

GONZALO CASTRO DE LA MATA
Chairman
The Inspection Panel

IPN REQUEST RQ 16/08

September 22, 2016

NOTICE OF REGISTRATION

Second Request for Inspection

REPUBLIC OF UGANDA: Private Power Generation (Bujagali) Project (P089659); Water Management and Development Project (P123204); and Energy for Rural Transformation Phase III Project (P133312)

Summary

1. On September 19, 2016, the Inspection Panel (the Panel) received a Request for Inspection (the Request), dated September 9, 2016, regarding the potential flooding of the Kalagala Offset Area in Uganda. The Request concerns the Private Power Generation (Bujagali) Project (P089659); the Water Management and Development Project (P123204), and the Energy for Rural Transformation Phase III Project (P133312). The Request was submitted by “*three residents of the Busoga region and concerned citizens*” (the Requesters). The Requesters asked that their identities be kept confidential.
2. The Requesters claim that the filling of the reservoir of the Isimba Dam at its “*tallest proposed height*” will flood and affect the Kalagala Offset Area “*heavily and irrevocably*”. Although the World Bank is not financing the Isimba Dam, its reservoir may undermine the management of the protected Kalagala Offset Area as required by the Indemnity Agreement signed between the Government of Uganda and the International Development Association (IDA) for the Private Power Generation (Bujagali) Project (P089659). The Requesters consider that they are likely to suffer environmental, cultural, economic, and health-related harm.
3. On September 6, 2016, the Panel registered the first Request for Inspection (RQ 16/05), concerning the flooding of the Kalagala Offset Area.¹ Since both requests raise similar issues of harm caused by the potential flooding of the Kalagala Offset Area and relate to the same

¹ See, Inspection Panel Notice of Registration, Request for Inspection RQ 16/05, Republic of Uganda: Private Power Generation (Bujagali) Project (P089659); Water Management and Development Project (P123204); and Energy for Rural Transformation Phase III Project (P133312), September 06, 2016. Available at: <http://ewebapps.worldbank.org/apps/ip/PanelCases/110-Notice%20of%20Registration.pdf>.



projects mentioned in the registration of the first Request, the Panel intends to process these two requests jointly for reasons of economy and efficiency.

The Projects

4. The Notice of Registration for the first Request (RQ 16/05) issued by the Panel on September 6, 2016 provides the information on the projects. In summary, the Private Power Generation (Bujagali) Project was approved on April 26, 2007, and supported through an IDA Partial Risk Guarantee of up to US\$115 million (out of a total project-cost of US\$750 million). As part of the Bujagali project, the Government of Uganda and IDA entered into an Indemnity Agreement, which requires the Government to protect the natural habitat and environmental and spiritual values of the Kalagala Offset Area.

5. The Water Management and Development Project (the WMDP) was approved for an amount of US\$135 million equivalent on June 26, 2012. At the time of receipt of this second Request the WMDP was 42.66 percent disbursed. The Kalagala Offset Sustainable Management Plan sub-component of the project aims to “*support priority investments related to the implementation of the environmental offset that complements the Bujagali Hydropower Project.*”²

6. The Energy for Rural Transformation Phase III Project (ERT-III) was approved on June 5, 2015, for an amount of US\$135 million equivalent. At the time of receipt of this second Request, ERT-III was still less than 1 percent disbursed. The Panel understands that Bank Management is supporting the preparation of an Addendum to the Environmental and Social Impact Assessment (ESIA Addendum) of the non-Bank financed Isimba hydropower project under the ERT-III. The ESIA Addendum would cover the main environmental and social impacts of the Isimba hydropower project on the Kalagala Offset Area and corresponding mitigation measures.

Concerns Raised in the Request

7. The Requesters argue that the residents living in the vicinity of the Kalagala Offset Area are likely to suffer environmental, economic, cultural, and health related harms from the failure to protect the “*biologically diverse and culturally significant section of the Nile River and its riverbanks, in direct violation of the [Indemnity] Agreement.*” They add that this part of the river “*is home to many unique species of plants and animals, which will be lost forever*” if the Kalagala Offset Area is not protected. The Requesters state that they have raised this issue with World Bank Management, “*but are not satisfied that enough is being done to ensure that the Kalagala Offset Agreement is respected.*” The Requesters also state that while they are concerned with the filling of the reservoir at its “*tallest proposed height*”, they are not against the construction of Isimba Dam itself.

8. The Requesters allege that the flooding of the Kalagala Offset Area will have economic consequences. They state that the adventure tourism industry, which directly or indirectly provides means of living for many, will suffer if the Isimba Dam is built at its highest point,

² Project Appraisal Document (“PAD”), Water Management and Development Project, June 1, 2012, page 7.

which would consequently flood three quarters of the Kalagala Offset Area. They note that when the Bujagali Dam was constructed the owners of restaurants, arts and crafts businesses, local fruit and vegetable stores, taxi and “*bodabodas*” (motorcycle taxi), and local tour guides and entertainers, saw their businesses “*slow down or disappear.*” The business-owners who remain are afraid the flooding caused by Isimba will harm them again. According to the Requesters, the decline in tourism will also affect the amount of taxes collected, national revenues, and ultimately the maintenance of public infrastructure in the area, including roads. They add that the area constitutes a source of livelihood for many fishermen, subsistence farmers, as well as ferry drivers who make a living transporting people across the river. The Requesters also allege that joblessness will rise leading to many problems “*such as theft and gambling, excessive drinking, drug abuse, and other social ills.*” According to the Requesters, this will in turn result in political problems caused by the jobless pressuring the government to create new jobs.

9. The Requesters state that the “*Busoga gods and spirits that used to guard the Bujagali falls*” had moved away when the Bujagali dam was built. They state that the Busoga will suffer problems if the gods and spirit move away again after the flooding of Itanda (located in the Kalagala Offset Area). They tell the story of the “*old Muvule tree,*” which was cut because of the Bujagali Dam, and to which believers travelled from many different areas and countries to be blessed. The Requesters state their deep concern if another important cultural spiritual location such as this one would disappear because of the flooding, adding that it “*would be a grave burden to the people of this area.*”

10. The Requesters are also concerned about the health impacts in the area between Bujagali and Isimba Dams, which will become a stagnant pool where sewage and industrial waste is dumped. They also argue that the spread of deadly diseases such as “*Bilharzia*” and diarrhea will increase. Additionally, they state that crocodiles will move to the stagnant waters and attack people and other animals.

Initial Due Diligence

11. After receipt of the Request, the Panel conducted its initial due diligence and verified that the Request was submitted by two or more people as required under the Panel’s Operating Procedures. Furthermore, the Panel notes that the issues had been brought to the attention of the Bank in September and December of 2014, respectively.

12. The Panel also verified that the Request meets the requirements for registration. The Request is not frivolous or anonymous. The Bank supports the protection and management of the Kalagala Offset Area. The Bujagali Project, the WMDP, and the ERT-III Project can be plausibly linked to the alleged harm. The Bank’s financing of WMDP and ERT-III are both less than 95 percent disbursed, and the Bank continues to monitor the Bujagali project.³ The subject matter of the Request does not concern issues of procurement. Finally, the Request is not the same as a previous Request on which the Panel has already made a recommendation.⁴

³ At the time of receipt of the Request, the WMDP was 42.66 percent disbursed and the Energy for Rural Transformation Phase III Project was less than 1 percent disbursed.

⁴ On August 29, 2008, the Panel issued the investigation report regarding the Uganda Private Power Generation (Bujagali) Project. However, none of the issues raised in the context of that investigation relates to the Kalagala Offset Area.

Registration of the Request

13. As provided in paragraph 17 of the Resolution, *“the Chairperson of the Panel shall inform the Executive Directors and the President of the Bank promptly upon receiving a request for inspection.”* With this notice, I am notifying you that I have, on September 22, 2016, which is also the date of this notice, registered this Request.

14. The Panel’s registration implies no judgment whatsoever concerning the merits of a Request for Inspection. As provided in paragraph 18 of the Resolution, and paragraphs 2 and 8 of the *“Conclusions of the Board’s Second Review of the Inspection Panel”* (the 1999 Clarification), Bank Management must provide the Panel within 21 business days as of this Notice, by October 24, 2016, a response to the issues raised in the Request. Since the Panel intends to consider this Request jointly with its processing of the previous Request (RQ 16/05), the deadline for the Bank Management response to the first Request is hereby extended to October 24, 2016. The subject matter that Management must deal with in the response to the requests is set out in paragraphs 3 and 4 of the 1999 Clarification.

15. After receiving the Management Response, the Panel will, as outlined in the 1999 Clarification and as provided by paragraph 19 of the Resolution, *“determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 [of the Resolution] and shall make a recommendation to the Executive Directors as to whether the matter should be investigated.”* The Request has been assigned IPN Request Number RQ 16/08.

Yours sincerely,



Gonzalo Castro de la Mata
Chairman

Attachments

Mr. Jim Yong Kim, President
International Development Association

The Executive Directors and Alternates
International Development Association