

**Second Progress Report to the Board of Executive Directors 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. The Inspection Panel submitted its Investigation Report No. 44977-UG on the Uganda: Private Power Generation (Bujagali) Project to the Board of Executive Directors on August 29, 2008. On November 7, 2008, Management submitted its Report and Recommendation (MRR), including a detailed Management Action Plan (MAP), developed in response to the Inspection Panel's Investigation Report. On December 4, 2008, the Executive Directors discussed the above reports and endorsed the MAP proposed by Management. The Board also asked that Management report on the progress in implementing the MAP every six months. This is the Second Progress Report being submitted to the Board in response to that request.

2. New actions responding to the Investigation Report were included in Table 2 of the MRR. Implementation of these activities started in 2008. These activities as outlined in Table 3 have been assessed extensively and are summarized in quarterly monitoring and evaluation reports and reviewed by multiple levels of supervision. These reviews include: (i) the Joint Lenders Supervision Missions, which are carried out twice a year; (ii) an annual review by the Independent Panel of Experts (PoE); (iii) the National Multi-stakeholder Environmental Monitoring Committee for Bujagali Project (BEMC), which includes representatives from civil society; and (iv) Quarterly Monitoring Reports prepared by Bujagali Energy Limited (BEL) and reviewed by Lenders. This Second Progress Report updates progress of actions and outcomes since the First Progress Report of August 2009. The following MAP activities comprise the priority programs that continue to be monitored:

- (a) Implementation of the Sustainable Management Plan (SMP) for the Kalagala Falls Offset;
- (b) Implementation of a stand-alone Cultural Property Management Plan (CPMP);
- (c) Assessment of socio-economic impacts on affected communities, specifically, progress in achieving livelihood restoration, community development, and assistance to vulnerable groups; and
- (d) Implementation of an acceptable program for resolving cultural and spiritual issues.

3. The progress of addressing supervision issues and measuring outcomes is summarized in Table 1 below and discussed in further detail in Sections III and IV. Annex 1 shows the estimated financing (including recurrent costs) for identified mitigation measures and Annex 2 provides a time line of activities for addressing cultural and spiritual issues.

**Table 1: Status of Implementation of the Management Action Plan<sup>1</sup>  
and Ongoing Supervision Activities<sup>2</sup>**

| Issues                                                                    | Actions                                                                                                                                                                                                                                                                                                                                      | Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>General</b>                                                            |                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Institutional Capacity                                                    | <p>Management follow up on institutional coordination and capacity building:</p> <ul style="list-style-type: none"> <li>▪ Establishment of a Project Monitoring Committee (Inter Agency Coordination Committee)</li> <li>▪ Strengthening of capacities of Bujagali Electricity Limited's (BEL) Environment and Social Unit (ESU).</li> </ul> | <p><b>Completed</b></p> <p>There were two committees established: (i) High level Inter-Agency Coordination Committee, which is chaired by MEMD; and (ii) National Multi-stakeholder Environmental Monitoring Committee for Bujagali Project (BEMC), which is chaired by the National Environment Management Agency (NEMA)</p> <p><b>Completed</b></p> <p>The first set of safeguards training sessions was completed; Independent Panel of Experts conducted additional training on socio-economic baselines.</p> |
| Guidance on Environmental and Social Safeguards Issues in Legacy Projects | <ul style="list-style-type: none"> <li>▪ Management has developed interim guidance on addressing environmental and social safeguards issues in legacy projects (which is a Bankwide activity applicable not only to this project)</li> </ul>                                                                                                 | <p><b>Completed</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Social Impact Assessment and Mitigation Measures</b>                   |                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Vulnerable Groups (OP4.12)                                                | <ul style="list-style-type: none"> <li>▪ Management has assessed progress of BEL's programs to address needs of vulnerable groups</li> </ul>                                                                                                                                                                                                 | <p><b>Completed for 2008-2009</b></p> <p>Monitoring is ongoing; next report on vulnerable groups survey expected by end-2010</p>                                                                                                                                                                                                                                                                                                                                                                                  |

<sup>1</sup> See Table 2, Page 39 of the Management Report and Recommendations, November 2008.

<sup>2</sup> Entries in italics account for the additional actions endorsed by the Board.

| Issues                                                                     | Actions                                                                                                                                                                                                                                                                                                                                         | Status                                                                                                                                                                                                              |
|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Cultural and Spiritual Values</b>                                       |                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                     |
| Physical Cultural Resources and Cultural Property Management Plan (OP4.11) | <ul style="list-style-type: none"> <li>▪ Management completed follow up of a stand-alone CPMP</li> <br/> <li>▪ Management assessed monitoring and reporting by BEL of the CPMP, including the EPC Contractor’s Code of Practice for “chance finds” procedures, and found them to be satisfactory</li> </ul>                                     | <p><b>Completed</b></p> <p>The CPMP was disclosed in country and in the Bank’s InfoShop in August 2010</p> <p><b>Completed</b></p> <p>Stand-alone CPMP disclosed in country and in Bank InfoShop in August 2010</p> |
| <b>Environment Assessment and Mitigation Measures</b>                      |                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                     |
| Independent Panel of Experts (OP4.01 and OP13.05)                          | <ul style="list-style-type: none"> <li>▪ Management confirmed in December 2009 that the reports of the Environment and Social Independent Panel of Experts (PoE) were publicly disclosed</li> </ul>                                                                                                                                             | <p><b>Completed</b></p> <p>6<sup>th</sup> PoE Review Mission was undertaken in January 2010 and the Mission findings/report were subsequently disclosed and made available in the project’s website</p>             |
| <b>Ongoing Supervision Activities<sup>3</sup></b>                          |                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                     |
| <b>General</b>                                                             |                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                     |
| Institutional Capacity                                                     | <p>Management assessed satisfactory progress in:</p> <ul style="list-style-type: none"> <li>▪ Establishment of coordination arrangements (MEMD Project Inter-Agency Coordination Committee)</li> <li>▪ Implementation capacity of the National Forest Authority for the Kalagala Offset SMP, including Mabira Central Forest Reserve</li> </ul> | <p><b>Completed</b></p><br><p><b>Completed</b></p> <p>NEMA and National Forest Authority will continue its field-based training programs</p>                                                                        |
| <b>Social Impact Assessment and Mitigation Measures</b>                    |                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                     |

<sup>3</sup> See Table 3, Page 40 of the Management Report and Recommendations, November 2008.

| Issues                                                                                     | Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Status                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Remedial Steps for Updating and Completion of Baseline Socio-economic Information (OP4.12) | <p>Management assessed as satisfactory in the Quarterly Monitoring Report:</p> <ul style="list-style-type: none"> <li>▪ Improvements in outcome indicators, as measured from findings of the updated (2010) socio-economic survey, indicating benefits received by PAPs from CDAP programs; and continued monitoring of impacts recorded in the M&amp;E database</li> <li>▪ Improvements in reporting in BEL's Quarterly Environment and Social Monitoring, including database on household surveys</li> </ul> | <p><b>Completed</b></p> <p>Outcome indicators are identified and measured in the CDAP monitoring and evaluation database on a quarterly basis<sup>4</sup></p> <p><b>Ongoing</b></p> <p>BEL submits a Quarterly Environment and Social Monitoring report which is available in its website<sup>5</sup></p> <p><b>Completed</b></p> <p>Database on household surveys set up and updated yearly<sup>6</sup></p> |
| Sharing of Project Benefits (OP4.12)                                                       | <ul style="list-style-type: none"> <li>▪ Management has followed up with BEL progress in delivery of services in Naminya resettlement site and directly affected villages; start of program for electricity and water services, including Memorandum of Agreements with local governments</li> </ul>                                                                                                                                                                                                           | <p><b>Completed</b></p> <p>Phase 2 of CDAP<sup>7</sup></p> <p><b>Ongoing</b></p> <p>Phase 3 of the CDAP includes small-scale water supply and electricity (financed by AFD and REA)</p>                                                                                                                                                                                                                      |
| <b>Environment Assessment and Mitigation Measures</b>                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                              |
| Environment Management Plan and Kalagala Offset                                            | <ul style="list-style-type: none"> <li>▪ Management assessed as satisfactory BEL's ongoing afforestation activities</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                 | <p><b>Completed</b></p> <p>Target of 444 hectares reforested</p>                                                                                                                                                                                                                                                                                                                                             |

<sup>4</sup> The latest outcome indicators are reported in: [http://www.bujagali-energy.com/docs/newsletter/BEL%20Newsletter%20Dec-09\(English\).pdf](http://www.bujagali-energy.com/docs/newsletter/BEL%20Newsletter%20Dec-09(English).pdf)

<sup>5</sup> [http://www.bujagali-energy.com/bujagali\\_documentsMaps1.htm](http://www.bujagali-energy.com/bujagali_documentsMaps1.htm)

<sup>6</sup> The results of the socio-economic updates can be found in the website, including the social assessment completed by the Panel of Experts: [http://www.bujagali-energy.com/bujagali\\_documentsMaps1.htm](http://www.bujagali-energy.com/bujagali_documentsMaps1.htm)

<sup>7</sup> Phase 2 results of the CDAP are reported in the Bujagali Project Newsletter (2<sup>nd</sup> Quarter 2010)

| Issues                                                                                                                                  | Actions                                                                                                                                                                                                                                              | Status                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| (OP4.01)                                                                                                                                | <ul style="list-style-type: none"> <li>▪ Management confirmed that the SMP for the Kalagala Offset, which includes the Mabira Central Forest Reserve, was approved and implementation is underway.</li> </ul>                                        | <p><b>Completed</b></p> <p>SMP implementation includes an eco-tourism program <sup>8</sup></p> |
| Cumulative Impacts: Climate Change and Hydrology Risks; Potential Impacts on Lake Victoria; Alternative Project Configurations (OP4.01) | <ul style="list-style-type: none"> <li>▪ Management confirmed that GoU disclosed the Lake Victoria hydrological (water releases) starting in 2008, and since then, the information has been made available to the EAC on a regular basis.</li> </ul> | <p><b>Completed<sup>9</sup></b></p>                                                            |

## II. PROJECT DESCRIPTION AND STATUS

4. The Uganda Private Power Generation (Bujagali) Project supports the development of a 250 MW run-of-river Bujagali hydropower station on the Nile River, eight kilometers downstream from the existing Nalubaale/Kiira power station. Under the transmission component, a 220 kV double circuit transmission line (Bujagali-Kawanda), funded by the African Development Bank (AfDB) and Japan International Cooperation Agency (JICA), is also under construction to evacuate power through the main grid to reach Kampala city and its vicinity. Other components include a 132 kV double circuit line from Kawanda to Mutundwe, and a 132 kV double circuit line from Bujagali to Nalubaale and then to Tororo.

5. In particular, the project will allow Uganda to retire 100 MW of costly automotive diesel oil (ADO) thermal power stations, resulting in an immediate reduction in overall power generating costs.<sup>10</sup> Uganda has already commissioned a permanent 50 MW thermal power station operating on heavy fuel oil (HFO), which is lower in cost than ADO. Depending on the outcome of several other HFO transactions, which could add as much as 155 MW more, Bujagali commissioning may allow the reduction, or even elimination, of the \$50 million in GoU budgetary subsidies currently provided to the sector. In constant dollar terms, the retail tariff

<sup>8</sup> The issue of funding gaps (including recurrent costs) related to implementation of the SMP were raised in the last mission *Aide Memoire* (dated August 10, 2010); see Annex 1.

<sup>9</sup> Information can be found in: <http://www.bujagali-energy.com/default.htm>

<sup>10</sup> There are two 50 MW ADO thermal power stations, one of which (Mutundwe) is partially financed by the Bank-supported Power Sector Development Operation.

already has reduced due to the impact of inflation. In current dollar terms, an upward adjustment of the tariff will be needed in the coming years, with the magnitude of the increase dependent on the details of transactions such as the HFO power stations mentioned above as well as hydrology, which determines the amount of available hydropower generation.

6. A Power Sector Investment Plan (SIP), which will provide an investment road-map including generation, transmission, and distribution, is currently implemented under the Bank-supported Power Sector Development Operation. The overall aim of the SIP is to increase access to least cost power in support of Uganda's economic growth and improved quality of life. The Bank-supported Energy for Rural Transformation II Project, under implementation since April 2009, is in the second phase of an Adaptable Program Loan to promote access to electricity and information/communication technologies (ICT) in rural Uganda through investments in power and ICT network extension, mini-grids, solar photovoltaics, and renewable energy systems (e.g. mini-hydro). In combination, these three projects – Bujagali Hydropower; Power Sector Development Operation and Energy for Rural Transformation II – represent a coordinated program to reduce energy sector constraints prior to Bujagali commissioning. Over the long-term, it is expected to reduce sector revenue requirements (post Bujagali) and extend the benefits of electricity to the growing Ugandan population.

### **Project Status**

7. **Delays in dam construction.** The April 2010 Joint Lenders Supervision Mission reported overall construction delay of about 10 months. This has led to a new “guaranteed completion date” of April 8, 2012 under the Settlement Agreement signed between BEL and the construction contractor, *Salini Costruttori* (Salini). This delay is because of changes in ground conditions arising out of the presence of erodible schist in the gated spillway discharge area. Other reasons include delays in production of structural concrete and recurrence of slope failure. The issue of erodible materials in the gated spillway tailrace is being addressed by capping with a reinforced concrete apron structure. Resolution of these issues needs significant additional work and time.

8. All major issues between BEL and Salini have been resolved through confirmation of claims that amounts to US\$41.7 million to the onshore contractor as reflected in twelve changes in works. The contractor has reserved its right on four other matters which could not be resolved at the time of the Settlement Agreement. However, the contractor has agreed that no additional prolongation costs will be sought on change orders included in the Settlement Agreement. Thus, there is no increase in cost for the offshore work. The overall cost is currently estimated at US\$874.0 million.

9. Based on the Quarterly Report (as of end-June 2010), progress of major components is as follows: (a) Switchyard-75%; (b) Earthworks-65%; (c) engineering -- overall basic design-100% and detailed design-96%; and (d) electromechanical works – 99% for engineering and procurement, and manufacturing-98%. On production and placement of structural concrete, there is some delay, for example, actual placement of concrete was 255,000 m<sup>3</sup> against a cumulative scheduled quantity of 300,000 m<sup>3</sup>.

10. **Delays in Transmission Line (T-Line) construction.** Problems in completion of the T-Line, including pending resettlement compensation disputes, are likely to have an impact on the commissioning schedule. Following the Joint Lenders' Supervision Mission of April 2010, the anticipated completion date for the T-line was deferred until end-December 2010. The main reasons for the delay include: (a) inability to fully secure properties on the T-Line right-of-way (RoW); (b) slow progress on the construction of the control building at the Kawanda substation; (c) incomplete soil investigation of the 132 kV Kawanda-Mutundwe T-Line corridor (swampy areas); and (d) lack of access to the tower foundations sites along the 220 kV Bujagali-Kawanda line. Overall progress of physical works for the various transmission sub-components is less than 70%.

11. **Additional requests for investigation.** The Joint Lenders Supervision Mission found the status of implementation of the Resettlement Action Plan (T-Line RAP) and Environmental Management Plan (T-Line EMP) to be about 89% complete. However, two other requests for investigation of environmental and social issues were filed. One was with the African Development Bank (AfDB) Compliance Review and Mediation Unit, which undertook an investigation of the hydropower and T-Line projects in coordination with the World Bank's Inspection Panel. The preliminary management response, which addressed systemic issues, such as the Kalagala Offset, dam safety issues, resettlement, and economic, environmental, and social impacts, was presented to the AfDB Board in May 2009. The World Bank Group team continues to collaborate with AfDB in project supervision to ensure compliance with similarly applicable safeguards requirements.

12. The same set of requesters filed another complaint with the European Investment Bank (EIB) in October 2009. The issues included in the complaint are similar to the ones that were raised earlier with the World Bank. Since then, a full investigation by a team of specialists from EIB, and in consultation with WB and AfDB, has taken place. To date, this investigation has reached the EIB Board, and there is a possibility that some intervention (arbitration) from the European Union (EU) may take place.

### III. DETAILED PROGRESS DESCRIPTION OF MAP ACTIONS

13. **Institutional Capacity.** The foundation for institutional and capacity strengthening has been **completed**. In particular, a National Multi-stakeholder Environmental Monitoring Committee for Bujagali Project (BEMC) was established by the National Environment Management Agency (NEMA) in February 2009 and continues to provide monitoring and oversight of the environment and social management functions of the project. During the past year, the BEMC has been active in reviewing the Sustainable Management Plan (SMP) for the Kalagala Offset. The SMP was approved by GoU and endorsed at a multi-stakeholder workshop held in Kampala in June, 2010. Since the last progress report, there is no change in the BEMC's composition and functions. It continues to be chaired by a highly respected engineer from Makerere University, its membership is broad-based and representative, drawing on representation from local government units and the Nile Basin Discourse Forum, and it used to include the National Association of Professional Environmentalists (NAPE), which is one of the

requesters.<sup>11</sup> The first meeting in February 2009 included a site visit and field verification. The BEMC has also organized sub-committees, together with its representative partners, based on specialized issues related to engineering, social, and environment. The GoU allocates approximately US\$0.1 million per year to cover the costs of BEMC meetings and operations.

14. **Guidance on Legacy Projects.** The *Interim Guidelines for Addressing Legacy Issues in World Bank Projects* was **completed** and posted in June 2009 on the Bank's Safeguards website for Bank staff.

15. **Vulnerable Groups.** BEL **completed** a survey of vulnerable groups in project affected villages, including host communities. The survey identified 358 households with at least one or more household members that belong to the vulnerable group categories (e.g. female-headed; disabled or seriously ill; HIV/AIDS-infected). As of the Second Quarter 2010 Monitoring Report, BEL indicated that the first phase of livelihood assistance to vulnerable households was **completed** and will continue to provide support to these households for another two years, coinciding with the time table for completion of the Community Development Action Plan (CDAP). For example, following a needs assessment, BEL started a fuel saving cooking stove program for vulnerable households/groups. Targeting female-headed households in the affected villages, BEL reported in May 2010 that the number of Livelihood Women's Cooperatives increased from 51% in 2008 to 63% in 2009, and 68% in 2010. Over 65% of those who participated in BEL's Sanitation and Hygiene Campaign in both affected and host communities belonged to women's and youth groups. BEL contracted the Nile Vocational Institute to manage youth skills training and where three-fourths of local youth registered and completed the course. The next phase of vulnerable groups' skills training will cover disabled people and young women.

16. **Cultural Property Management Plan (CPMP)** Originally, in 2002, this was part of the Resettlement and Community Development Action Plan (RCDAP). Subsequently, a CPMP was developed that outlined the steps necessary for a "chance find" and was included in the Contractor's manual; it facilitated identification of the major cultural sites. An update of the CPMP includes details on completion of the Bujagali spirits relocation site and, the accompanying ceremonies, and holding of the interdenominational ceremony in memory of people buried in the island (prior to their inundation). This updated stand-alone CPMP was disclosed by the GoU in-country and in the Bank InfoShop in August 2010. The time line of spiritual appeasement ceremonies and other activities is outlined in Annex 2; these reflect the large number of activities that were undertaken as a part of the CPMP.

17. **Disclosure and Panel of Experts (PoE) Review Mission and Report.** The project's PoE **completed** five reports, including the most recent review, which was done in January 2010 and disclosed by the project. The PoE noted the project's significant progress and the improvements in BEL's institutional capacities for addressing environment and social issues. The main recommendations in the 2010 PoE Mission Report suggested BEL to: (i) provide replacement land titles; (ii) increase employment opportunities and offer micro credit for

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<sup>11</sup> The National Association of Professional Environmentalists (NAPE) membership in the EMC was cancelled by Dr. Arymanya-Mugisha, chairperson of the EMC, in a Letter dated February 26, 2010 due to "conflict of interest as evidenced by (your) petition to the European Investment Bank."



livelihoods; (iii) resolve land claims in the Interconnection Project for some 124 project affected households; (iv) monitor disposal of agricultural plant sludge; (v) continue water quality monitoring; and (vi) ensure that health programs are in place to address water-related illnesses, in addition to HIV/AIDS. These recommendations have since been carried out, except for replacement land titles, since its resolution is not under BEL's control. Land titling authority is vested in local government jurisdictions and BEL has repeatedly requested facilitation from district and national officials to resolve these issues.

#### IV DETAILED PROGRESS OF ONGOING SUPERVISION ACTIONS

18. **Project Inter-agency Coordination Committee.** As noted in the last Progress Report, high level inter-agency coordination is undertaken at the Steering Committee level, which has been in place since September 2008. Day-to-day operations and coordination are done through sub-committees that are organized around the programmatic areas of environment and social; tourism and forest management; and communications and legal. Coordination is enhanced, for example, through organized planning workshops, such as the Environment Monitoring Indicators Workshop, held in Jinja in May 2009. This inter-agency five-day planning workshop also involved some of the BEMC members (including the Nile Basin Discourse Forum).

19. **National Forest Authority (NFA) Capacity to Implement Sustainable Management Plan (SMP).** A Bank Technical Mission in June, 2010 reviewed the capacity of NFA to implement the SMP, in particular, the protection of natural habitats, environmental and cultural values at Kalagala and Nile Bank Central Forest Reserves (CFR), and management of Mabira Forest CFR with emphasis on promoting ecological and social values of Mabira ecosystem. In addition, NFA coordinates the work of other government agencies, for example, tourism. NFA field staff review the forest management plans for the target CFRs and conduct field visits. The mission found the capacities acceptable, despite institutional problems that affected NFA leadership and financial management during 2009 – 2010 (e.g. allegations of corruption within NFA). Following changes in NFA leadership, the forest management activities in Kalagala Offset CFRs are ongoing with acceptable deployment of field staff and operating resources. An increase in both human and financial resources for forest management in Kalagala Offset will take place under the SMP.

20. **Socio-Economic Survey.** A follow up survey (representing almost 40% of total affected population) was **completed** in May 2009 and a summary report was issued in July 2009. The results of this survey measure key indicators of impact, including changes in income and livelihood. These are integrated in a database that is summarized every year as part of socio-economic monitoring. In the past year, the monitoring measures informed design of the agricultural service delivery program for each type and level of affected villages. The PoE Report recommends that future “data collection and other measures to monitor outputs and evaluate outcomes, particularly for the livelihood restoration program need to determine whether actions are having the desired effect or whether any changes are necessary (in the CDAP).” In this connection, BEL arranged for a monitoring and evaluation (M&E) training workshop with the PoE social specialist and has since began implementing the recommended “systematic socio-

economic monitoring” approach. The next follow-up survey was initiated in September 2010 and is expected to be completed in December 2010.

21. **Livelihood Restoration.** BEL reported that the livelihood restoration plan is **completed**. As noted in the Quarterly Monitoring Report of May 2010, there are 564 households (around 80% of P APs), covering 1,300 P APs, who have benefited from direct livelihood programs. Among these beneficiaries, 300 households benefited of agricultural programs (including inputs and, market and group cooperatives); 214 received fisheries support (fishing gear, boats, fish nets); and 50 households participated in the livelihood training workshops. The report also noted (from anecdotal evidence) an increase in household income, but there were no specific measures indicating the level of income shift. However, there are some indicators used, which need to be further refined. For example, 66 participating groups and families were given 11500 chicks, 35 got 244 pigs and about 11 goats per farming cooperative. After six months, livestock number increased by 20% for goats, and 150% for pigs.

22. The survey to measure impacts of livelihood programs in Naminya resettlement village was **completed**. The Panel of Experts (PoE) Sixth Mission Report of January 2010 noted that while there were significant improvements in livelihoods and incomes, there remain differentiated impacts on women’s groups and agricultural households in Naminya. The PoE recommendation was to initiate the micro credit and small financing programs in the site so that those who received agricultural support can avail of tools and other inputs. Anticipated income generating benefits are to be realized after construction of the agricultural market. To date, construction of the market stalls is more than 95% and is expected to be functional by last quarter of 2010.

23. **Reforestation and Afforestation.** BEL **completed** the afforestation program under its Environmental Management Plan (EMP). Progress of the afforestation program was verified during the last Joint Lenders’ Mission and was reviewed in BEL’s monitoring/ progress reports. Afforestation was implemented in a 100 meter wide river bank protection zone, promotion of agro-forestry in the outer 50 meter of the zone, sensitization, training and employment of local communities in nursery establishment, tree planting and plantation management, and promotion of agro-forestry outside the riverbank protection zone to reduce pressure on forestry resources. In total, 444 ha were planted with 589,715 trees (both timber and fruit species). In addition to afforestation, soil erosion control on steep banks of the reservoir through construction of bench terraces and planting of *Calliandra* and *Napier* grass was carried out on a 6-hectare demonstration area.

24. **SMP for Kalagala Offset and Mabira Central Forest Reserve (MCFR).** The Kalagala Offset SMP was **completed** by the International Conservation Union (IUCN)-Uganda, under contract with the project. The SMP was approved by GoU following extensive consultations that involved 750 persons across a full spectrum of stakeholders. The SMP and its implementation fulfill the obligation of GoU under the Indemnity Agreement to: (i) set aside the Kalagala Offset to protect its habitat, environmental, and spiritual values; (ii) develop tourism at Kalagala Falls in conformity with sound social and environmental standards; (iii) provide measures to ensure that power generation that could adversely affect Kalagala Falls is not developed in the site; and (iv) conserve the Mabira ecosystem. The SMP – implementation of

which is ongoing with respect to core planned activities – has been scheduled for formal launch by end-2010. The launch will finalize the details of management activities, responsibilities of key implementers, and the monitoring and evaluation framework for a 10-year period. The budget for SMP implementation is about US\$9.8 million. The Government committed to fund the initial cost of SMP implementation, with a possible request for donor support, as needed. As noted earlier, the recent Bank Supervision Mission raised the issue of financing gaps for implementing the SMP over the long-term. The Bank will continue to monitor SMP implementation through participation in an Annual Conference prescribed in the SMP monitoring and evaluation plan.

25. **Disclosure of Lake Victoria Water Releases.** The GoU's agreement with the Bank on disclosure of abstraction data in Lake Victoria is in **compliance**. The Ministry of Water and Environment has adopted a monthly reporting protocol to disclose water releases data to the East Africa Commission (EAC). Management confirms that this disclosure has been undertaken monthly since December, 2008. Releases remain above the Agreed Curve, but are much closer to it than they were in during the period 2005/06. During the period 2009 to June 2010, the Directorate of Water Development issued water release permits that provided for a flat out hourly average generation output between 136 - 138 MW for most of the period.

26. **Project Supervision.** A supervision strategy was **completed**, including coordination with other donors. Project supervision has been transferred entirely to Kampala-based World Bank senior team members, including the Task Team Leader. The field-based project team is comprised of a Senior Financial Analyst, Senior Power Engineer, Senior Environmental Specialist and a Senior Social Development Specialist. In addition, support from a Lead Social Scientist and advisory services from the Africa Regional and Bankwide safeguards teams are provided from Headquarters. Additionally, Joint Lenders' Supervision Missions are organized twice each year (around March and October). This arrangement of alternating coordination for these missions has worked well especially for BEL. Although some lenders participate on an annual basis, the World Bank team has participated in all five of these missions to date. The Bank Task Team members are in regular contact with project stakeholders to monitor progress, provide advice, and discuss issues/options. The Team also provides updates to Africa Region Management on a regular basis. Bankwide, the lessons learned from the project have been incorporated into training events and Bank documents, such as an *Africa Energy Briefing Note* that has been disseminated at the Bank Annual Meetings.

## V Next Steps

27. The Bujagali project is expected to contribute significantly towards resolving energy sector issues in the country. The stable and lower cost power supply will multiply benefits through new investments and meeting increasing demand at affordable rates. While there are obvious short-term savings from the shift from expensive thermal generation, the Bank has envisioned, supplemental to hydropower, implementation of a series of grid-connected and off-grid rural electrification schemes, including some small scale renewable energy systems.

28. **Supervision.** Management will continue to increase capacities of field-based staff to enhance implementation support. The Task Team Leader and the Water Resources Advisor,

both internationally hired, are already based in Kampala. Currently, the field staff assigned to the project includes existing Kampala based staff with specializations in Power Engineering, Environmental Management, and Social Development. Sufficient staff resources for supervision, including participation in the Joint Lenders' Missions, will continue to be allocated to strengthen implementation support on the ground.

29. **Social and Environment Impacts.** The Project will continue to enhance implementation of the APRAP, CDAP, and SMP in the following areas: (i) livelihood restoration; (ii) socio-economic information for measuring income and livelihood impacts; (iii) cultural and spiritual aspects; (iv) vulnerable groups; (v) management of afforestation area; (vi) environment management in the Kalagala Offset and Mabira Forest ecosystems; (vii) ecotourism activities; and (viii) monitoring of environmental impacts, as defined in the SMP. The socio-economic monitoring database will be greatly enhanced through follow up surveys that measure income and livelihood changes over time. Together with the annual independent evaluation of APRAP and CDAP implementation, BEL already has in place qualified staff to do monitoring. An independent evaluation of the CDAP impacts will be undertaken as a follow up activity to the socio-economic survey. BEL will continue its capacity building programs, especially in the areas of community development and support to youths and vulnerable groups. The Bank will supervise progress in SMP implementation, including capacities and monitoring of progress, and will work with GoU to resolve its long-term financing of SMP activities.

30. **Future reporting.** Management will update the Board on MAP progress in twelve month's time in its final Progress Report to the Board.

### ANNEX 1: ESTIMATED COSTS OF ACTIVITIES

| Activity                          | Responsible Agency        | Estimated Costs                                                                                                                                                                                                                                                                                                                                              | Financing Gap                                                                                                                                                                                                                                                                                   |
|-----------------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) Kalagala Offset SMP           | MoWE<br>NFA, NEMA,<br>etc | Total cost for implementation of the SMP over a 10-year period is US\$9.80 million                                                                                                                                                                                                                                                                           | <sup>12</sup> Financing gap of about 85%.<br><br>November 2010 Lenders Mission will discuss funding sources to cover the financing gap with the GoU. Other lenders and IDA have in the past expressed willingness to mobilize such funding.                                                     |
| (ii) Project Monitoring Committee | MEMD                      | Around US\$0.1 million (per year as annual operating cost)                                                                                                                                                                                                                                                                                                   | Fully funded. Bujagali Project Monitoring Committee is fully funded by GoU<br>Committee establishment was funded by GoU's own funds; first inspection and monitoring framework development were funded by GTZ.                                                                                  |
| (iii) CDAP<br>CPMP                | BEL                       | <b>CDAP:</b> BEL allocated US\$3.8 million over a period of five years for CDAP activities<br><br>Rural electrification activities in the Naminya resettlement site and some affected communities will cost about US\$1.0 million<br><br><b>CPMP:</b> Significant amounts have already been spent by the EPC Contractor as a part of their contract with BEL | <b>CDAP</b> activities are fully funded by BEL.<br><br>Rural electrification costs will be shared as follows: REA will cover 70% and AFD will cover 30%. BEL has agreed to provide Management and Technical Supervision services for setting up the electrification and water supply components |

<sup>12</sup> This estimate is based on the current FY GoU funding through budget allocations to the National Forestry Authority for the routine management activities (staffing, patrolling, enforcement, etc.) in the Central Forest Reserves forming the Kalagala Offset. This funding, which represents about 15% of the average annual cost of SMP is likely continue in the future (Information verified from Gershom Onyango, Director, Environmental Affairs, MoWE. 12 Oct 2010).

|                                                                                |      |                                                                                  |            |
|--------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------|------------|
| (iv) Oversight and concluding ceremonies of the cultural, and spiritual issues | MEMD | US\$59,000 -- of which US\$35,000 is for the last set of appeasement ceremonies. | Not funded |
|--------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------|------------|

## **ANNEX 2: Timeline for the Appeasement of the Bujagali Spirits**

**September 2, 1999** – AES Nile Power enters into an agreement with the Nabamba Budhagali to carry out traditional consultations with the Budhagali spirits in forming them off the project, which may lead to the inundation of the ancestral burial grounds and shrines leading to relocation of the said tangible cultural property.

**September 5, 1999** – Nabamba Budhagali held consultations with the Budhagali spirits at which the spirits did not object to the change in the environment, construction of project, and inundation of the culture site as long as ceremonies are held for appeasement.

**December 8, 1999** – AES Nile and GoU sign Implementation Agreement refers to Budhagali site, which is said to be of ‘cultural importance to the Basoga tribe and the Ntembe clan in particular.’

**August 21, 2001** – Agreement for the Mitigation of Cultural Impacts and Appeasement of the Budhagali Spirit, signed by the Nabamba Budhagali. The signature is witnessed by AJCM Magezi, Advocate, who attests that the agreement “was first read and explained to him in a language he understands until he appeared to fully understand the same.” The Agreement follows consultations on 6/25/01, 7/6/01, 7/13/01, 7/25/01. The Agreement contains the following provisions: “For the avoidance of doubt, after providing the agreed facilitation for the appeasement ceremonies, the Company shall deem and Nabamba Budhagali hereby asserts that all requisite cultural ceremonies associated with the interest of Nabamba Budhagali within the Project Site have been satisfied, the spirits have been appeased, acquisition of the Project Site, construction of the Project and inundation of the Culture site have been accepted by the spirits.” Nabamba Budhagali shall have no more claims for re-consulting or re-appeasing the Budhagali spirit.”

**September 25, 2001** – Nabamba Budhagali accepts milestone payments 3b and 4 for the ceremony. (He has previously received all of the other milestone payments.)

**September 29, 2001** – Appeasement ceremony with participation of the Nabamba Budhagali and 75 Baswezi from all over Uganda. Nabamba Budhagali refuses to sign confirmation of completion.

**October 5, 2001** – Nabamba Budhagali, through legal counsel, sends letter to object the presence of others near his shrine claiming to be ‘the’ Budhagali.

**2001- 2007-** After the withdrawal of AESNP, Government of Uganda through a procurement process identified Bujagali Energy Limited (BEL) as a developer for the project. Due to the time lapse, there was need to update the Social and Environmental Action Plan (SEAP); to identify any gaps and/or improve on the mitigation measures proposed. Consultations were held with different agencies and during which Busoga Kingdom as one of the institutions consulted indicated that the relocation of the Bujagali Spirits was not completed because no home was built for the spirits as they were temporarily housed at the medium’s place (Lubaale Nfuudu). Further

consultations and negotiations led to an agreed list of requirements for a home for the spirits as advised by Busoga Kingdom and a relocation ceremony for the spirits.

**August 18, 2007** -The proposed requirements are honored by BEL, and the transfer and appeasement ceremony is performed with Lubaale Nfuudu Benedicto as the medium.

**August 2007- January 2009** - BEL requests Busoga Kingdom for progress on the construction of the three shrines (home for the spirits) at Namizi.

**February 9, 2009** - BEL in a letter (BEL Ref: 0-1264) requests Busoga Kingdom to be furnished with information related to the completion of the shrines and does not get a response.

**July, 2009** – Ministry of Energy and Mineral Development (MEMD) engages a consultant to look into the spirits issue and update the Cultural Property and Management Plan (CPMP) to also include the procedure of chance finds.

**February 19, 2010** - BEL receives a letter from Busoga Kingdom (Ref BK/ADM/10) about the latter's meeting with European Investment Bank centered on two issues that is, the status of Nabamba Budhagali's involvement in the spiritual issues associated with the project and completion of shrines at Namizi.

**May 18, 2010** - Meeting between BEL, Busoga Kingdom and Ministry of Energy and Mineral Development is held to discuss the completion of spirits' relocation.

**July 2, 2010** – Meeting between BEL and Ministry of Energy and Mineral Development (MEMD) to follow up on the relocation of the spirits issue and it is agreed that BEL will fund both the completion of the shrines and the relocation ceremonies.

**August 5, 2010** –Meeting between BEL, MEMD and Busoga Kingdom is held at the Kyabazinga's offices to communicate agreements made by BEL with MEMD on July 2, 2010 as:

- BEL funding both the completion of shrines at Namizi and the associated relocation ceremonies.
- BEL to discuss with Busoga Kingdom the appropriate conduction of appeasement ceremonies, including the involvement of all key spiritual mediums like Jaja Budhagali, Nfuudu, etc, in the ceremonies.
- BEL to provide a budget for the last set of appeasement ceremonies and sign a legally binding Memorandum of Understanding (MoU) with Busoga Kingdom.
- Busoga Kingdom to issue a certificate of completion for completion of the shrines and the relocation ceremonies.