

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

FIFTH PROGRESS REPORT

ON THE IMPLEMENTATION OF

MANAGEMENT'S ACTION PLAN IN RESPONSE TO

THE INSPECTION PANEL INVESTIGATION REPORT  
(REPORT INSP/136219-UG)

ON THE REPUBLIC OF UGANDA

WATER MANAGEMENT AND DEVELOPMENT PROJECT  
(CREDIT NO. 5127-UG)

AND

ENERGY FOR RURAL TRANSFORMATION PHASE III PROJECT  
(CREDIT NO. 5653-UG)

June 24, 2024

## ACRONYMS AND ABBREVIATIONS

ABIA	Amendment to the Bujagali Indemnity Agreement
BIA	Bujagali Indemnity Agreement
EKFS	Extended Kalagala Falls Site
ERT-III	Energy for Rural Transformation III Project
ESIA	Environmental and Social Impact Assessment
ESIA Addendum	Environmental and Social Impact Assessment Addendum for Isimba Hydropower Plant
GoU	Government of Uganda
HPP	Hydropower plant
IDA	International Development Association
IPN	Inspection Panel
KFS	Kalagala Falls Site
km	Kilometer
KOA	Kalagala Offset Area ( <i>also referred to as Kalagala Falls Site, KFS</i> )
KOSMP	Kalagala Offset Sustainable Management Plan
LRP	Livelihood Restoration Plan
LTCO	Long-Term Conservation Options
MAP	Management Action Plan
MP	Management Plan (for the EKFS)
MW	Megawatt
RAP	Resettlement Action Plan
SCA	Special Conservation Area
SECP	Stakeholders Engagement and Communication Plan
SRIMF	Social Risk and Impact Management Framework
WMDP	Water Management and Development Project

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**Fifth and final Progress Report  
on the Implementation of the Management Action Plan  
in Response to the Inspection Panel Investigation Report on the  
Uganda Water Management and Development Project (CREDIT NO. 5127-UG) and  
Uganda Energy for Rural Transformation Phase III Project (CREDIT NO. 5653-UG)**

1. This is the Fifth and final Progress Report to the Board of Executive Directors (the Board) on the implementation of the Management Action Plan (MAP) in response to the Inspection Panel Investigation Report No. INSP/136219-UG on the Uganda Water Management and Development Project (WMDP) and Uganda Energy for Rural Transformation Phase III (ERT-III) Project, covering the period August 1, 2023 – June 1, 2024.

2. As discussed in the fourth progress report, the Stakeholders Engagement and Communication Plan (SECP) and the Extended Kalagala Falls Site (EKFS) Management Plan have been completed. Both documents were reviewed by the Bank and found acceptable. With the lifting of travel restrictions after the COVID pandemic, the EKFS Management Plan was finalized through consultations undertaken by the Government of Uganda (GoU) between April 24 and April 28, 2023, and between June 19 and June 23, 2023. The Bank attended these consultations as an observer and, based on community feedback from the consultations, recommended to the GoU that it undertake additional consultations on the Management Plan prior to implementation. Through the EKFS Management Plan, the GoU committed to undertaking a consultative process prior to any activities being implemented.

## I. BACKGROUND

3. *The Bujagali Project.* In 2007, the Board approved the Uganda Private Power Generation (Bujagali) Project (Bujagali Project), which involved construction of the 250-MW Bujagali Hydropower Plant (HPP) on the Victoria Nile, some eight kilometers north (downstream) of the town of Jinja. The Project was supported by loans from the International Finance Corporation, and Guarantees from the International Development Association (IDA or the Bank) and the Multilateral Investment Guarantee Agency. The Bujagali HPP was commissioned in August 2012. The IDA guarantee expired in November 2023, along with the Bank’s obligation to monitor the financial risks covered by the guarantee.

4. *Kalagala Falls offset.* To alleviate the adverse environmental and social impacts of the Bujagali Project, the GoU provided contractual undertakings to IDA to establish an offset in the area of Kalagala Falls, located about 15 km downstream of the Bujagali HPP, which included a 10.2 km stretch of the river, as well as the Central Forest Reserves of the Kalagala Falls and the Nile Bank. This offset, referred to as the Kalagala Falls Site (KFS) and also as the Kalagala Offset Area (KOA), was “...exclusively to protect its natural habitat and environmental and spiritual values...”<sup>1</sup> To manage the offset, the GoU approved a Kalagala Offset Sustainable

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<sup>1</sup> Section 3.06 of the Bujagali Indemnity Agreement dated July 18, 2007 (the “BIA”) between International Development Association and Republic of Uganda (Number B-0130-UG).

Management Plan (2010-2019) (KOSMP), which was launched in May 2011.<sup>2</sup> The WMDP supported, under one of its components, priority investments related to the implementation of a part of the KOSMP. The WMDP closed on December 31, 2018; as per its Implementation Completion and Results Report, the activities in support of the KOSMP were completed satisfactorily and the GoU is committed to protection of the affected areas.<sup>3</sup>

5. *Isimba HPP.* As part of its plan to expand electricity access and provide adequate power supply, the GoU began construction of the Isimba HPP in 2015. The project, a 183-MW facility located about 36 km downstream of the Bujagali dam, was prepared and implemented by the GoU, using its own funds and financing from China Eximbank. The World Bank Group was not involved in preparation, financing, or construction of the Isimba project, nor was the Bank consulted by the GoU on the construction of the Isimba HPP. The Isimba HPP was commissioned in March 2019.

6. *ESIA Addendum.* When the Bank became aware in 2012 of the planning for the Isimba project and its proximity to the KFS, the Bank engaged with the GoU to determine the extent to which the Isimba HPP would affect the KFS. Since the Environmental and Social Impact Assessment (ESIA) for the Isimba HPP did not adequately address the potential impacts of the project on the KFS, the Bank requested a further assessment to specifically examine these potential impacts. In response, the GoU, using IDA funds from the ERT-III, prepared: (a) an Addendum to the ESIA of the Isimba HPP (ESIA Addendum), which focused on assessing environmental and social impacts of the Isimba HPP on the KFS and identifying mitigation measures; and (b) a Long-Term Conservation Option Report (LTCO Report), which examined options for protecting the KFS using the laws and regulations of the Republic of Uganda. The LTCO Report was completed in July 2017 and the ESIA Addendum in November 2017. With the completion of these two studies in 2017, the ERT-III no longer financed any activities related to the EKFS.

7. *Requests for Inspection.* On September 22, 2016, the Inspection Panel (IPN or the Panel) [registered two Requests for Inspection](#), IPN Requests RQ 16/05 and RQ 16/08 (hereafter referred to as “the Requests”), for three IDA-financed projects that were in various ways related to the KFS: the Bujagali Project, and the WMDP and ERT-III Projects, as described above. Management provided its [Response](#) to the Requests on October 27, 2016. On December 16, 2016, the IPN submitted to the Board its Recommendation, recommending deferral of its decision regarding investigation pending completion of the Isimba HPP ESIA Addendum, preparation of which was in progress at the time. On April 4, 2017, the Board (a) found that the Bujagali Project was not eligible for investigation as the project closed in 2012; and (b) accepted the deferral of the IPN’s recommendation to investigate for the remaining two projects, the WMDP and ERT-III.

8. *Panel Investigation.* On February 4, 2018, Management provided an [Update on Management Actions](#) to the Panel and the Board with information on the actions taken during

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<sup>2</sup> Maintaining a sustainable management program for KFS and Mabira Central Forest Reserve is an obligation under the Indemnity Agreement.

<sup>3</sup> Republic of Uganda: Water Management and Development Project – Implementation Completion and Result Report (IDA-51270), World Bank, February 12, 2020.

the deferral period and the completion of the ESIA Addendum for the Isimba HPP in late 2017. The Panel subsequently sent its [Second Report and Recommendation](#) to the Board on May 3, 2018, recommending an investigation of the WMDP and ERT-III. The investigation, authorized by the Board on September 19, 2018, was completed on May 2, 2019, when the IPN issued its [Investigation Report](#) (Report No. 136219-UG). On June 28, 2019, Management provided its [Report and Recommendation](#) to the [Board, which considered it](#) on December 3, 2019, and approved the Management Action Plan.

9. *Amended Indemnity Agreement.* Following the completion of the ESIA Addendum and LTCO Report in 2017, the Bank and the GoU entered into an amendment to the Bujagali Indemnity Agreement (BIA)<sup>4</sup> to reflect the findings and recommendations of these reports. The amended BIA (ABIA), signed on January 24, 2018, modified the boundaries of the KFS by excluding the portion of the river flooded by the Isimba HPP reservoir, and extending the KFS further upstream toward the Bujagali dam, creating the EKFS.

10. *Extended Kalagala Falls Site.* The EKFS<sup>5</sup> encompasses “*the stretch of Nile River approximately 15 kilometers long that begins upstream at 2.5 kilometers below the Bujagali dam wall and ends downstream at the tail end of the Isimba Dam reservoir (Maximum Pool Level of 1,055 meters above sea level), thereby including (A) the entire Nile River aquatic area within these limits; (B) all river islands within these limits; (C) all land within 100 meters of both the left and right river banks from the annual maximum high-water line;*<sup>6</sup> and (D) the entire area of the Namavundu, Kalagala Falls and Nile Bank Central Forest Reserves except any portions inundated by the reservoir of the Isimba Dam.”

11. *Obligations of the GoU.* The ABIA addresses weaknesses identified in the management and protection of the original KFS by including specific GoU obligations to assure effective establishment and maintenance of the EKFS in ways that also appropriately address potential social impacts. The relevant GoU obligations and actions include: (a) to adopt, by December 31, 2019, and thereafter maintain, a mechanism that ensures legally-binding and long-term conservation, protection and management of the EKFS; and (b) to prepare and adopt, by December 31, 2019, a Management Plan (MP, or EKFS MP) for the EKFS, including measures to address potential social risks.<sup>7</sup> These obligations are further elaborated in a Supplemental Letter<sup>8</sup> dated January 24, 2018 between IDA and the Republic of Uganda which – *inter alia* –

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<sup>4</sup> Available here: <http://documents.worldbank.org/curated/en/520961519228498878/Official-Documents-Amendment-to-the-Indemnity-Agreement-for-B0130-UG>

<sup>5</sup> The name “Extended Kalagala Fall Site” (EKFS) is used informally to refer to the Kalagala Falls Site as defined by the January 24, 2018, amendment to the BIA. The ABIA continues to use the term “Kalagala Falls Site” to refer to this area. In some documents of the Republic of Uganda, the area is referred to as “Kalagala and Itanda Falls Special Conservation Area.”

<sup>6</sup> The 100-meter limit was selected to coincide with the existing “river bank” protection zone established under the National Environment (Wetlands, River Banks and Lake Shores Management) Regulations, 2000, in order to avoid any incremental impact of establishing the EKFS on people’s livelihoods.

<sup>7</sup> The original November 30, 2018 deadline for these two obligations was extended to December 31, 2019 by an amendment to the BIA dated November 30, 2018, available here: <http://documents.worldbank.org/curated/en/394221544801526377/Official-Documents-Third-Amendment-to-Indemnity-Agreement-B-0130-UG>

<sup>8</sup> Available here: <http://documents.worldbank.org/curated/en/480341518474391782/Official-Documents-Supplemental-Letter-Ref-Section-3-06-a-of-Amended-Indemnity-Agreement-for-B0130-UG>

stipulates that if the MP requires the imposition of new or enhanced restrictions on access to natural resources, it will specify measures that would be taken to provide appropriate time-bound compensation to people using natural resources and whose livelihoods could be adversely affected by the EKFS-related management activities, prior to the effectiveness of such MP, and based on eligibility criteria mutually agreed by the GoU and IDA.

12. The ABIA preserves the objectives of the protection and commits the Republic of Uganda to establishing long-term protection of the EKFS under Ugandan legislation. The Supplemental Letter further clarifies the elements that the legal mechanism and the MP are required to include, such as measures to protect the livelihoods of people adversely impacted by any new/enhanced restrictions under the EKFS MP. Overall, the EKFS represents a significant net gain in the areas to be protected compared to the original boundaries of the KFS.

## II. IMPLEMENTATION OF THE MANAGEMENT ACTION PLAN

13. Table 1 summarizes the status of actions taken under the MAP as of June 1, 2024.

**Table 1: Status of MAP Implementation**

Action	Status (as of June 1, 2024)
<ul style="list-style-type: none"> <li>• The GoU to prepare a public consultation and communication plan for the Livelihood Restoration Plan (LRP) and EKFS MP, in coordination with local community-based organizations.</li> <li>• The Bank will review and advise through knowledge and good practice sharing.</li> </ul> <p><i>Timeline: by November 30, 2019</i></p>	<ul style="list-style-type: none"> <li>• <b>Completed.</b> Completed as of the Fourth Progress Report.</li> <li>• <b>Completed.</b> Completed as of the Third Progress Report.</li> </ul>
<ul style="list-style-type: none"> <li>• The GoU to declare EKFS a Special Conservation Area under the National Environment Act. The Bank will review the draft Statutory Order for consistency with the 2018 BIA.</li> </ul> <p><i>Timeline: by December 31, 2019</i></p>	<ul style="list-style-type: none"> <li>• <b>Completed.</b> Completed as of the First Progress Report.</li> </ul>

Action	Status (as of June 1, 2024)
<ul style="list-style-type: none"> <li>• The GoU to prepare and adopt the EKFS Management Plan.</li> <li>• The Bank will review and clear the plan and monitor the implementation for consistency with the 2018 BIA and relevant Bank policy.</li> </ul> <p><i>Timeline: preparation and adoption by December 31, 2019; implementation throughout the duration of the IDA Partial Risk Guarantee (November 2023)</i></p>	<ul style="list-style-type: none"> <li>• <b>Completed.</b> Completed as of the Fourth Progress Report.</li> <li>• <b>Completed.</b> Completed as of the Fourth Progress Report.</li> </ul>
<ul style="list-style-type: none"> <li>• The GoU to prepare and adopt a LRP (including, if applicable, a Resettlement Action Plan - RAP) for the EKFS.</li> <li>• The Bank will review and clear the plans and monitor implementation for consistency with the 2018 BIA and Operational Policy (OP) 4.12.</li> </ul> <p><i>Timeline: preparation and adoption of the LRP (and RAP, if applicable) prior to impacts, as defined by the EKFS MP.</i></p>	<ul style="list-style-type: none"> <li>• <b>Completed.</b> Completed as of this Fifth Progress Report. In February 2024, the GoU clarified to the Bank that it does not intend to resettle communities that adhere to the conservation objectives or to restrict their activities. Accordingly, no resettlement action plan needs to be prepared at this time. In addition, the equivalent of an LRP has been developed and integrated into the Social Risk and Impact Management Framework (SRIMF), which is part of the EKFS MP and which sets forth principles and processes for addressing any potential livelihood impacts that may arise in the future. The EKFS MP enshrines key principles for managing the social impacts of establishing and operating the offset. The SRIMF, which is annexed to the MP, clarifies the social risk management principles (including resettlement principles), organizational arrangements, and design criteria to be applied to activities under the EKFS MP.</li> <li>• <b>Completed.</b> Completed as of this Fifth Progress Report. The Bank approved the EKFS MP, which includes the SRIMF, on June 30, 2022. As noted above, no resettlement action plan is needed at this time.</li> </ul>

14. The actions reported in the table are discussed in more detail below.

15. *Stakeholder consultations and communication.* The GoU held several consultative meetings throughout preparation of the ESIA Addendum (2016-2017), preparation of the Statutory Instrument to declare the EKFS as a Special Conservation Area (SCA) (2018-2019), and preparation of the EKFS MP (2019-2020). The consultations were carried out by teams from the Ministry of Energy and Mineral Development, Ministry of Water and Environment, National Forestry Authority, and National Environment Management Authority. The mobilization of



stakeholders for the consultations was carried out by local-level leaders and local government institutions.

16. During finalization of the Statutory Instrument, in November 2019 the GoU also drafted the SECP that is to accompany preparation and implementation of the EKFS MP. The Bank team provided comments and suggested improvements to the plan. The GoU technical team provided an updated SECP on June 22, 2021, which the Bank reviewed and cleared in February 2022 as part of the EKFS MP package. On June 30, 2022, the Bank communicated the acceptance of the draft SECP for public disclosure and validation of the EKFS MP.

17. *Legal protection of the EKFS.* The adoption of the Statutory Instrument in December 2019, approved by Parliament, was a significant milestone and a sign of the commitment of the Republic of Uganda to ensuring long-term, sustained protection of the offset under Ugandan legislation and, therefore, beyond the expiration of the Indemnity Agreement in November 2023.

18. *LRP and RAP for the EKFS.* In response to the Bank's inquiry regarding the status of the implementation of the EKFS MP, the GoU confirmed the Bank's understanding that the EKFS MP does not envisage large-scale resettlement to achieve the conservation objectives, but rather outlines an approach where the conservation activities of the MP can provide livelihood restoration for the communities who remain in situ. The GoU has expressed that it does not intend to resettle communities that adhere to the conservation objectives and that their activities will not be restricted. In the absence of activities requiring resettlement, no preparation of resettlement instruments is necessary. In case future conservation activities, planned in accordance with the participative and consultative process set forth in the MP, have resettlement implications, these will be addressed in accordance with the principles and procedures set forth in the SRIMF, which serves as the equivalent of a resettlement policy framework.

### **III. CONSULTATIONS WITH REQUESTERS ON MAP IMPLEMENTATION PROGRESS**

19. Consultations on MAP implementation progress with Requesters and affected community members were held on May 16, 2024.

20. The Requesters were invited to the consultation meetings through a formal email dated May 8, 2024, that was distributed to all the Requesters.

21. A total of 12 Requesters participated in the virtual consultation meeting. There was no limit on the number of participants. During the consultations, the status of progress in implementing the MAP actions was presented. Then meeting participants were invited to provide feedback or ask questions. The opportunity to participate and ask questions was open to every participant. The consultation meeting did not include representatives from the GoU or the implementing agency.

22. *Feedback from the consultations.* Participants welcomed the progress made in the implementation of the Management Action Plan. They appreciated that the EKFS MP and the annexes with the respective management plans provide a framework that speaks to the varying interests of the stakeholders in the EKFS. The Requesters mentioned that they are not opposed

to the EKFS MP. However there remain some aspects regarding details of the application of the EKFS MP that they wished the GoU to address.

- *Land ownership*: Participants expressed concern about the MP not providing sufficient clarity on the aspect of land ownership of those landowners within the SCA, particularly those who have land titles. The participants desired that ownership of the land remain with the legitimate holders and use of the land be allowed for only those permissible activities which they are willing to accept. The Bank team responded that the EKFS MP allows for land ownership in the SCA and clearly stipulates the procedures that will be followed in the event that the GoU decides that some land acquisition is necessary, including applicable compensation.
- *Management of the Special Conservation Area (SCA)*: Participants noted the management of the SCA involves insufficient representation of all stakeholders in the Steering Committee, including landowners, local leaders, and business owners. In addition, participants noted that to date, there has been no engagement by government agencies with the participants, although the latter are interested in having a strong partnership with the GoU to achieve the objectives of the EKFS MP. The Bank team responded that the Requesters could coordinate with the community representatives and also formally approach GoU through the Ministry of Water and Environment, which is the coordinating agency.
- Some participants expressed their concern about pollution and environmental degradation of the riverbanks stemming from illegal activities by some local communities (tree cutting, sand mining). They requested stronger enforcement and monitoring of allowed and disallowed activities within the SCA by government authorities. The Bank team advised the participants to formally approach the GoU through the Ministry of Water and Environment, which is the coordinating agency.
- Participants expressed frustration with their interactions with the GoU. The Bank team explained that the implementation of the MAP is completed and that consequently the Bank's monitoring ends. However, the participants wished for the Bank to provide further support by negotiating different demands with the GoU. Such continued involvement, however, falls outside the scope of the MAP and the Bank's engagement since the Project has closed.

#### **IV. NEXT STEPS**

23. The Bank has shared the Requesters' feedback from the above-cited consultations with the Government so that these concerns can be addressed. While these issues are not part of the MAP, they are nonetheless important for successful implementation of the EKFS MP. Bank Management will continue to follow up on the broader developments as part of its ongoing dialogue with the Government.

24. This Progress Report will be provided to the Requesters, and publicly disclosed on the Bank's website.

25. *Next progress report.* Since all actions in the MAP have been completed, this is the final progress report.