

World Bank Board of Directors Approves Management's Response to Inspection Panel Report on Bujagali Project

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WASHINGTON D.C., June 17, 2002 -- The Board of Executive Directors of the World Bank today approved Management's response to a report by the institution's independent Inspection Panel on power projects in Uganda, including the Bujagali Hydropower Project. During an extensive discussion, the Board commended the work of the Inspection Panel as well as Management's prompt response.

The Board approved specific actions by Management to address the Panel's findings, including:

- Amend the Indemnity Agreement between Uganda and the World Bank to reaffirm the government's commitment not to develop the Kalagala Falls for hydropower. The government has reaffirmed its earlier commitment to set aside the Kalagala Falls exclusively to protect its natural habitat, environmental and spiritual values, and for tourism.
- Provide support for expanded multi-stakeholder consultations on the Fourth Power Project and its relationship to the Power III and Bujagali Hydropower Projects.
- Provide support under the Nile Basin Initiative for a Strategic/Sectoral Social and Environmental Assessment that will be a prerequisite to any future World Bank-financing of investments in power generation facilities under the Nile Equatorial Lakes Subsidiary Action Program.
- Closely monitor future electricity demand growth, sector investments, billing and collections, and tariff levels and identify measures, if needed, to mitigate their impact on the cost to consumers of electricity.
- Support the examination of alternatives in power generation by financing, after Board approval, of geothermal exploration and possible drilling in areas in western Uganda identified as promising in feasibility studies being funded by the African Development Fund.
- Request the private sponsor of the Bujagali project, to carry out focused surveys to support implementation and monitoring of the relevant components of the Community Development Action Plan.
- Monitor implementation of agreements to be signed with tourism operators and support measures to be taken to address re-employment of Ugandan citizens affected by loss of tourism-related jobs.

Management was also invited to continue the economic analysis in order to facilitate, as necessary, risk mitigation measures.

The Vice President of the Africa Region, Callisto Madavo, commended what he described as the Inspection Panel's "*extensive and in-depth analysis of issues*" associated with the power projects in Uganda, and thanked the Panel for its work.

He noted that "*Uganda is a country where less than three percent of the population has access to electricity, and electricity shortages have substantially impeded investment, private sector development and economic growth. Expanding electricity supply is a critical requirement for achieving the goals set out in the government's Poverty Eradication Action Plan – goals for which the donor community has provided full support and substantial financing.*"

The Inspection Panel is an independent entity within the World Bank that reports directly to the Board of Executive Directors. Its mandate is to ascertain, in response to requests for inspection related to specific projects, whether the Bank has complied with all applicable policies and procedures with respect to project design, appraisal and supervision.

For more information on the Inspection Panel, go to:

<http://www.inspectionpanel.org>

For the complete Inspection Panel Report, and the World Bank Management Report and Recommendations in Response to the Inspection Panel Report, go to:

[Inspection Panel Investigation Report: Uganda Bujagali Project](#)