

REQUEST FOR INSPECTION

Wednesday, July 25, 2001

**To: Executive Secretary,
The Inspection Panel,
World Bank group.
18184 St. NW, Washington, DC
20433, USA.**

Fax: 202 – 522-0916

Dear Sir,

RE: LODGING A CLAIM ON OWEN FALLS EXTENSION (KIIRA) AND THE PROPOSED BUJAGALI DAM PROJECTS.

We the National Association of Professional Environmentalists (NAPE) and Save Bujagali Crusade (SBC) and the undersigned other Institutions and Individuals hereby file a claim on the above mentioned projects currently being considered for funding by the World Bank Group.

The Owen Falls Extension (Kiira) dam is adjacent to the old Owen Falls Dam. Kiira Dam is served by a canal by passing the old Owen Falls Dam. It is to house 4 hydropower turbines generating up to 200 MW by 2006. Construction of Kiira dam commenced in 1998 and last year (2000) turbines 12 & 13 were commissioned by His Excellency, the President of the Republic of Uganda, Mr. Yoweri Museveni. However, no Environmental Impact Assessment (EIA) was conducted for the Kiira dam prior to commencement of construction work. This is complicated by the fact that, by the time the old dam was constructed (1950 – 54), EIAs' were unknown. Hence no prior EIAs were done for the Old Owen falls dam. This is further compounded by the fact that todate no post-construction EIA has been done for the old Owen Falls Dam.

The World Bank admitted at the July 17th–18th, 2001 public forum on the Bujagali Dam project (held in Washington DC) that there was no formal EIA for the Owen Falls Extension Project, which has received World Bank support. It appears that this project design was based on flawed assumption about the hydrology, which a thorough EIA

process would have discovered. According to Acres International, the Extension project is designed to supply Uganda with 200 MW of power.

The Project Information Document on Bujagali Dam states "The main component of this project [Power III] is the civil works construction of the Owen Falls Extension (OFE) dam and the installation of 80 MW (out of 200 MW) of generation plant." But now it has been determined that there is only enough water for a 100 MW project, according to Ron Anderson of the IFC's Bujagali team (he stated this in a Dec. 13, 2000 meeting with BIC and IRN). The project's unexpected shortfall has directly led to the pressure to approve the Bujagali Dam now under consideration at the World Bank Group, which will have its own serious environmental impacts.

The lack of an EIA for Owen Falls Extension violates the World Bank's policy, in effect at the time of project approval, on Environmental Assessment. The project consists of a 1400 meter long, 120m wide canal from upstream of the existing Owen Falls dam to a concrete power station/spillway structure. Associated works include construction of a transmission line to Kampala. Clearly, this is a major project with environmental impacts. The lack of an EIA for either the Owen Falls or Owen Falls Extension projects also means that it is very difficult to assess the cumulative impacts of these two projects, plus the Bujagali project. We believe we, and all Ugandans, have been harmed by the failure to do a proper EIA on the project.

The Owen Falls Extension project also violates the World Bank's policy on Economic Evaluation of Investment Operations, which states "To obtain a reasonable assurance that the project benefits will materialise as expected and will be sustained throughout the life of the project. The Bank assesses the robustness of the project with respect to economic, financial, Institutional and environmental risks. The economic analysis of projects is necessarily based on uncertain future events and inexact data and, therefore, inevitably involves probability judgments. The Bank's economic evaluation considers the sources, magnitude and effects of the risk associated with the project, by taking into account the possible range in values of the basic variables and assessing the robustness of the projects outcome with respect to changes in these values." There is sufficient evidence that the Owen Falls Extension was not subject to this kind of analysis at the World Bank Group.

The mistakes in the design, which resulted in only 100MW instead of 200MW being installed at Kiira dam has meant a hastening of Uganda Government's efforts to build Bujagali, dam. It has also been described in the press here as being one of the causes of the newly raised electricity tariff rates (see attached articles from East African and Sibexnews). We, as Uganda citizens, have been harmed by this sudden and unexpected increase in electricity tariffs.

Bujagali project appears to be on a fast track, which we can only attribute to the inability of Kiira dam to meet Uganda's current electricity needs. This has resulted in many shortcuts being taken. We believe these will lead to harm to all Ugandans because Bujagali project is likely to raise the electricity tariffs further again to rates that most

Ugandans cannot afford. Below are some indicators to the way Bujagali appears to be on a "fast track".

1. Resettlement and compensation has already begun, although there is no assurance that the World Bank or other funders will decide to back the project. This means that resettlement is going on without the World Bank's supervision or involvement; an approach that appears to violate the Bank's policy on Resettlement. This policy says that "during project preparation, the feasibility of resettlement must be established, a strategy agreed upon, the plan drafted and budgets prepared. At negotiations, the borrower and the Bank should agree on the resettlement plan...Resettlement components should be supervised throughout implementation (see OD 13.05, Project Supervision). Supervision that is sporadic or left until late in implementation invariably jeopardizes the success of resettlement."

2. The Ugandan government recently began a process to reduce the constitutionally mandated protections for communal lands such as riverbeds, specifically stating that it was trying to set up a fast-track approval process because "The lenders to AES Nile Power are concerned about the legal limitation, which does not give AES the controlling authority over the riverbed and riverbank and yet the lenders would like to take a legal security in the lease" (See attachment below entitled, "THE PROPOSED LAND AMENDMENT BILL"). This amendment would change the nation's laws which protect lands held in common. Rushing this amendment to satisfy lenders and AES will have serious implications for all protected lands and human rights in Uganda. It will violate the rights of Ugandans to enjoy protection from the environmental impacts of development projects, and to participate in development decision-making. It would violate the World Bank's Environmental Assessment Policy on information disclosure and involvement of NGOs and civil society.

3. The project appears to be coming close to the Board approval stage at the World Bank despite the fact that no information has been released on either the economic risks of the project to Uganda, or on the potential costs of the project's power. Bank economists stated at the July 17-18 meeting in Washington, that they do not yet have a complete economic analysis of the project and, therefore, could not comment on these issues. We have been asking for information on the project's cost implications for two years, and have been told we cannot see the project's Power Purchase Agreement (PPA). We believe this violates the Operational Directive on Environmental Assessment, which states that "in order for meaningful consultations to take place between the borrower and affected groups and local NGOs, it is necessary that the borrower provides relevant information prior to consultations."

We question how the project could be so far along in the "due diligence" stage at the Bank yet there are no hard figures on these important issues. It is also not clear how much of the economic analysis will be released to the Ugandan public. The terms of the PPA remain secret, with no party agreeing to release the document. This document clearly lays out the risks to Ugandans, and we have asked, repeatedly, that it be released. Bujagali Dam is being put forward by the World Bank ahead of other projects such as Karuma

Dam, because it is said to be the “least cost” alternative. We have not seen evidence that clearly backs this claim. The Bank itself admitted, at the Washington meeting that Karuma is expected to have less social and environmental impacts than Bujagali. We believe that alternatives to Bujagali have not been fully accessed.

We believe that the information on the project's cost implications needs to be made public, and independently reviewed. Without such steps, we feel the Bujagali Dam could lead to serious harm to all Ugandans, as we believe costs of power will rise steeply (see attached document from International Rivers Network, "Likely Tariff Implications..."), thus slowing economic growth for the country as a whole. Without the information on Bujagali's economic assumptions, citizens are unable to fully assess the project's impacts on our economy, our electricity tariffs and our overall energy future.

The Bujagali Dam is also expected to have serious impacts on fisheries, according to a leading expert on the river's fish, Dr. Les Kaufman (see attached paper). The EIA team on Bujagali appears to have missed the existence of rare fish that could be made extinct by the dam, despite the fact that Mr. Kaufman had been corresponding with the EIA team for some time on the issue. We understand, from the meeting in Washington, that there will be further studies now that Mr. Kaufman's paper has been publicly distributed, but we question why this information was not included in the original EIA, which, according to Bank policy, should cover "existing environmental baseline conditions."

The Bujagali dam will seriously retard the tourism industry, which is the second largest foreign exchange earner following coffee. Construction of Bujagali dam will inundate the falls, which is a major tourist attraction; the camp sites on the banks of the river, and eliminate substantial revenues that accrue from tourism activities like White Water Rafting along the Nile (see attached paper by the Uganda Tourism Association), and we know that this loss has been under estimated in the Bujagali EIA. This violates the World Bank's Policy on dams and reservoir Projects, which states “cost-benefits analysis should explicitly include estimates of all quantifiable losses and enhancements due to the project”. The tourism data in the EIA may be upgraded in later versions, but the fact is that various parties in the tourism sector have tried to make the Bank aware of these issues, to no avail (see attached letter from Stephen Linaweaver). In addition, the AESNP plan for resettlement and compensation submitted to the WB/IFC for consideration does not mention or consider resettlement and compensation of tourism-related business in the project-affected area. We feel that business proprietors in the Project-affected area will be grossly harmed. Evidence of this is exhibited by the manner in which one Stephen Linaweaver, a former tour operator promoting White Water Rafting on the Nile was afflicted during the early stages of the Bujagali project (see Institutional Investor, Magazine, 2001, pg 40 – 46).

We have taken the following actions to try to resolve the above mentioned issues, but in vain.

1. Written letters of complaint to various World Bank Group staff, but no satisfactory response has been made.

2. We have raised concerns at the following meetings with IFC and World Bank.
 - i. Bujagali consultative Forum in Washington DC in June 2000.
 - ii. A dialogue meeting about Bujagali dam project held in June 2001 in Jinja, Uganda.
 - iii. Two meetings with Mr. Ron Anderson, EIA specialist IFC.
 - iv. International Forum on Bujagali held in July 2001 in Washington D.C.
3. Requested for the Power Purchase Agreement (PPA) and economic analysis of the Bujagali Dam project from World Bank, Uganda government and the developer (AES), to no avail.
4. Requested an explanation from National Environment Management Authority (NEMA) and World Bank as to why the Bujagali EIA was accepted by the World Bank before the approval of the Transmission Line EIA by NEMA. No explanation has been given.

As a consequence of the above actions, we have filed a claim with the compliance Advisor Ombudsman (CAO) of IFC, and the claim is still under investigation. However, we were advised that some of the issues raised in the claim to the CAO would be addressed by the Inspection Panel of the World Bank. (Ref: claim to CAO and her Response letters).

It is our request, therefore, that issues contained in the CAO's claim that are relevant to the Inspection Panel be addressed by your Office.

We, therefore, believe that the above actions, which are contrary to World Bank Policies, have materially affected our rights and interests and are likely to jeopardize our future social, cultural, and environmental security. We request the Panel to recommend to the Bank's Executive Directors that an investigation of these matters be carried-out in order to resolve a controversy. We can provide you with more particulars as needed. We are in the process of developing these issues further, but wanted to bring our concerns honestly to your attention in a timely way. As we have always stated there can be no sustainable development without "truth-telling and truth-seeking in development."

We look forward to your response.

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