

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

SEVENTH PROGRESS REPORT
ON THE IMPLEMENTATION OF MANAGEMENT'S ACTION PLAN
IN RESPONSE TO
THE INSPECTION PANEL INVESTIGATION REPORT
(REPORT # 44977-UG)
ON THE
REPUBLIC OF UGANDA
PRIVATE POWER GENERATION (BUJAGALI) PROJECT (P089659)
(IDA GUARANTEE NO. B0130-UG)

February 20, 2018

ACRONYMS AND ABBREVIATIONS

BEL	Bujagali Energy Limited
CDAP	Community Development Action Plan
CFR	Central Forest Reserve
CPMP	Cultural Property Management Plan
EKFS	Extended Kalagala Falls Site
ERT-III	Energy for Rural Transformation Project III
ESIA	Environmental and Social Impact Assessment
GoU	Government of Uganda
GWh	Gigawatt hour
IA	Indemnity Agreement
IDA	International Development Association
IFC	International Finance Corporation
IHP	Isimba Hydropower Project
KFS	Kalagala Falls Site
kV	Kilovolts
LTCOR	Long-term Conservation Options Report
MAP	Management Action Plan
MEMD	Ministry of Energy and Mineral Development
MIGA	Multilateral Investment Guarantee Agency
MW	Megawatt
NFA	National Forest Authority
OP	Operational Policy
PoE	Panel of Experts
RCDAP	Resettlement and Community Development Action Plan
SMP	Sustainable Management Plan
WMDP	Water Management and Development Project

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**Seventh Progress Report on the
Implementation of Management’s Action Plan in Response to the
Inspection Panel Investigation Report on the
Uganda Private Power Generation (Bujagali) Project**

I. INTRODUCTION

1. This is the seventh and final Progress Report to the Board of Executive Directors (the Board) on implementation of the Management Action Plan (MAP) in response to the Inspection Panel Investigation Report No. 44977-UG on the Private Power Generation (Bujagali) Project. All actions have been completed and no further reporting is required. Any issues related to the impacts stemming from the Isimba hydropower project, which is not financed by the Bank, are being reviewed as part of a separate Request for Inspection (see paragraph 11).
2. The main objective of the Private Power Generation (Bujagali) Project was to provide least-cost power generation capacity to eliminate power shortages in a country that was plagued with serious power supply issues in 2007, when the Request for Inspection was submitted. The International Development Association (IDA) provided a Partial Risk Guarantee of US\$115 million for the Project, which was approved on April 26, 2007. The 250 MW Bujagali hydropower plant, successfully commissioned in 2012, is providing stable baseload power to support economic productivity and enhance household welfare. The commissioning date of the plant on August 1, 2012 also established the Project’s closing date as per the World Bank’s instructions on guarantees.¹
3. The Project involved the construction of (i) the 250 MW run of the river Bujagali hydropower station on the Nile River, located eight kilometers downstream of the existing Nalubaale/Kiira hydropower complex; (ii) a 220 kV double circuit transmission line (Bujagali-Kawanda), funded by the African Development Bank and Japan International Cooperation Agency; (iii) a 220 kV double circuit line from Kawanda to Mutundwe; and (iii) a 132 kV double circuit line connecting Bujagali, Nalubaale, and Tororo.
4. On March 7, 2007, a [Request for Inspection](#) from the Ugandan National Association of Professional Environmentalists and others was registered by the World Bank’s Inspection Panel. Management responded to the Request on April 5, 2007. Following Board approval of the Panel’s Recommendation on May 18, 2007, the Inspection Panel undertook to investigate the allegations. The Inspection Panel submitted its [Investigation Report No. 44977-UG](#) on the Project to the Board on August 29, 2008. On November 7, 2008, Management submitted its [Report and Recommendation \(MRR\)](#), including a detailed MAP developed in response to the Inspection Panel’s findings. On December 4, 2008, the Executive Directors considered both reports and approved the MAP proposed by Management.

¹ According to Bank Policy governing *Project-Based Guarantees* completion for a guarantee operation coincides with the commercial operations date.

5. The MAP contained actions to: strengthen institutional capacity of the various authorities responsible for the Project; undertake social assessment and mitigation measures, including updating of the socio-economic baseline; follow up on programs to address vulnerable groups and sharing of Project benefits; implement measures to address physical cultural resources, including chance find procedures; and carry out environmental assessment and mitigation measures. Implementation of the actions in the MAP began in 2008 and were monitored continuously and assessed periodically through the: (i) Quarterly Monitoring and Evaluation Reports prepared by Bujagali Energy Limited (BEL); (ii) Reports of the Joint Lenders'² Supervision Missions; (iii) Annual Reviews by the Independent Panel of Experts (PoE); and (iv) National Multi-stakeholder Bujagali Environmental Monitoring Committee Reports.

II. PROJECT STATUS

6. **Project Implementation.** The Project was commissioned in August 2012. By the end of October 2014, the contractor had demobilized from the Project site and removed all equipment. All temporary works were removed and the ground returned to its original graded condition.

7. **Transmission Lines.** Construction of transmission lines and substation works for power evacuation was completed in November 2011. The Bujagali power plant has been generating and transmitting power into the grid without hindrance since its commissioning. The transmission lines, which were constructed at 220 kV and initially energized and operated at 132 kV, will be converted to 220 kV operation following commissioning of the Bank-supported Bujagali-Kawanda 220 kV line bays (at Bujagali) and completion of the 220 kV upgrade works at Kawanda substation, expected in 2018.

8. **Additional Complaints Related to the Project.** The Compliance Advisor/Ombudsman (CAO) of the International Finance Corporation (IFC) has received a number of complaints over the lifetime of the Project. Currently there are five open cases (four in monitoring) that relate to: (i) occupational health and safety issues, (ii) workers' compensation, (iii) non-payment of wages to subcontracted workers, (iv) damages to houses from blasting during construction; (v) loss of crops and property during construction of the transmission line; and (vi) loss of income by informal tourism workers.

² Participating financial institutions.

III. IMPLEMENTATION OF THE MANAGEMENT ACTION PLAN

9. Table 1 below summarizes the status of actions taken under the MAP.

Table 1: Status of MAP Implementation³

Issues	Actions (Initial Commitment)	Status
MAP		
General		
Institutional Capacity	Management will follow up on: <ul style="list-style-type: none"> ▪ Establishment of a Project Monitoring Committee (Inter Agency Coordination Committee) ▪ Strengthening of capacities of BEL Environment and Social Unit 	Completed Completed
Guidance on Environmental and Social Safeguard Issues in Legacy Projects	<ul style="list-style-type: none"> ▪ Management will develop guidance on how to address environmental and social safeguard issues in legacy projects that suffer significant interruptions in implementation. 	Completed
Social Impact Assessment and Mitigation Measures		
Vulnerable Groups (OP4.12)	<ul style="list-style-type: none"> ▪ Management will follow up on BEL's programs, with timetable and targeted activities, to address needs of vulnerable groups. 	Completed
Cultural and Spiritual Values		
Physical Cultural Resources and Cultural Property Management Plan (OP4.11)	<ul style="list-style-type: none"> ▪ Management will follow up on Government of Uganda (GoU) commitments to ensure that the required capacities and resources are in place for the Government – coordinated by the Ministry of Energy and Mineral Development (MEMD), and including Local Councils – to update and implement the Cultural Property Management Plan (CPMP), which was part of the 2002 Resettlement and Community Development Action Plan (RCDAP) by June 2009. ▪ BEL will update the Engineering, Procurement and Construction Contractor's Code of Practice (which is covered in the 2007 CPMP developed by the Contractor) to include "chance find" procedures. 	Completed Completed
Environment Assessment and Mitigation Measures		
Independent Panel of Experts (OP4.01 and OP13.05)	<ul style="list-style-type: none"> • BEL will review the Environment and Social Independent PoE reports and disclose them by end-2008. 	Completed
Ongoing Supervision Activities		
General		
Institutional Capacity	Management will follow up on: <ul style="list-style-type: none"> ▪ Coordination arrangements of the MEMD Project Inter-Agency Coordination Committee; and ▪ The National Forest Authority (NFA) implementation capacity for the Sustainable Management Plan (SMP) for the Kalagala Falls Site and Mabira Central Forest Reserve. 	Completed Completed

³ See Tables 2 and 3 on pages 39-40 of the MRR, November 2008.

Issues	Actions (Initial Commitment)	Status
Social Impact Assessment and Mitigation Measures		
Remedial Steps for Updating and Completion of Baseline Socio-Economic Information (OP4.12)	Management will ensure that: <ul style="list-style-type: none"> ▪ Findings from the socio-economic survey (which will be completed by March 2009) are integrated into the Community Development Action Plan (CDAP) by BEL in its design of subproject activities; ▪ Above findings are reported in BEL's Quarterly Environment and Social Monitoring; ▪ BEL will undertake an enhanced socio-economic survey to support and fully achieve livelihood restoration. It will enhance its database of household survey data and capacity building for monitoring and evaluating impacts of livelihood restoration and community development. Through technical assistance (from MIGA), BEL will improve the socio-economic database. 	<p style="text-align: center;">Completed</p> <p style="text-align: center;">Completed</p> <p style="text-align: center;">Completed</p>
Sharing of Project Benefits (OP4.12)	<ul style="list-style-type: none"> ▪ Management will follow up with BEL on yearly updated needs assessments that are used to adjust CDAP activities, responding to priorities of Project affected people. 	Completed
Environment Assessment and Mitigation Measures		
Environment Management Plan and Kalagala Falls Site (OP4.01)	<ul style="list-style-type: none"> • Management will monitor progress of BEL's ongoing afforestation activities (79 hectares completed; additional 125 hectares by end-2008; 196 hectares by end-2009) as part of the EMP jointly implemented by BEL, District Environmental Officer, District Forest Officer, and LC1. • Management will follow up on completion by NFA of the SMP for the Kalagala Falls Site, which includes the Mabira Central Forest Reserve by June 2009, including tourism development program. 	<p style="text-align: center;">Completed</p> <p style="text-align: center;">Completed</p>
Cumulative Impacts: Climate Change and Hydrology Risks; Potential Impacts on Lake Victoria; Alternative Project Configurations (OP4.01)	<ul style="list-style-type: none"> ▪ Management will follow up on GoU's commitment to disclose the Lake Victoria hydrological (water releases) information and make it available to the East African Community. 	Completed

10. **Final Progress Report.** The sixth Progress Report, presented in February 2017, reported that all actions under the MAP had been completed, except for the pending issuance of land titles to three Bujagali Project affected people. All three land titles have now been issued (the last was issued on December 20, 2017); there are no outstanding actions in the MAP and hence this is the final progress report. Any issues related to the impacts stemming from the Isimba Hydropower Project (IHP), which is not financed by the Bank, are being reviewed and reported on as part of a separate Request for Inspection (see below).

IV. RELATED DEVELOPMENTS

11. **Additional Requests for Inspection.** On September 6, 2016, and September 20, 2016, the Inspection Panel registered two additional [Requests for Inspection](#) concerning the Project, the

Water Management and Development Project (WMDP) and the Energy for Rural Transformation Phase III (ERT-III) Project. The Requests were submitted by residents living in or close to the Kalagala offset area and allege that the construction of the IHP (not financed by the Bank) will lead to flooding of the Kalagala Falls offset, which they allege would be in violation of the Indemnity Agreement (IA). [Management's Response](#) to the Request for Inspection was provided on October 27, 2016. On April 4, 2017, the Board approved the Inspection Panel's recommendation to defer by up to 12 months its decision on whether an investigation is warranted into the WMDP and the ERT-III, but found that the Bujagali Project was not eligible to be investigated because it is closed.

12. **Bujagali IA.** The IA (2007) requires the GoU to set aside a defined site at Kalagala Falls ("Kalagala Falls Site," or KFS) to protect its natural habitat and environmental and spiritual values. Under the IA, any tourism development at the KFS must be carried out in a manner acceptable to IDA and any power generation development that could adversely affect Uganda's ability to maintain the KFS would require the agreement of IDA.

13. **Isimba Hydropower Project.** The GoU is developing the IHP, a 183.2 MW hydropower plant located about 36.5 km downstream of the Bujagali hydropower plant on the Nile River.⁴ The plant is expected to generate 1,039 GWh per year (annual average design energy). In addition to the power plant, the project includes construction of a 42 km, 132 kV double circuit transmission line between the IHP site and the Bujagali substation.

14. The IHP is financed by the GoU (15 percent) and the Export-Import Bank of China (85 percent). Construction of the Isimba dam commenced in April 2015 with an initial construction period of 40 months. Overall construction progress is currently around 76 percent complete.

15. The reservoir will extend some 19 km upstream at the maximum (flood) level. The reservoir will not reach the Kalagala Falls, but it is expected to flood about 5.7 km of the Nile River within the KFS, including three rafting rapids that are in that section of the river. In this context, Management has been engaging with the GoU to underscore the importance of complying with the IA. The GoU has communicated in writing its commitment to comply with the IA and shared the technical studies and the safeguard documents for the IHP with the Bank for its review.

16. **ESIA Addendum and LTCOR.** To assess specific impacts of the IHP on the KFS, the GoU commissioned consultants to prepare an Addendum to the Isimba Environmental and Social Impact Assessment (ESIA Addendum) through funding from the IDA-financed ERT-III Project. The ESIA Addendum was completed on November 30, 2017 and identified likely impacts of the IHP on the natural habitat, environmental and spiritual values of the KFS, and proposed mitigation measures. The GoU also prepared a separate Long-term Conservation Options Report (LTCOR) to address legal, institutional and funding sustainability issues of the KFS, beyond the expiration date of the IA in 2023.

17. **Revised IA.** An amendment to the IA (see Table 2 below) and an accompanying supplemental letter were signed by the GoU and the World Bank on January 24, 2018. The

⁴ All distances are approximate.

amended IA includes a new definition and demarcation of the KFS that encompasses the stretch of the 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. The amended IA also covers protection of the entire Nile River aquatic area within these limits; all river islands within these limits; all land within 100 meters of both the left and right river banks from the annual maximum high-water line; and the entire area of the Namavundu, Kalagala Falls and Nile Bank Central Forest Reserves (CFRs), except any of the portions inundated by the reservoir of the Isimba dam. Together the new demarcation of the KFS and the protections listed above form the new and extended KFS (EKFS). Table 2 below provides a comparison of the original IA and the amended IA.

Table 2. Amendment to Indemnity Agreement

Item	Indemnity Agreement of July 18, 2007	Indemnity Agreement as Amended on January 24, 2018
Size of the KFS	<ul style="list-style-type: none"> The fast-flowing river length: 10.2 km Two CFRs (Nile Bank, Kalagala Falls) 	<ul style="list-style-type: none"> The fast-flowing river length: 15 km Three CFRs (Nile Bank, Kalagala Falls, Namavundu)⁵
Legal Protection	<ul style="list-style-type: none"> Reliance on the IA No legal mechanism agreed beyond the duration of the IA (2023) 	<ul style="list-style-type: none"> <i>Long-term protection:</i> GoU has submitted to Parliament an Amendment to the National Environment Act that is expected to allow for declaring the EKFS a special conservation area and giving it legal protection in perpetuity <i>Interim arrangements:</i> Declare the extended offset area a CFR under the Forestry and Tree Planting Act, which will strengthen its legal protection in conjunction with the IA
Institutional Arrangements	<ul style="list-style-type: none"> Complex and time-bound arrangements, defined by Kalagala Offset Sustainable Management Plan (KOSMP) (2010-2019) 	<ul style="list-style-type: none"> More streamlined long-term arrangements to be defined by the updated KOSMP
Funding	<ul style="list-style-type: none"> Included in the budget of the Ministry of Water and Environment 	<ul style="list-style-type: none"> To be explicitly defined by the updated KOSMP
<p>The revised arrangements are designed to provide legal protection of the KFS in perpetuity, complemented by institutional responsibilities and funding sources for sustainable management</p>		

⁵ The Mabira CFR is located outside of the KFS and maintains the same level of protection under the amended IA.