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PRESS RELEASE | DECEMBER 6, 2019

World Bank Board Approves Action Plan Following Inspection Panel Investigation of Uganda Energy and Water Projects



WASHINGTON, DC, December 6, 2019 – The World Bank Board of Executive Directors on December 3 considered a Management Report and approved a Management Action Plan that respond to an independent Inspection Panel investigation of the Uganda Energy for Rural Transformation III and Water Management and Development Projects. The Inspection Panel's investigation was in response to a request filed by complainants alleging harm caused by the construction of the Isimba dam reservoir, resulting in the partial flooding of the Kalagala Offset Area (KOA).

The KOA was a requirement of an indemnity agreement between the World Bank and the Government of Uganda as part of the Bank-financed Uganda Private Power Generation (Bujugali) Project. While the World Bank did not finance the Isimba Hydropower Project, the Bank worked with the Government to mitigate its impacts by extending the original KOA.

The Inspection Panel recognized Uganda's important energy needs and the challenges in balancing development demands, the protection of natural resources and livelihoods. The Panel assessed the World Bank's compliance with its operational policies on potential environmental and social impacts and found several instances of non-compliance, specifically with regard to funding and capacity constraints for the maintenance of the KOA, the Bank-funded addendum to Isimba's Environmental and Social Impact Assessment, and the assessment of potential impacts on the extended offset.

Management addressed these findings through the development of a Management Action Plan, which the Board approved and which details how the Bank will work together with Uganda to protect the extended KOA. The Board welcomed Uganda's commitment to: 1) declare the extended KOA as a Special Conservation Area under the National Environment Act; 2) prepare and adopt a management plan for the extended KOA in close consultation with the World Bank; and 3) prepare and adopt a livelihood restoration plan and possible resettlement action plan. The Bank will monitor implementation of these plans through 2023 when the Bujugali project guarantee expires.

"I welcome the report of the Inspection Panel which will help to strengthen our support for the Government of Uganda's efforts to expand and protect the Kalagala Offset Area." said **World Bank Group President David Malpass**. *"We will continue to support Uganda to develop vital clean energy and water resources while protecting people and the environment. Scaling up access to electricity, water, and sanitation is essential for reducing poverty and improving economic outcomes in Uganda."*

"The Panel stresses the importance of ensuring that the weaknesses experienced in the original offset area, including institutional responsibilities, funding and capacity constraints, will not be repeated going forward," said **Inspection Panel Chair Imrana Jalal**. *"An offset is expected to protect biodiversity in the long term and is created as a last resort. Offsetting an offset runs the risk of undermining this fundamental principle."*

The Board recognized the importance of supporting Uganda's efforts to increase energy access while also building capacity of the country to implement projects in an environmentally and socially sustainable manner. The Board encouraged the Bank to apply the lessons learned from this project to inform future investments, especially those likely to require biodiversity offsets.

"We have put together a comprehensive response and action plan that demonstrates our commitment to accountability, working more closely with clients to strengthen capacity to address urgent energy needs in an environmentally and socially sustainable way," said **Hafez Ghanem, World Bank Vice President for Africa**. *"This builds on our ongoing support for Uganda's development, to which*

the Bujagali hydropower plant has been instrumental, serving as the largest contributor to the country's annual electricity generation through the provision of low-cost, clean, reliable energy."

Management will report progress in implementing the Action Plan in six months' time, and then annually.

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For a full copy of the Inspection Panel report and Management Recommendation, please visit www.worldbank.org/inspectionpanel

For more information on the World Bank's work in Uganda, visit www.worldbank.org/uganda

PRESS RELEASE NO: 2020/092/OPCS

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