may be needed.

In their capacity as client broker, the respondents receive 400,000 UGX for each “full” application that they help process; having catered to all instances - medical attestation for visual aptitude, issuance of provisional driver’s licence, and payment of driving test fees - of said process.

Recruitment of new members is by recommendation. The respondents mention how “friends” (inside and outside the network) link them up with new prospective clients. Such matchmakers are rewarded (with a small sum) for each referral that leads to a “successful” application. Referrals can also be bought for money or are sometimes provided by previous clients.

WHAT KEEPS THE NETWORK TOGETHER?

The respondents described what amount to the informal, unwritten but well understood rules that govern behaviour amongst the participants in this network.

Each party needs to trust one another. This is cultivated by promptly making payments and sharing the proceeds as agreed. There is continuous communication between parties, such as making inquiries, providing network updates, and so on. The onus is on the respondents, in their role as brokers, to keep the network active

Each party is expected to be loyal to one another, and not to expose or report one another. In case of any changes in the network, new processes and protocols such as new controls are quickly disseminated amongst members by word of mouth. The same applies to potential dangers (for example, of being exposed) or threats (for example, of an unreliable partner applying for membership). Members also share advice on how to go about new controls, for example, protocols set in place to avoid detection. Thus, each member is compelled to protect one another and never turn their back on any member of the network. Any exposure of a member can lead to the breaking up of the network, which is not good for any member.

Money is the primary motivator for developing and maintaining a network. Money aside, network membership comes with certain perks, such as getting out of a speeding ticket when confronted by a traffic police officer who is also a network member.

Finally, there is the general belief that the network is good for each and every member, and that membership works to the advantage of every individual member.

UGANDA CASE STUDY #2

Network transactions involving the land registration office

Robert Lugolobi, Independent consultant

The respondent is practising land surveying and he has been working in this sector for over ten years. Most of his work consists of surveying pieces of land that are to be sold or bought by his clients. His services also include boundary clearing, subdividing the land where necessary, and pursuing land transfers of ownership. He deals with different land offices across Uganda as well as with the main land offices in Kampala and Entebbe. He is therefore a broker, arranging transactions between his clients and the public officials in the land offices.

Land brokers, public officials working in the land offices, friends, relatives, fellow surveyors, current clients, as well as law firms who deal on land matters on behalf of their clients refer him new prospects. Sometimes people in the area where he is surveying land approach him directly to seek his services.

WHAT CONSTITUTES HIS NETWORK AND HOW DOES HE KEEP IT?

His network consists of his clients, associates and public officials. He keeps his networks to help secure new orders. He makes sure to cultivate his networks with public servants at the land registry offices who can help him maneuver through a complex bureaucratic system. The chain of public officials working on a single land transaction is quite long and each plays a specific role. This makes land transactions not just complex but expensive: each person expects to be paid a bribe at every stage of the process, or else things will simply not get done. Without their direct help, any land matter or transaction is likely to fail.

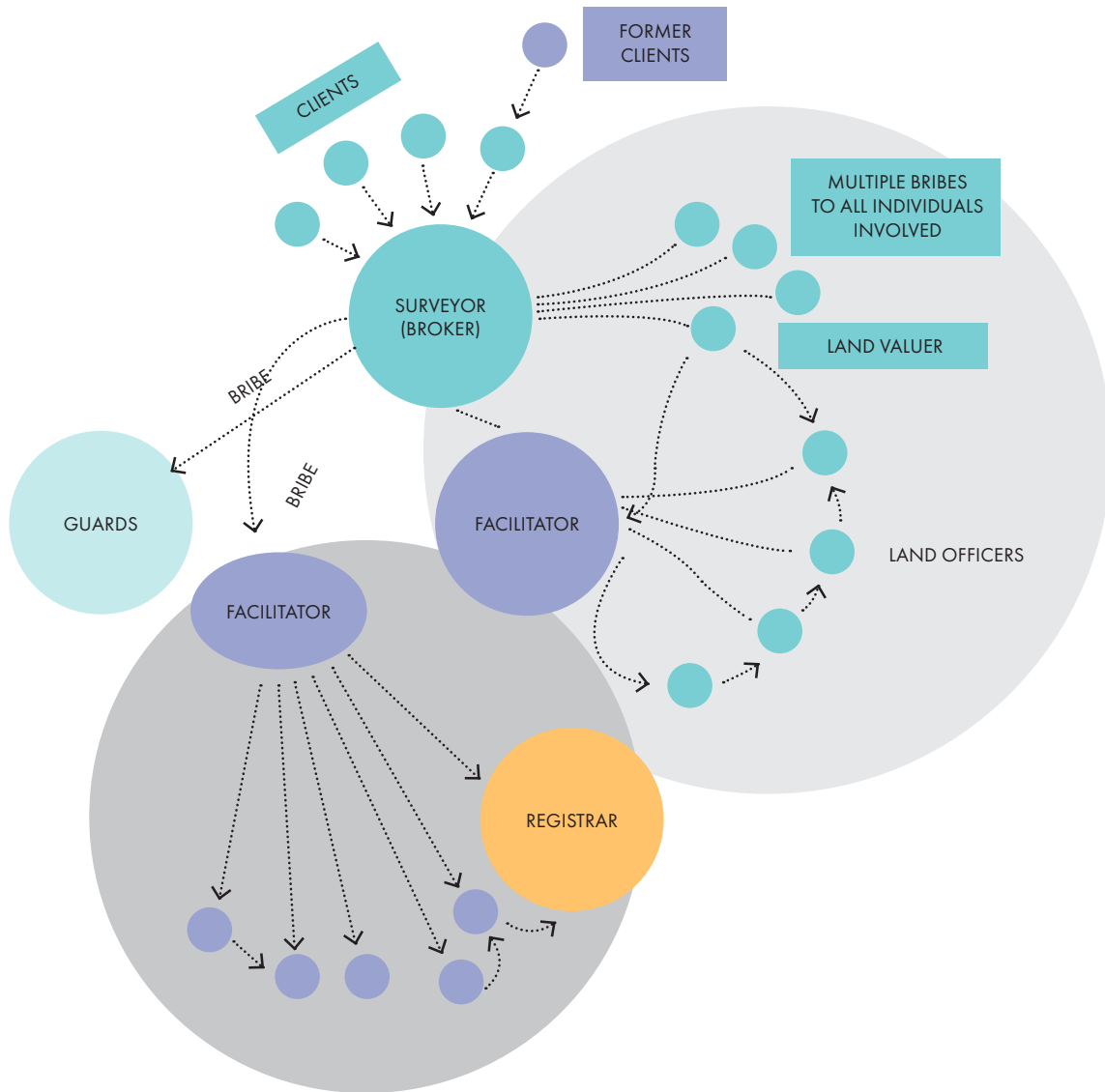
Therefore, he builds and keeps investing in a large network and makes an effort to keep it functional, especially at the land office. This is achieved by dispensing money for each transaction that he wants to push through. Trust within the network is built and kept by regularly and promptly paying each person involved at the various stages of the process (for example, the process of transferring land title ownership).

Sometimes he designates one single person at the office to whom he pays a lump sum. In exchange, that designated officer takes all necessary steps and precautions for the process to run smoothly. This person plays the role of facilitator, taking up the responsibility for overseeing the whole process and making sure the client's transactions are carried out without problems or delays. Either by paying multiple bribes to every single official for each step of the process, or by paying a lump sum to the facilitator, the network is kept functional as long as money is changing hands and the fees charged to the client are shared across the entire network.

Sometimes his clients are connected to "big people" in politics or the public service sector, in which case their name and influence may be strategically used to maneuver through the land office. With the "right" connection, one may be asked to pay lower amounts of money to public officers. This is often about reputation and status, since public officials do not want to be seen in a bad light in the eyes of these powerful and socially admired individuals. When it comes to the "well-connected", they tend to make an extra effort (for example, by speeding up the process or charging considerably less).

As someone who makes a living in this particular line of work, the respondent does not secure deals easily or often. He is bound to spend money and invest his earnings wisely. He makes sure to put the money he has made to good use and to always be able to “serve” his network and pay the sums required to expedite the various processes at the land registration office. Discipline and skills are required. Otherwise, he would damage his reputation of trustworthiness and reliability among both his clients and his “friends” at the land registration office. Any inability to pay would be considered a breach of trust and ultimately destroy the network, rendering it dysfunctional.

HURDLES ALONG THE PROCESS: THE CASE OF LAND OWNERSHIP TRANSFER



Some stages of the process are more difficult to overcome than others. The last step of transferring ownership is critical and comes with certain hurdles. To complete this final transaction, a good relationship with a number of public officials at the land office is required. Crucial is the office of the land valuer, who is responsible for determining the value of the land and calculating the payable taxes. The government charges 1.5 Percent of the value of the land.

The appraised value of the land determines the stamp duty due to be paid. Some big chunks of land or land in prime locations will naturally attract high value and tax. The land valuer enjoys quite a bit of discretion and in exchange for a bribe will make a favorable valuation well below market value thereby bringing down the tax amount at a “mate’s rate”. The bribe the clients need to pay to the valuer is usually a set percentage of the value of the land. If the land is valuable and deemed to be attracting higher taxation, then the bribe will naturally be higher. Those deciding not to bribe the valuer will risk paying very high taxes and face long waiting times of up to a year or more.

HOW DO THE VALUER AND OTHER OFFICERS GET PAID?

The relationship of the interviewee with the public officials at the land office is primarily transactional and based on money. The transaction works on the basis of reciprocity instilling a sense of certainty around the premise that “when one pays the bribe the client will be served.”

Once the land has been assigned and the value and stamp duty appraised, the client is instructed to pay their taxes into a designated government bank account. He then takes the payment receipt to the Registrar’s section at the lands office. He is required to bribe the security guards to be granted access to the office; the amount may vary depending on the relationship one has with the guards.

Inside the registrar’s office, the payment receipt is presented to an officer in charge of scanning the documents and then processing and acknowledging the payment in the system so that the process and transaction can be completed. For this, too, a facilitation payment must be made, again depending on the relationship with the officer and the value of the transaction. Bribes tend to start from 50,000.

At the registrar’s office there are more stages of the processes that require personal engagement with the respective public officers in charge. This may even include messengers that physically move the file from one office or officer to another, such as the ones working in sealed high-security storage rooms with limited access. Another example is clerks proof checking all documents for accuracy and completeness (for example, whether the information matches the records they hold in terms of content, format and structure). All of these officials usually ask for a bribe, again relative to the relationship they have with the application and the value of the land. If everything is in order, these clerks then prepare and assemble the file to be forwarded to the registrar’s office. These are critical steps necessary for completing the whole process. If the bribe is not paid, then the process is delayed or halted. To avoid this one has no choice but to pay the bribe, or approach and bribe the Registrar for them to take matters into their own hands.

THE REGISTRAR - THE CRUCIAL ACTOR

The Registrar constitutes the last important hurdle in this process. They peruse the file and decide whether to approve it and finalise the process or not. The Registrar is also paid or else one’s application runs the risk of being rejected on trivial grounds. This would significantly complicate things because the appeal system is anything but clear and highly time consuming. Here again having the right connections can open the door to bargain with the Registrar to avoid the possible negative consequences.

Once the Registrar approves the transaction, they assign a name for the land title, which has to be typed up by the Secretary of the Registrar. The Secretary also has to be paid some money to avoid any delays. The file goes back to the Registrar for final checks and signoff. The title is finally updated and registered.

UGANDA CASE STUDY #3

Informal networks in the transport, tour and ticketing business

Robert Lugolobi, Independent Consultant

This case study refers to a business operating in the transport and tour sector in Uganda. The interviewees are the managers of the company in question and are regularly involved in tendering processes from both public and private sector entities.

They are convinced that it is almost impossible to get any business in the public sector without having a connection and using a network. The need to have a connection to someone in the organisation to help one access business is recognised to be a prevalent, accepted precondition for doing business. Often their firm has been prequalified by agencies to be eligible to receive government contracts but the reality is that they will not obtain any business unless they get connections to “arrange things” for them. Informal networks are not only important but necessary to get business with government entities.

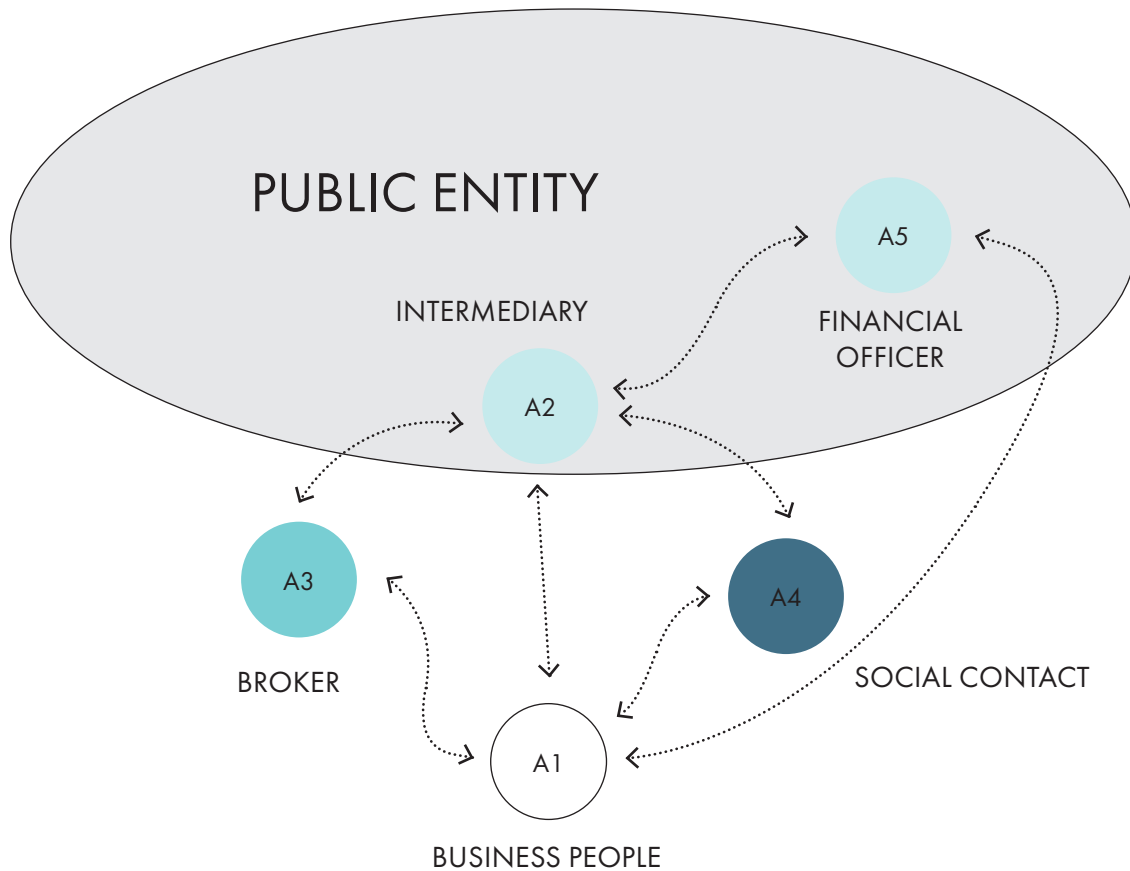
There are many wealthy people who do not have capital or assets, machinery, stock, or any kind of inputs but they are well connected. They know people who matter in government especially in the sphere of public procurement. These people are commonly known as “*Kayungirizi*” in Luganda and in English brokers. These individuals keep winning big and lucrative tenders based on their connections and, thereafter, they look for firms or individuals with capacity to deliver on the contract. They get paid large amounts of money to informally sell the tender while appearing as the contractor in the official records of the procuring entity. A few years ago one of these individuals was awarded a large contract to offer transport services to the Parliament of Uganda although he did not even own vehicles. His firm later got approached by a transport company and they worked under the auspices of the official tenderer to provide the services.

Often public officials are the entry point into their respective entities. For instance, the position of transport manager is assumed to be lucrative as the office oversees fuel, vehicle repairs and supplies, which often get allocated large sums of public funds. Transport managers in public entities are known to engage with their informal connections to award contracts in exchange for bribes or kickbacks. For example, a business may charge mark up of \$30 per air ticket issued to the client but the public officials may demand that a markup of \$130 per ticket be provided in the financial offer made to the public entity. This becomes a challenge as the targeted businesses will appear to be unreasonably expensive, which may damage their reputation amongst clients. Unfortunately, it is difficult to resist because when the terms are not accepted, it is impossible to get business. This type of demand and the manipulation of contracting provisions to favour accomplices in a corruption scheme explain why often one firm can keep winning business in an organization while others are kept away despite being prequalified and frequently participating in the tendering and responding to requests for quotes.

Sometimes the deals revolve around manipulating the number of days that are commissioned and paid for. A public entity may contract the firm to offer transport services for five days but use it only for two, demanding thereafter that the fee charged for the extra three days the vehicle was not used be given back. In this kind of scenario the firm still needs an insider to bargain, connect and secure the business.

Sometimes the public officials in the procuring entity approach one of the interviewees and offer a business deal

with their entity if they are willing to cooperate. They negotiate the percentage of contract value that will be their markup and the firm starts getting business. The onus is on the company to honor the informal agreement by paying exactly and punctually the amounts that were agreed upon. Should a company default, that network is dismantled, and the concerned firm never gets business again from that public entity. The effect may also be escalated because the defaulting firm could also lose goodwill among other public entities as public officials (especially in procurement departments) relate to one another. It will be risky for the firm to backtrack on what had been agreed with the public officials as it may lead to the firm being informally, but effectively, blacklisted and losing business.



HOW DO BUSINESSES BUILD AND MAINTAIN NETWORKS?

Business people take actions to find people that can help them penetrate networks in order to be able to win business opportunities. They look out for such connections from Old Boys and Girls, 1 people from their communities, churchmates, people belonging to the same clubs etc. They sometimes strategically and deliberately profile specific decision makers in government entities, get to know where they hang out, the clubs they go to, who their associates are and find ways of getting closer to them (or to the other people who are close to them) with the intention of getting connected with them and co-opting them into their networks so as to access business opportunities. One of the respondents visits sites and places where football matches get screened with the intention of mixing with people who are in a position to make business decisions. Other business people start playing golf or other sports, or become members of clubs like the Rotary and Lion Clubs.

¹These are the terms used in Uganda to refer to former schoolmates.

One respondent approached an 'Old Boy' who was holding a senior position in the Ministry of Finance and told him that his firm was on the list of prequalified suppliers in the Ministry but had spent a long time without being offered any business. His Old Boy intervened and they started getting business from that Ministry. He has used many of his Old Boys for that purpose.

People maintain their networks by winning and maintaining trust. If a given amount of money has been agreed upon as the "commission" for the public officer(s) involved in the deal, the business partner is obliged to pay it wholesomely and promptly after receiving the formal payment for services rendered to the entity. Failure to pay immediately after being paid destroys trust and damages the network.

Other important players in the network are the people in the finance and accounts sections. They too are critical, because if they are not connected to the suppliers, and consequently not receiving a bribe from them, they can delay releasing payments even after invoices and all other accompanying documents have been submitted. One needs to be in the good books of such people in order to be expeditiously paid.

Knowing people holding the highest offices can help you get business, but in the interviewees' experience the most effective networks are those with people in the procurement offices of the entities as they make most of the procurement decisions related to their sector i.e. transport and ticketing. They always aim to co-opt those officials and, when they do, business proceeds smoothly.

The interviewees ensure they maintain good relations with them. On top of promptly and wholesomely paying them their agreed amount, they try to develop a stronger sense of friendship and acquaintance by attending burials and social events associated with the public officials, even giving money to contribute to event costs. Having good networks with public officials allows businesses to get to know in advance what the public entities are planning to procure, as well as information on budget and other important leaks that help companies position themselves to access lucrative tenders.

In conclusion, the interviewees affirmed that the most important driving force of these networks is money. Trustworthiness in the network is key in keeping it alive and active. Breaking the informal agreements for the payment of bribes and kickbacks is a huge risk because the business might be blacklisted and excluded from the network. The other issue is confidentiality, as each participant in such informal networks is expected to protect the others, ensuring they do nothing that could expose the members of the network to any kind of danger.

UGANDA CASE STUDY #4

Informal networks in the chemical sector

Robert Lugolobi, Independent Consultant

The respondent is the Executive Director of a company that supplies laboratory, industrial and other kinds of chemicals and reagents as well as related equipment. He has been in this business now for over 20 years and his firm is one the major dealers in chemical products in Uganda. This business is quite unique and technical.

Often, officers in the user department of the procuring entities, who are responsible for initiating the procurement of goods, have informal connections to the dealers or potential suppliers of the goods and services in question. It is not unusual for those officers to engage one or more pre-selected suppliers in the preparation of the technical specifications and cost estimates during the elaboration of tender documents. The selection of the firm to consult and advise at this early stage of the solicitation process is often based on their relationship with the procuring department, which could depend on previous dealings with the entity or on a referral from another person or department. Often when the dealer(s) get involved in drafting the specification of goods or items to be tendered, that participating firm is likely to get contracted to supply the items even when the tender is openly advertised. Sometimes the firm is even requested to seek a number of other bids from the list of prequalified suppliers of the procuring entity just to simulate that there was competition.

Whenever tasked by the entity to bring other bids or quotations alongside his firm's bid, the interviewee explained that he selects and approaches prequalified firms explaining to them the need to be issued with their quotations for the sake of the procuring entity appearing to be complying with the procurement rules, but clarifying there would not be real competition. This is a common practice in their sector where there are about eight relatively big suppliers across the country who know each other. He also gets approached by other firms for such help and complies, as in this network of dealers there is an unwritten rule that they help one another with such requests.

These informal networks among suppliers are important because sometimes, especially for a big tender, it can happen that no single firm can provide everything that is specified in the contract. In such cases, a number of firms get together to collaborate with the selected supplier, who will pay them when getting paid. If one firm decides to work outside these networks it risks failure to fully execute the tender as it will not likely be in position to have all the items needed and that would negatively impact on their ability to fully execute the contract- a reputational risk. Items are usually expensive and most of the firms in the industry are not resourced or capitalized to be able to solely execute big tenders.

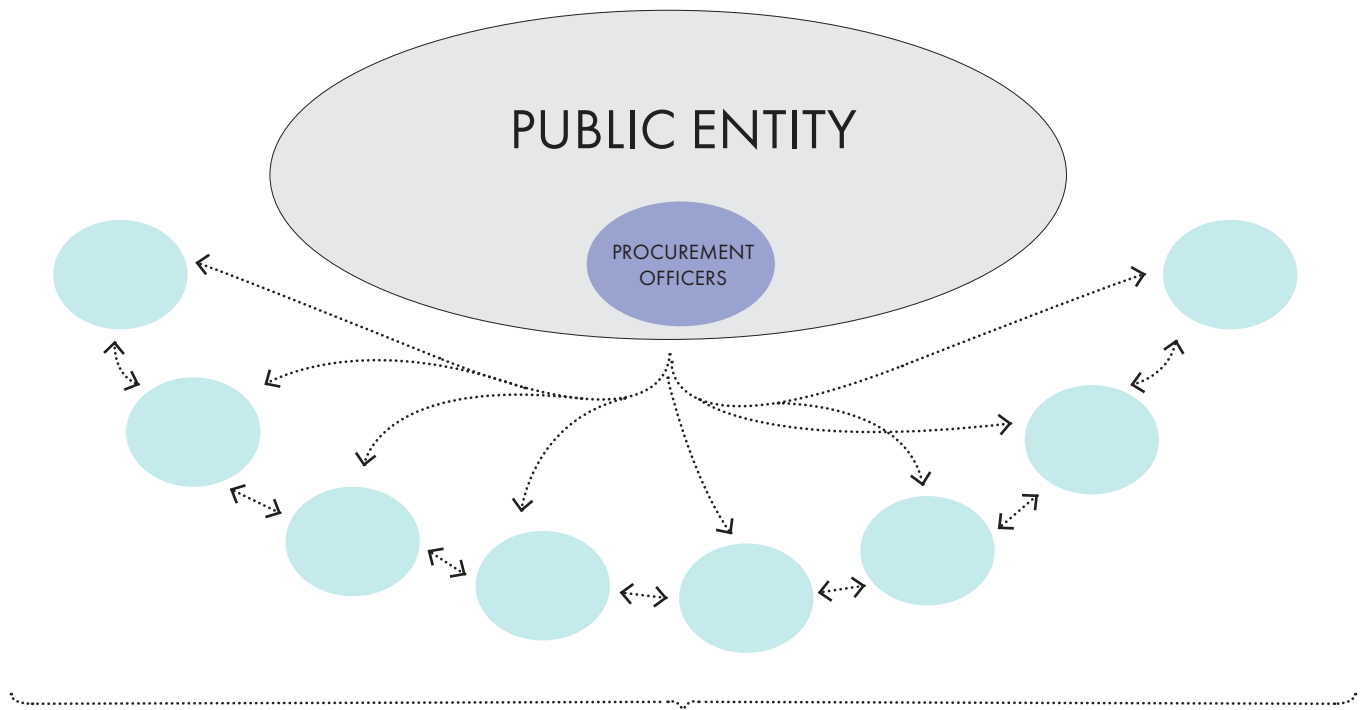
It is important that the firm that is awarded a tender maintains a good relationship with the people in the procuring entity. When the firm wins a tender to supply various items, the procuring entity's top officials meet with the contract recipient to identify which items on contract should be supplied and which shouldn't be supplied. They work out the cost of those items not to be supplied and they request that their worth in terms of money, be given to the officials of the procuring entity in cash. The respondent has in the past expressed concern when confronted with such situations since all goods or items supplied under a contract are controlled by means of a local purchase order (LPO). The procurement officers proposing such deals often respond by saying that internal processes should be left for them to arrange. At the time of delivery, the firm delivers only those items on the list they highlighted to be delivered but the delivery note and goods received note is prepared including all the items reflected on the LPO, even those that are not delivered.

Sometimes all the goods reflected on the LPO have to be delivered but the supplier and the officials of the procuring entity agree to inflate the prices of the items/goods to be supplied. Othertimes, a contract is signed and LPOs issued, but the officials from the procurement entity reveal that they have all the items listed on the LPO and hence the supplier does not need to deliver any item but is only required to file in the delivery note even when nothing has been delivered. Suppliers comply with such requests in order to maintain good relationships.

Sometimes, the supplier gets informed the entity has funds on the budget to spend on chemicals or equipment although they may not need such items. Instead it might be that they need to find funds to spend on other items such as paying for salaries or travel expenses. The supplier then gets a request to be issued with a contract and LPO for the supply of goods worth the amount of money the entity needs. In such cases, the officials of the procuring entity often agree with the supplier on a percentage of contract value that will be paid to him. Nothing gets delivered in this case but the entity prepares and pays the supplier as if goods were supplied and received by the entity and the "supplier" subsequently pays back the officials of the procuring entity the money he received (contract value) minus his commission.

The officials of the procuring entity always get paid in cash; they don't ever accept bank cheques or payments using mobile money services as to avoid any audit trail or leaving any evidence behind that they were paid.

The informant concludes by asserting that in order to access business opportunities with the public sector you have to belong to these informal networks because they enable stable relationships to be built with public entities who contract their services on a regular basis. To keep these networks one has to comply with what has been agreed upon and keep their secrets. The moment one defaults, trust is lost and the culprit will likely be ejected from these networks, which can drive companies out of business given that most of their clients are public entities.



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PRE-QUALIFIED FIRMS IN THE CHEMICALS SECTOR