

## UGANDA

### PRIVATE POWER GENERATION (BUJAGALI) PROJECT (P089659); WATER MANAGEMENT AND DEVELOPMENT PROJECT (P123204); AND ENERGY FOR RURAL TRANSFORMATION PHASE III PROJECT (P133312)

#### UPDATE ON MANAGEMENT ACTIONS

February 4, 2018

1. Management is providing this update to its Response to the Request for Inspection to inform the Board and Panel of the most recent developments regarding the Actions to which Bank Management committed in its Response (paragraph 48).

2. Specifically, Management undertook to continue working with the Government of Uganda (GoU) to assess the potential impacts of the Isimba Hydropower Plant (HPP), which the Bank is not financing nor associated with, on the Kalagala Offset Area (KOA), and to undertake the following:

- (a) *Support the GoU to establish appropriate mitigation measures to manage identified negative impacts;*
- (b) *Advise the GoU regarding livelihood restoration measures and compensation provided to people affected by the Isimba HPP; and*
- (c) *Determine, on the basis of the findings of the [Environmental and Social Impact Assessment (ESIA)] Addendum, once it is completed, whether any adjustments to the [Kalagala Offset Sustainable Management Plan (KOSMP)] might be appropriate to continue the protections of the ecosystem of the [Central Forest Reserves (CFRs)] as agreed in the [Indemnity Agreement (IA)].*

3. The current status and expected timeframe for the completion of each action are provided below in detail.

**A. Support the GoU to establish appropriate mitigation measures to manage identified negative impacts on the KOA.**

***Assessment, Studies and Reports to Assess the Impacts of the Isimba HPP on the KOA and Recommend Mitigation Measures.***

4. ***ESIA Addendum to the Isimba HPP.*** Preparation of the ESIA Addendum by the GoU started in May 2016, after the GoU selected consultants under terms of reference agreed with the Bank, and was completed in November 2017.<sup>1</sup> The GoU held extensive consultations throughout

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<sup>1</sup> The ESIA Addendum report and its appendices are publicly available on the following websites, respectively:

the preparation of the ESIA Addendum,<sup>2</sup> starting with a kick-off meeting at the Ministry level in May 2016 involving Central Government offices, relevant sectoral agencies, offices of the District Local Governments, tourism operators, and fishermen. Nineteen focus group meetings were held during September 2-10, 2016 in the affected villages and communities related to the KOA. A stakeholder consultation meeting was organized at the local level in Jinja on August 19, 2016 which specifically targeted local level stakeholders, and involved a total of 58 participants (12 women and 46 men). Another stakeholder consultation meeting was held in Kampala on August 22, 2016, with 11 concerned institutions (including tourism operators) and nongovernmental organizations (and a total of 28 participants).

5. ***Consultations on the final draft of the ESIA Addendum.*** The final draft of the ESIA Addendum was disclosed on the website of the Ministry of Energy and Mineral Development (MEMD) in August 2017 for written comments. Public consultations on the draft ESIA Addendum were first held in five sub-counties (Nazigo, Kangulumira, Wakisi, Butagaya and Budondo) with the leadership of the sub-counties, leadership of all affected villages and representatives of affected communities. Two public hearings were held, one on the Busoga side on October 12, 2017, on the western bank of the river at Kalagala Falls, Kangulumira sub-county, Kayunga district, and on the Buganda side on October 13, 2017, in Bususwa Primary School, Kibibi Parish, Budondo sub-county, Jinja district. The general public was notified of the hearings through notices in multiple newspapers, announcements on local TV and radio stations, community mobilization by the local leadership, and mobile announcements. Tourism companies were also invited through a separate letter dated October 6, 2017 addressed to them. Documents were made available in the local languages, i.e., Luganda and Lusogafor.

6. The public hearings were attended by representatives of the respective District Local Governments, including Kayunga, Buikwe, Jinja and Kamuli; Resident District Commissioners; the local authorities, including Village Local Council Chairpersons and Sub-County Chairpersons for the surrounding villages and sub-counties; representatives from the National Environment Management Authority (NEMA), the Ministry of Energy and Mineral Development, and the World Bank; tourism operators; teachers; transporters; mechanics; farmers; fishermen; and sand miners, among others. Over 300 people attended. Attendance sheets, copies of newspaper announcements and minutes of the various meetings are annexed to the ESIA Addendum.<sup>3</sup> Management also requested the Panel's assistance to forward the invitation for the consultations to the Requesters. MEMD also received written comments from a tourism operator, which – together with the GoU response – are annexed to the ESIA Addendum.

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<http://www.energyandminerals.go.ug/downloads/ESIAAddendumfinal20November.pdf> and  
<http://www.energyandminerals.go.ug/downloads/finalappendixcorrected.pdf>

Addendum to the Environmental and Social Impact Assessment of Isimba 183 MW Hydropower Project on the Kalagala Falls Site in the districts of Kayunga, Buikwe and Jinja.

<sup>2</sup> The GoU held extensive consultations on the Isimba ESIA during project preparation. The GoU reported holding a total of 22 meetings on the Isimba Environmental Impact Assessment (EIA), Social Impact Assessment (SIA) and Resettlement Action Plan (RAP) in 2012, with 1,077 persons representing different institutions, civil societies and affected persons (APs) participating in these meetings. Of the 22 stakeholder consultations held at the local level, 6 were held in villages within the local government's administrative footprint of KFS. In June 2014, a public hearing was held on the final version of the EIA, SIA and RAP reports.

<sup>3</sup> Attendance sheets for public hearings on October 12, 2017 identify two tourism operators in attendance representing *Lemon on the Nile* and *Nile River Explorers*.



7. **Technical studies on fish species distribution.** As a supplement to the work on the ESIA Addendum, the GoU commissioned a technical study on fish species of conservation interest within the Upper Victoria Nile, entitled “Habitat Characteristics and Haplochromine Cichlid Fish Diversity of the Upper Victoria Nile: Towards the Development of Biodiversity Friendly Hydropower Projects,” prepared by the National Fisheries Resources Research Institute (NaFIRRI), and completed in January 2017.<sup>4</sup> The aim of the study was to provide information on the specific distribution and habitat requirements of fish species of conservation interest, particularly the haplochromine cichlids, keeping in mind the impacts that are likely to occur as a result of construction of the Isimba HPP.

8. **Long-Term Conservation Options (LTCO) report.** In parallel with the ESIA Addendum, the GoU also prepared a Long-Term Conservation Options (LTCO) report, completed in July 2017. The LTCO report analyzes options for establishing a firm legal status, institutional arrangements, and sustainable funding for the KOA, and proposes solutions.<sup>5</sup>

### **Key Impacts and Mitigation Measures**

9. The ESIA Addendum found that the key impacts of the Isimba HPP on the KOA are the consequence of the Isimba reservoir extending into the KOA, causing inundation of about 5.7 km (out of 10.2 km) of the river within the KOA, including three (out of seven) major rapids/island groups within the KOA. The main negative impacts would be the loss of the natural fish habitat, including for some restricted-range species of conservation interest, and the loss of the river rapids for whitewater rafting/kayaking related tourism.

10. The ESIA Addendum proposed, as the key mitigation measure, to extend the KOA upstream by approximately 10.5 km to compensate for the 5.7 km loss of free-flowing river to the Isimba reservoir. Such an Extended KOA (EKOA) would encompass a stretch of the Nile River approximately 15 kilometers long, beginning upstream at 2.5 kilometers below the Bujagali Dam wall and ending downstream at the tail end of the Isimba Dam reservoir (maximum pool level of 1,055 meters above sea level), 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;<sup>6</sup> and (d) the entire area of the Namavundu, Kalagala Falls and Nile Bank CFRs except any portions inundated by the reservoir of the Isimba Dam.<sup>7</sup> The map of the EKOA is attached as part of an Amendment to the IA (see paragraph 14).<sup>8</sup> The 15-km length of the protected river included in the EKOA means a net gain of about 4.8 km (15 km vs. the original 10.2 km).

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<sup>4</sup> An earlier haplochromine habitat study was prepared in 2001 by WS Atkins International and NaFIRRI, as part of preparatory work for the Bujagali hydropower project.

<sup>5</sup> The LTCO report is available at: <http://wbdocs.worldbank.org/wbdocs/drl/objectId/090224b085082cd8>

<sup>6</sup> The 100-meter zone of major river banks is protected and regulated as wetlands under the National Environment (Wetland, Riverbanks and Lakeshore Management) Regulations 2000.

<sup>7</sup> The Mabira CFR is not affected by the Isimba HPP and maintains its current protected status.

<sup>8</sup> The title of the map (“Kalagala-Itanda Falls Conservation Area”) is the term used by the GoU for the KOA. The Bujagali Indemnity Agreement operates with the term “Kalagala Falls Site (KFS),” either in its original definition or for the Extended KFS (EKFS). For the purpose of this Update, the terms KFS, KOA, and Kalagala-Itanda Falls Conservation Area are used interchangeably.

11. The ESIA Addendum also proposed several measures to strengthen management of fish habitats and socio-economic impacts (especially on tourism). It also recommended updating the KOSMP (2010-2019)<sup>9</sup> to reflect the changed boundaries and mitigate the adverse impacts of the Isimba HPP. The ESIA Addendum further provides recommendations for the institutional strengthening of the KOSMP.

12. The new KFS includes all of the original KFS that will not be inundated by the Isimba reservoir, plus the proposed upstream extension of about 10.5 km, up to within 2.5 km of the Bujagali Dam wall. As such, the new KFS encompasses 15 kilometers (km) of the Upper Victoria Nile River, compared to only 10.2 km in the original KFS. The river area added to the new KFS is of generally higher biodiversity value than the portion within the original KFS that will be affected by Isimba. For example, based on fish species surveys carried out by NaFIRRI in 2000 and 2016 and reported in the 2017 Isimba ESIA Addendum, 63 fish species (including 9 of global conservation concern) have been found within the new KFS, versus 32 (including 4 of global concern) within the original KFS.

### ***Action Plan of October 2017***

13. To ensure implementation of the mitigation measures to manage the negative impacts of the Isimba HPP on the KOA, the GoU developed an Action Plan in October 2017 with Bank support. The scope of the Action Plan reflects the objectives of the KOA, which was defined<sup>10</sup> as being set aside “...*exclusively to protect its natural habitat and environmental and spiritual values in conformity with sound social and environmental standards acceptable to the Association.*” The Action Plan includes the following actions, completed as indicated:

- (a) *Completion of the ESIA Addendum and issuance of the EIA certificate:* Based on the ESIA Addendum, NEMA issued the EIA Certificate for the EKOA on November 30, 2017.<sup>11</sup>
- (b) *Strengthening legal protection of the EKOA:* The GoU has committed to provide strong and permanent legal protection to the EKOA under Ugandan Law. This would be a significant enhancement of the status of the existing KOA, which enjoys no specific legal protection beyond the provisions spelled out in the IA, which also is timebound. The GoU has followed a two-pronged approach for protecting the EKOA:
  - (i) First, it proposes to do so under the umbrella of the National Environment Act (NEA). A Bill for revision of the NEA was approved by the Cabinet on November 13, 2017 and submitted to Parliament on December 15, 2017. The Bill is currently being discussed by Parliament and is expected to allow for the establishment, through Statutory Instrument, of the EKOA as a “special conservation area” with a primary focus on conservation of water resources and aquatic biodiversity, and including specific and unambiguous

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<sup>9</sup> The Kalagala Offset Sustainable Management Plan (2010-2019) was issued by the Ministry of Water and Environment in 2010.

<sup>10</sup> See Indemnity Agreement, paragraph 3.06(a).

<sup>11</sup> Preparation of the ESIA Addendum was a specific condition of approval of the EIA Certificate for the Isimba HPP, which NEMA issued on May 19, 2015.



prohibitions against the building of hydropower facilities or other major infrastructure in or affecting the area. The protection provided by the revised NEA is expected to apply beyond the expiration date of the IA (November 2023).<sup>12</sup>

- (ii) Second, the GoU proposes to use the existing “Forestry and Tree Planting Act, 2003” (“Forestry Act”) as an interim arrangement to mitigate the risk of protracted discussions of Parliament’s consideration of the NEA Bill. This interim arrangement is to be instituted and to remain in place until after the NEA is passed by Parliament. The arrangement involves extending the Kalagala Falls CFR to include all the areas of the EKOA not already belonging to one of the CFRs associated with the EKOA.<sup>13</sup> The process was initiated on December 8, 2017, by the Ministry of Water and Environment (MOWE), which put out a public notice of intent to issue such an amendment to the Forest Reserves Declaration Order, kicking off a mandatory 90-day public comment period. It is expected that the arrangement under the Forestry Act will be in place within a few weeks after the public comment period ends, unless the process of adopting the NEA advances sufficiently to render the interim arrangements unnecessary.
- (c) *Establishing institutional and funding arrangements for the EKOA:* The GoU clarified institutional arrangements and sources of funding for managing the EKOA in the short term, until the arrangements under the NEA are instituted. The GoU advised that the institutional arrangements developed under the KOSMP will remain in place, with strengthening of the MOWE’s capacity to implement the KOSMP. The GoU further assured that it would provide funds in MOWE’s Medium Term Expenditure Framework for the purposes of managing the activities related to maintaining the EKOA, and that it had already provided UGX3,627,000,000 (about US\$1,006,000) for Fiscal Year 2017/18.
- (d) *Managing Isimba HPP construction activities:* The KOA has not been affected so far by the construction of the Isimba HPP. The Ministry of Energy and Mineral Development instructed Isimba HPP contractors, in letters of October 26, 2017 and November 23, 2017, to refrain from any works that would irreversibly impact the KOA until explicitly advised by the Ministry that it could proceed with such works. This is designed to prevent irreversible adverse impact on the KOA until appropriate mitigation measures have been put in place.
- (e) *Management Action Plan for 2007 Bujagali Inspection Panel Case:* On December 20, 2017, the GoU issued the last outstanding land title under the Resettlement Action Plan for the Bujagali project, completing the Management Action Plan for the 2007 Inspection Panel case (MAP 2007).<sup>14</sup>

<sup>12</sup> Instituting this protection would fulfill, significantly ahead of time, an important stipulation in the IA, which asked IDA and the GoU to enter into discussions for the long-term protection of the KFS only upon receiving the IDA notice of a termination (or prospective termination) of the IDA Guarantee Agreement.

<sup>13</sup> These CFRs are Kalagala Falls CFR, Nile Bank CFR, and Namavundu CFR. Mabira CFR is also included in the sustainable management program under the IA and maintains its current protected status.

<sup>14</sup> Inspection Panel Investigation Report No. 44977-UG on the Private Power Generation (Bujagali) Project.

- (f) *Sustainable management program*: The GoU reiterated its commitment to conserve, through a sustainable management program and long-term funding mutually agreed by the Government and the Bank, the present ecosystem of the Mabira CFR, as well as the EKOA (including the CFRs therein) and to prepare and adopt, by November 30, 2018, a sustainable management program for the EKOA. The Bank expects that the management program will include, inter alia, additional mitigation measures for fisheries (monitoring, management, and education programs), given the potential adverse impact of the Isimba HPP on habitats for some fish species. Measures to mitigate the impacts on the tourism activities are expected to be covered by a separate program under the Community Development Action Plan for the Isimba HPP, as they are beyond the scope of the IA.

***Amendment to Indemnity Agreement and Supplemental Letter***

14. As envisaged under the Action Plan, with these actions (a)-(f) described above, the Bank and the GoU have agreed on and signed on January 24, 2018 the Amendment to the IA (“Amendment”), the key elements of which include:

- Adjusting the offset boundaries to extend the KOA upstream, as described in paragraph 10;
- Preparing and adopting a sustainable management program for the EKOA, by November 30, 2018, consistent with the obligations to maintain a sustainable management program for the offset and the CFRs;
- Adopting, by November 30, 2018, and thereafter maintaining, a mechanism satisfactory to the Association that ensures legally-binding and long-term conservation, protection and management of the EKOA.

15. A Supplemental Letter, also signed together with the Amendment on January 24, 2018, further elaborates on the expected content of an acceptable revised sustainable management program, linking it to the objectives of the IA and emphasizing the importance of mitigating any negative social impact of possible new or enhanced restrictions on the use of natural resources that the expansion of the KOA boundaries may entail. The Supplemental Letter also clarifies the features of the long-term, legally-binding mechanism for conservation of the EKOA.

16. The Amendment and the Supplemental Letter are attached to this report.

17. The table below summarizes the ways in which the IA has been strengthened by the Action Plan of October 2017, the Amendment and the Supplemental Letter.

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

**B. Advise the GoU regarding livelihood restoration measures and compensation provided to people affected by the Isimba HPP.**

18. The ESIA Addendum elaborated on socio-economic impacts of the Isimba HPP, including on: land and property acquisition and related displacement; fishing; forest product extraction; and the tourism industry. The ESIA Addendum also outlined mitigation measures for all identified impacts, with an emphasis on the impacts on tourism, and recommended further enquiry into the impacts of the Isimba HPP on local agriculture. The GoU is in the process of updating the Community Development Action Plan (CDAP) for the Isimba HPP to reflect these measures.

<sup>15</sup> The Mabira CFR is located outside of the KFS and maintains the same level of protection under the Amended Indemnity Agreement.



19. Protection of economic activities within the offset is **outside** the scope of the IA. Nevertheless, the Bank has consistently advised the GoU to mitigate the negative economic impacts of the Isimba HPP, including through livelihood restoration activities to be identified in the CDAP. The KOSMP devoted significant attention to development of eco-tourism within the offset, with a separate appendix (“The Kalagala-Itanda Eco-Tourism Development Plan (2010-2019)”).

20. The Bank has emphasized the need to ensure that the expansion of the offset boundaries is done with due attention to adverse impacts, if any, on livelihood of people affected by such expansion. The Supplemental Letter contains the following agreements on the EKOAs sustainable management program relevant for such protection:

- To the extent appropriate, incorporate the relevant provisions of the existing KOSMP and the existing management plans for the CFRs in the EKOAs (and Mabira CFR);
- Specify the types of human uses that will be permitted or prohibited within the EKOAs; these specifications may vary according to the various management zones within the EKOAs;
- Describe the range of EKOAs protection, management, and monitoring activities to be carried out to achieve the management objectives, including, but not limited to, fishery monitoring, to improve the available information on fish species of conservation concern, thereby enabling adaptive management measures such as fishing regulation and fish habitat management; and
- If such a management program requires the imposition of new or enhanced restrictions on access to natural resources, specify measures that would be taken to provide appropriate time-bound compensation and livelihood restoration assistance to people who were using natural resources prior to the effectiveness of such management program and whose livelihoods could be adversely affected by the EKOAs-related management activities, based on eligibility criteria mutually agreed by the Government and the Association.

**C. Determine whether any adjustments to the KOSMP might be appropriate to continue the protections of the ecosystem of the CFRs as agreed in the IA.**

21. As stated in Section A, the key measure to mitigate the impacts of the Isimba HPP on the KOA is to adjust the boundaries of the offset, including adding the Namavundu CFR, extending the protected river stretch by 10.5 km and including a 100-m zone on both river banks along the protected stretch. Along with this, legal protection mechanisms, and with them institutional arrangements and funding for the EKOAs, are proposed to be updated. Therefore, the GoU is planning to update the KOSMP by November 30, 2018, as stipulated in the Amendment to the IA and the Supplemental Letter to reflect these changes and enhance the current protections set forth in the KOSMP.

**D. Conclusion**

22. The GoU, through concerted efforts with Bank Management, has undertaken a suite of actions to secure the legal future of the EKOAs beyond the expiry of the IA in 2023. Such legal



protection will be underpinned by institutional arrangements and funding support. Once the agreed measures are completed, the EKOA will be a sustainably managed and environmentally protected site. As such, the measures implemented by the GoU are an improvement to the protection previously offered by the IA.

23. The Government recognized the impacts of Isimba on certain types of tourism activities, such as rafting and kayaking, due to submersion of several rapids and islands by the Isimba reservoir. The Government has engaged with the affected communities, including rafting/kayaking tourism operators, in discussing mitigation measures, described in the Government-prepared CDAP for the Isimba HPP. The CDAP, which is being revised subsequent to the completion of the ESIA Addendum, considers a range of measures to mitigate the impacts on tourism operators, including assistance with diversification of business, compensation for the loss of revenue, and compensation for redundancy and severance payments.

### **IFC Refinancing of BEL**

24. The International Finance Corporation (IFC) and the African Development Bank (AfDB) are seeking to raise funding in an amount of up to approximately US\$ 400 million to refinance part of the debt of Bujagali Energy Limited (BEL). The refinancing will result in the prepayment of all of BEL's loans from development finance institutions (DFI) as well as certain commercial banks. It will retain, however, loans from several of the existing commercial banks and, with them, the existing IDA Partial Risk Guarantee. Hence, the refinancing does not affect the Indemnity Agreement. The future DFI lenders to BEL would include, in addition to AfDB and IFC, FMO (Netherlands), DEG (German), Proparco (France) and CDC (United Kingdom), all of whom have obtained already the relevant approvals for this transaction.

25. Through the refinancing, the parties are seeking to replace the bulk of BEL's existing senior debt and the entire existing subordinated debt with new loans of 15-year maturity. Such an extension in the maturity of BEL's would have the effect of reducing the amount of annual debt service to lenders and, therefore, the Project tariff.

### **Attachments:**

- Signed Amendment to the Indemnity Agreement
- Signed Supplemental Letter

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NUMBER B-0130-UG

# Amendment

dated January 24, 2018

to

## Indemnity Agreement

(Partial risk Guarantee for the Private Power Generation (Bujagali) Project)

between

REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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## AMENDMENT TO INDEMNITY AGREEMENT

AMENDMENT ("*Amendment Agreement*") dated January 24, 2018 to the Indemnity Agreement (as defined below) between the REPUBLIC OF UGANDA ("*Uganda*") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "*Association*").

(A) WHEREAS Uganda and the Association entered into an Indemnity Agreement, dated July 18, 2007 (the "*Indemnity Agreement*"), pursuant to which Uganda undertook certain obligations to the Association in consideration of the Association entering into the IDA Guarantee Agreement;

(B) WHEREAS Uganda and the Association wish to amend the Indemnity Agreement as provided herein;

NOW THEREFORE the parties hereto hereby agree as follows:

### ARTICLE I

#### Definitions

**Section 1.01.** Terms in initial capital letters in this Amendment Agreement are used as defined herein, and if not defined herein, as defined in the Indemnity Agreement.

### ARTICLE II

#### Amendments

**Section 2.01.** With effect from the date of this Amendment Agreement, the Indemnity Agreement is amended as follows.

(a) Section 1.02(c)(xi) is deleted in its entirety and replaced with the following:

"(xi) "*Kalagala Falls Site*" means the area designated as "*KALAGALA-ITANDA FALLS CONSERVATION AREA*" in the map attached to this Indemnity Agreement and encompassing 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; 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."

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- (b) Section 1.02(c)(xii) is deleted in its entirety and replaced with the following:

*"(xii) 'Mabira Forest Reserve' means the area designated on the map entitled 'Mabira Central Forest Reserve – Management Zonation' attached to this Indemnity Agreement, including all use classifications set forth on such map as agreed with the Association;"*

- (c) Section 3.06(a) is deleted in its entirety and replaced with the following:

*"Section 3.06. Uganda shall:*

*(a) (i) set aside the Kalagala Falls Site exclusively to protect its natural habitat and environmental and spiritual values in conformity with sound social and environmental standards acceptable to the Association;*

*(ii) ensure that any tourism development at the Kalagala Falls Site will be carried out only in a manner acceptable to the Association and in accordance with the aforementioned standards;*

*(iii) not develop power generation that could adversely affect the above-stated protection of the Kalagala Falls Site without the prior agreement of the Association;*

*(iv) (A) conserve, through a sustainable management program and long-term funding mutually agreed by the Government and the Association (no later than expiration of the prevailing sustainable management program or such later date as the Association may agree), the present ecosystem of the Mabira Forest Reserve, as well as the Kalagala Falls Site, including the Kalagala Falls Central Forest Reserve, the Namavundu Central Forest Reserve and the Nile Bank Central Forest Reserve and (B) as part of such management program, as soon as reasonably practicable, but in any event not later than November 30, 2018, prepare and adopt a management plan for the Kalagala Falls Site;<sup>1</sup>*

*(v) take all necessary action within its authority (A) to adopt, as soon as reasonably practicable, but in any event not later than November 30, 2018, and (B) to thereafter maintain, a mechanism satisfactory to the Association that ensures legally-binding and long-term conservation, protection and management of the Kalagala Falls Site; and*

*(vi) upon receiving the Association's notice of a termination (or prospective termination) of the IDA Guarantee Agreement (whether by the Association's payment thereunder or otherwise) which in turn may lead to a termination of the Project or this Agreement, enter into discussions with the Association regarding an extension (and the terms of any extension) of the afore-*

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<sup>1</sup> The term "Kalagala Falls Site" is the term used in the Indemnity Agreement for the area to be protected. Uganda may use a different term to designate this area for purposes of the above-referenced sustainable management program, management plan or legally binding mechanism.

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*mentioned setting aside of and undertakings in respect of the Kalagala Falls Site and the Mabira Forest Reserve;"*;

- (d) The map attached to the Indemnity Agreement which designates the Kalagala Falls Site is deleted and replaced with the map attached as Annex 1 to this Amendment Agreement.

### ARTICLE III

#### Miscellaneous

**Section 3.01.** The provisions of the Indemnity Agreement shall, save as amended by this Amendment Agreement, continue in full force and effect and references in the Indemnity Agreement to "this Indemnity Agreement", "hereunder", "herein" and like terms or to any provision of the Indemnity Agreement shall be construed as a reference to the Indemnity Agreement, or such provision, as amended by this Amendment Agreement.

**Section 3.02.** This Amendment Agreement shall come into force and effect as of the day and year first above written.

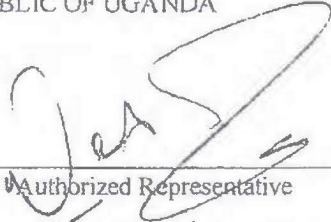
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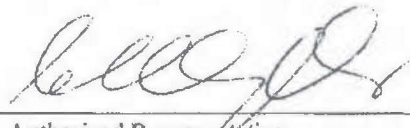
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IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amendment Agreement to be signed in their respective names as of the day and year first above written.

REPUBLIC OF UGANDA

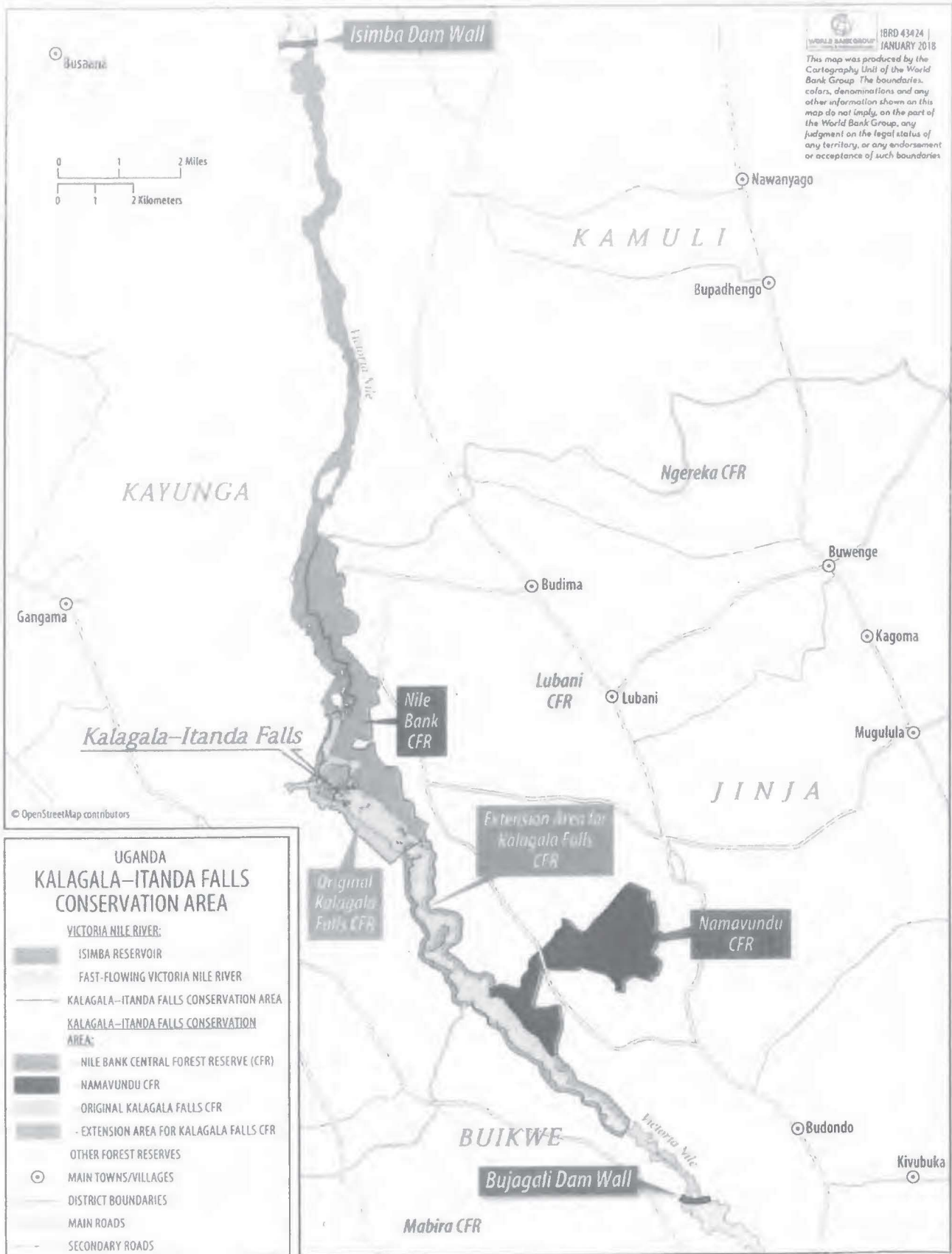
By:   
Authorized Representative  
Name (printed): KASAIJA MATIA  
Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:   
Authorized Representative  
Name (printed): Christian Malinberg Celis  
Title: Country Manager



# ANNEX I



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Telephone : 256 41 4707 000  
: 256 41 4232 096  
Fax : 256 41 4230 163  
: 256 41 4343 023  
: 256 41 4341 286  
Email : [finance@finance.go.ug](mailto:finance@finance.go.ug)  
Website : [www.finance.go.ug](http://www.finance.go.ug)



THE REPUBLIC OF UGANDA

Ministry of Finance, Planning &  
Economic Development  
Plot 2-12, Apollo Kaggwa Road  
P.O. Box 8147  
Kampala  
Uganda

In any correspondence on  
this subject please quote No. ALD 141/259/01

**Supplemental Letter**

January 24, 2018

International Development Association  
1818 H Street NW  
Washington, DC 20433  
United States of America

Dear Sirs:

**Re: Private Power Generation (Bujagali) Project  
Section 3.06(a) of Amended Indemnity Agreement (as defined below)**

In connection with the Indemnity Agreement dated July 18, 2007 between the Republic of Uganda ("Uganda") and International Development Association (the "Association") as amended by the Amendment to Indemnity Agreement dated the date of this letter (the "Amended Indemnity Agreement"), I am writing on behalf of Uganda to set forth the following:

**A. The legal protection for the Kalagala Falls Site**

Pursuant to Section 3.06(a)(v) of the Amended Indemnity Agreement, Uganda has agreed to take all necessary action within its authority (A) to adopt, as soon as reasonably practicable, but in any event not later than November 30, 2018, and (B) to thereafter maintain, a mechanism satisfactory to the Association that ensures legally-binding and long-term conservation, protection and management of the Kalagala Falls Site (the "Legal Mechanism"). In furtherance of this undertaking, Uganda agrees to take all necessary action within its authority to ensure that the Legal Mechanism includes, without limitation, the following elements, in each case in a manner acceptable to the Association:

- (i) conservation of water resources and aquatic biodiversity (consistent with the Amended Indemnity Agreement) as a primary focus of the Legal Mechanism;
- (ii) a clear and accurate geographic definition for the Kalagala Falls Site;
- (iii) a prohibition against the development of power generation facilities in the Kalagala Falls Site;
- (iv) a clear framework for developing a management plan for the Kalagala Falls Site; and
- (v) not be easily rescinded or changed (including, but not limited to, changes to the agreed geographic boundaries of the Kalagala Falls Site contained therein) through executive

**Mission**

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

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action alone (for example, the Legal Mechanism should not be subject to "de-gazettement" without Parliamentary action).

#### B. Kalagala Falls Site Management Plan

Pursuant to Section 3.06(a)(iv) of the Amended Indemnity Agreement, Uganda has agreed to. (A) conserve, through a sustainable management program and long-term funding mutually agreed by the Government and the Association, the present ecosystem of the Mabira Forest Reserve, as well as the Kalagala Falls Site, including the Kalagala Falls Central Forest Reserve, the Namavundu Central Forest Reserve and the Nile Bank Central Forest Reserve and (B) as part of such management program, as soon as reasonably practicable, but in any event not later than November 30, 2018, prepare and adopt a management plan for the Kalagala Falls Site<sup>1</sup> (the "KFS MP"). In furtherance of this undertaking, Uganda agrees (1) if the Legal Mechanism is implemented after the adoption of the KFS MP, to promptly revise the KFS MP in a manner satisfactory to the Association to reflect such Legal Mechanism and (2) that the KFS MP will:

- (i) to the extent appropriate, incorporate the relevant provisions of the existing "Kalagala Offset Sustainable Management Plan (2010-2019)" and the existing management plans for the above-referenced Central Forest Reserves;
- (ii) specify the management objectives for the Kalagala Falls Site, including the conservation of aquatic biodiversity and natural habitats (consistent with the Amended Indemnity Agreement);
- (iii) describe the institutional responsibilities for managing the Kalagala Falls Site;
- (iv) specify the types of human uses that will be permitted or prohibited within the Kalagala Falls Site; these specifications may vary according to the various management zones within the Kalagala Falls Site;
- (v) describe the range of Kalagala Falls Site protection, management, and monitoring activities to be carried out in order to achieve the management objectives, including, but not limited to, fishery monitoring to improve the available information on fish species of conservation concern<sup>2</sup>, thereby enabling adaptive management measures such as fishing regulation and fish habitat management;
- (vi) if such management plan requires the imposition of new or enhanced restrictions on access to natural resources, specify measures that would be taken to provide appropriate time-bound compensation to people using natural resources prior to the effectiveness of such management plan and whose livelihoods could be adversely affected by the Kalagala Falls Site-related management activities, based on eligibility criteria mutually agreed by the Government and the Association; and
- (vii) outline the annual budget needed to carry out the planned management activities and define sources of funding.

<sup>1</sup> The term "Kalagala Falls Site" is the term used in the Indemnity Agreement for the area to be protected. Uganda may use a different term to designate this area for purposes of the above-referenced sustainable management program, KFS MP or Legal Mechanism.

<sup>2</sup> These include the very localized *Neochromis simotes* and likely new species to science recently discovered by NaFIRRI (particularly *Neochromis* sp. "Red Pelvics").

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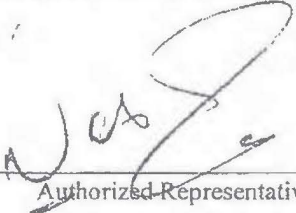
C. Miscellaneous

- (i) Capitalized terms used but not otherwise defined in this letter have the meanings provided in the Amended Indemnity Agreement.
- (ii) This letter does not constitute an amendment, waiver or other change to the Amended Indemnity Agreement.

Please confirm your agreement to the foregoing by having a duly authorized representative of the Association sign in the space provided below.

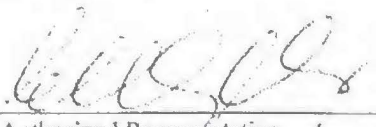
Very truly yours,

REPUBLIC OF UGANDA

By:   
Authorized Representative  
Name (printed): KASAIJA MATIA  
Title: MINISTER

AGREED:

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:   
Authorized Representative  
Name (printed): Christina Malinberg Olsson  
Title: Country Manager

*Mission*

*"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"*