

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

FOURTH 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)

July 30, 2023

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
GWh	Gigawatt hour
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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**Fourth 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 Fourth 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, 2022 – July 31, 2023.
2. 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 has recommended to the GoU that it undertake additional consultations on the Management Plan prior to implementation.

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) and the Multilateral Investment Guarantee Agency. The Bujagali HPP was commissioned in August 2012. Following project closure, as per policy, the Bank continues to monitor the financial risks covered by the IDA guarantee, which will expire in November 2023.
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 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...”¹ To manage the offset, the GoU approved a Kalagala Offset Sustainable Management Plan (2010-2019) (KOSMP), which was launched in May 2011.² The WMDP supported, under one of its components, priority investments related to the implementation of a part of the

¹ 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).

² Maintaining a sustainable management program for KFS and Mabira Central Forest Reserves is an obligation under the Indemnity Agreement.

KOSMP. The WMDP closed on December 31, 2018; as per its Implementation Completion Report (ICR), the activities in support of the KOSMP were completed satisfactorily and the GoU is committed to protection of the affected areas.³

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 is no longer financing 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”), of 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 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 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 the [Investigation Report](#) (Report No. 136219-UG). On June 28, 2019, Management provided its

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

[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)⁴ 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 EKFS⁵ 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;⁶ 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.⁷ These obligations are further elaborated in a *Supplemental Letter*⁸ dated January 24, 2018 between IDA and the Republic of Uganda which – *inter alia* – 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.

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

⁵ 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.”

⁶ 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.

⁷ 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>

⁸ 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>

12. The ABIA preserves the objectives of the protection and commits the Republic of Uganda to establishing long-term protection of the EKFS under the 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 30, 2023.

Table 1: Status of MAP Implementation

Action	Status (as of June 30, 2023)
<ul style="list-style-type: none"> • 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. • The Bank will review and advise through knowledge and good practice sharing. <p><i>Timeline: by November 30, 2019</i></p>	<ul style="list-style-type: none"> • Completed. The GoU prepared a Stakeholders Engagement and Communication Plan (SECP) in November 2019. However, implementation of the plan was stalled throughout the COVID-19 pandemic. Following the lifting of the pandemic-related restrictions, the GoU held physical consultations with stakeholders on the EKFS MP in April and June 2023, in accordance with the SECP. The Bank attended these consultations as an observer, and based on community feedback from the consultations, has recommended to the GoU that it undertake additional consultations on the Management Plan prior to implementation. The EKFS MP is considered complete, but since it is meant to be an iterative document, the GoU will continue to refine it throughout its implementation, through community consultations. • Completed. Completed as of the Third Progress Report.
<p>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.</p> <p><i>Timeline: by December 31, 2019</i></p>	<ul style="list-style-type: none"> • Completed. Completed as of First Progress Report.
<ul style="list-style-type: none"> • The GoU to prepare and adopt the EKFS Management Plan. 	<ul style="list-style-type: none"> • Completed. The GoU developed and adopted the EKFS MP⁹ after a final round of consultations with stakeholders held in April and June 2023. The EKFS MP outlines the conservation objectives of the EKFS and the

⁹ The draft SMP has been disclosed on July 19, 2022, on Ministry's Website (<https://energyandminerals.go.ug/>)

Action	Status (as of June 30, 2023)
<ul style="list-style-type: none"> The Bank will review and clear the plan and monitor the implementation for consistency with the 2018 BIA and relevant Bank Policy. <p><i>Timeline: preparation and adoption by December 31, 2019; implementation throughout the duration of the IDA Partial Risk Guarantee (November 2023)</i></p>	<p>activities proposed by the GoU to be allowed, restricted or prohibited within the offset area; it also broadly outlines management arrangements (including interagency coordination arrangements) for the operation of the offset. In addition, the EKFS MP outlines an ongoing role for the community in the operation of the offset, the precise nature of which remains to be finalized through a continuing process of consultation and feedback from the local community and interest groups (such as tourism operators and the Nile Riverbank Investors and Conservation Association). The GoU has committed to making publicly available online the adopted version of the EKFS MP as soon as possible.</p> <ul style="list-style-type: none"> Completed. The Bank communicated acceptance of the EKFS MP draft as a basis for further community consultations on June 30, 2022. Following several revisions and deliberations between the GoU, PAPs and the Bank, the Bank considers the EKFS MP finalized for the purposes of this Progress Report. Implementing the EKFS Management Plan requires ongoing and granular community consultations to determine appropriate activities that involve the community in restoration and conservation efforts within the EKFS. For this reason, the EKFS Management Plan requires continuous refinement throughout implementation, including through the production of annual work plans.
<ul style="list-style-type: none"> The GoU to prepare and adopt a LRP (including, if applicable, a Resettlement Action Plan - RAP) for the EKFS. 	<ul style="list-style-type: none"> Ongoing: As noted in the last Progress Report, preparation of an LRP and any RAP which may be required was put on hold until finalization of the MP. This is appropriate because while some restrictions imposed by the GoU under the EKFS MP may lead to limitations on access to economic assets or resources, resulting in the need for plans and resources to mitigate the impacts of such restrictions on the local community, the precise impacts are not known at present and are likely to evolve over the life of the EKFS. <p>In addition, preparing the MP before the LRP and RAP allowed the GoU to focus first on minimizing the impacts and restrictions related to establishing the offset, consistent with the conservation objectives of the EKFS, before focusing on managing those remaining impacts.</p> <p>The EKFS MP enshrines key principles for managing the social impacts of establishing and operating the offset. These will continue to apply even after expiration of the ABIA and the Bank’s supervision obligation. These principles are contained in a Social Risk and Impact Management Framework (SRIMF) annexed to the MP. The SRIMF clarifies the social risk management principles (including resettlement principles), organizational arrangements, and design criteria to be</p>

Action	Status (as of June 30, 2023)
<ul style="list-style-type: none"> The Bank will review and clear the plans and monitor implementation for consistency with the 2018 BIA and Operational Policy (OP) 4.12. <p><i>Timeline: preparation and adoption of the LRP (and RAP, if applicable) prior to impacts, as defined by the EKFS MP.</i></p>	<p>applied to activities under the EKFS MP, as well as the establishment of the offset itself.</p> <p>The SRIMF will guide the preparation of plans to ensure that the impacts of the EKFS are adequately understood by the local community, and that any impacts resulting from the EKFS-related activities or restrictions are assessed and mitigated appropriately.</p> <p>Once details about the EKSF activities have been agreed between the GoU and stakeholders through a process of community engagement, the SRIMF will be applied to develop specific plans as needed and as proportionate to potential risks and impacts of the activity. Proposed activities that will cause physical and/or economic displacement will not commence until such specific plans have been finalized and implemented as required.</p> <p>The SRIMF seeks to ensure that any possible adverse impacts to people’s livelihoods are minimized and addressed through appropriate mitigation measures. For example, the SRIMF minimizes displacement impacts by:</p> <ul style="list-style-type: none"> Avoiding displacement of people as much as possible. In the event that displacement or restrictions on land use are inevitable, having a well-designed compensation, livelihood restoration and/or relocation process in place; Compensating for lost income and livelihoods in a timely manner; and ensuring resettlement assistance addresses the true impact on affected people to restore their livelihoods. <ul style="list-style-type: none"> Ongoing. The Bank will review for clearance plans prepared under the SRIMF, if any. <p>The EKFS MP does not envisage large-scale resettlement, which would require a RAP at this time. Instead, it outlines an approach where the conservation activities of the MP provide livelihoods for the community who remain in situ. Should this prove impractical, or should members of the community elect not to participate in these conservation activities, the MP contains the SRIMF outlined above, which describes the GoU’s obligations for compensation and livelihood support in accordance with OP4.12. As such, the preparation of a RAP and LRP is not relevant at this time.</p>

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

15. *Stakeholder consultations and communication.* The GoU held a number of 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 scheduled for November 2023.

18. Since some restrictions imposed by the MP may lead to limitations on access to economic assets and resources for the local community, the EKFS MP includes a process of consultations and community engagement which will both determine the form of ongoing community engagement in the management and operation of the offset and confirm the exact nature of the restrictions imposed by the EKFS MP.

19. *LRP and RAP for the EKFS.* As noted in the 2022 Progress Report, preparation of an LRP and any RAP which may be required was put on hold until the EKFS MP was finalized. While some restrictions imposed by the EKFS MP may lead to limitations on access to economic assets and resources, resulting in the need for plans and resources to mitigate the impacts on the local community, the precise impacts are not yet known and are likely to evolve over the life of the EKFS. Delaying the development of LRPs and RAPs allows the GoU to minimize the impacts of establishing the offset by limiting displacement and restrictions to clearly identified activities under the EKFS MP necessary to achieve the conservation objectives of the EKFS. As such, the preparation of a RAP and LRP is not relevant at this time.

20. Under the EKFS, any RAPs or LRPs needed for sub-activities under the EKFS MP are likely to come after the expiration of the ABIA and hence after the Bank's supervision obligations for the EKFS have ended. To manage this, the EKFS MP has enshrined key principles for managing the social impacts of establishing and operating the offset in the SRIMF, which the GoU has committed to implement. The SRIMF clarifies the social risk management principles (including for resettlement), organizational arrangements, and design criteria to be applied to activities under the EKFS MP, as well as the establishment of the offset itself. As such the MP is designed to ensure that the EKFS is established according to sound environmental and social principles. The Bank stresses the importance of the Ugandan authorities ensuring that resettlement, if any, will be implemented in a way that is inclusive, and does not discriminate based on race, gender, or sexuality.

III. CONSULTATIONS WITH REQUESTERS ON MAP IMPLEMENTATION PROGRESS

21. Consultations on MAP implementation progress with Requesters and affected community members were held on July 5, 2023.
22. The Requesters were invited to the consultation meetings through a formal email dated June 20, 2023, that was distributed to all the Requesters. Follow-up telephone calls were made to confirm receipt of the invitation.
23. A total of 22 Requesters participated. 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.
24. *Feedback from the consultations.* Consultation participants welcomed the progress made by the GoU in implementing the MAP. They appreciated that the EKFS MP and the annexes with the respective management plans provide a framework that accommodates the varying interests of the stakeholders in the EKFS, although there were some aspects that need to be clarified, which are discussed below.
25. Participants expressed concern about the way the GoU was conducting the stakeholder consultations on the EKFS MP. They highlighted in particular the short notice that was given to some stakeholders on the meeting venue. They requested that the GoU allow more time for the Requesters to review the EKFS MP and provide their written responses.
26. Participants expressed concern about the continued environmental degradation of the riverbanks by the local community due to illegal activities (tree cutting, sand mining). They reported that there are no replanting efforts underway in the SCA and no visible efforts by the National Environment Management Authority or the National Forestry Authority to enforce or monitor activities – whether permitted or prohibited activities – within the SCA.
27. Participants expressed their willingness to partner with the GoU and work with nongovernmental organizations to achieve the objectives of the EKFS MP.
28. Participants expressed concern about the lack of clarity from the GoU on land ownership issues for those landowners located within the SCA and compensation issues for land that falls within the 100-meter protected zone of the SCA. In addition, the Requesters asked that the language in the Ecotourism Development and Management Plan of the EKFS MP be updated to (a) ensure the protection of landowners that acquired land legally; and (b) define which activities are allowed and which are prohibited. The Bank responded that the EKFS MP allows for land ownership in the SCA and stipulates the procedures to follow in the event that compensation is due. The Bank further requested that the Requesters comment on and propose appropriate language in the sections of the MP that are unclear, noting that the MP is an iterative document that is meant to

be updated by the GoU based on ongoing consultations.

29. Participants expressed concern regarding the methodology used to determine the 100-meter protected zone of the SCA and requested the GoU to provide a clear methodology, in consultation with the stakeholders, for the demarcation of boundaries of the EKFS prior to implementation of the EKFS MP. The Bank confirmed that, in accordance with Bank policy, the GoU is required to undertake robust consultations/outreach with stakeholders on the EKFS MP as well as the demarcation of the protected zone.

30. Participants requested the Bank to continue engaging with the GoU to ensure that the EKFS MP is implemented in line with the objectives of the SCA.

IV. NEXT STEPS

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

32. *Next progress report.* The next progress report will be provided to the Board in 12 months' time, or upon completion of the MAP, whichever occurs first.