

**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.
2. 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 after six months. This Progress Report is being submitted to the Board in response to that request.
3. In the MRR, Table 2, new actions responding to the Investigation Report were set forth in the areas of Institutional Capacity, Vulnerable Groups, Physical Cultural Resources and Cultural Property Management Plan (CPMP), and Independent Panel of Experts. These constitute Management's response to the Investigation Report. In addition, the MAP noted that several actions, which were already part of ongoing supervision, also addressed issues raised in the Investigation Report. These were set forth in Table 3 of the MRR. This Progress Report provides an update on the actions listed in those two tables.
4. As noted in the minutes of the December 4, 2008 discussion, the Board endorsed certain actions supplementing the MAP. These are:
 - (a) Timely implementation of a Sustainable Management Plan (SMP) for the Kalagala Falls Offset;
 - (b) Updating and implementing a CPMP;
 - (c) Undertaking an enhanced socio-economic study to support and fully achieve livelihood restoration; and
 - (d) Developing guidance on how to address environmental and social safeguard issues in legacy projects that suffer significant interruptions in implementation.
5. Since approval of the MAP in December 2008, considerable progress has been made on the agreed new actions as well as ongoing supervision issues. This progress is summarized in the Table below and discussed in further detail in Sections III & IV.

Table 1: Status of Implementation of the Management Action Plan and Ongoing Supervision Activities¹

Issues	Actions	Status
Management Action Plan²		
General		
Institutional Capacity	Management will follow up on: <ul style="list-style-type: none"> ▪ NEMA's commitment to establish a Project Monitoring Committee; and ▪ Strengthening of capacities of Bujagali Electricity Limited's (BEL) Environment and Social Unit (ESU). 	<p>Completed. The Committee was established in January 2009, commenced work in March 2009 and carried out multiple field visits, meetings and retreats. The National Environmental Management Authority (NEMA) serves as Secretariat to the Committee, which is chaired by Prof. Mwakali from Makerere University. Reports from the Committee have been circulated to relevant Government of Uganda (GoU) agencies.</p> <p>Completed. BEL hired 4 new staff in the ESU and increased its on-site training and monitoring of the CDAP.</p>
<i>Guidance on Environmental and Social Safeguards Issues in Legacy Projects</i>	<ul style="list-style-type: none"> ▪ <i>Management will develop guidance on how to address environmental and social safeguards issues in legacy projects that suffer significant interruptions in implementation.</i> 	<p>Completed. An interim Guidance Note has been made available to staff by OPCS and LEG on the internal safeguards website. Further adjustments may be made to the Note, based on comments/input from task team leaders, technical specialists, and other staff based on experience gained from application of the this guidance.</p>
Social Impact Assessment and Mitigation Measures		
Vulnerable Groups (OP4.12)	<ul style="list-style-type: none"> ▪ Management will follow up on BEL's programs, with timetable and targeted activities, to address needs of vulnerable groups. 	<p>Completed. Updated survey of vulnerable groups completed in June 2008; verification of vulnerable people within households carried out in April-May 2009; special programs for vulnerable people initiated in January 2009. Physical assistance to vulnerable persons has been provided during June-July 2009 and the exercise continues.</p>
Cultural and Spiritual Values		
Physical Cultural Resources and Cultural Property Management Plan (OP4.11)	<ul style="list-style-type: none"> ▪ Management will follow up on GoU commitments to ensure that the required capacities and resources are in place for the Government -- coordinated by the Ministry of Energy and Mineral Development (MEMD), and including Local Councils -- to update <i>and implement</i> the CPMP, which was part of the 2002 Resettlement and Community Development Action Plan (RCDAP) by June 2009; and ▪ BEL will incorporate into the update 	<p>Completed. A cultural resource management consultant hired by MEMD has started work on CPMP update. The consultant will also advise MEMD on longer-term programs for addressing cultural and spiritual issues. This is expected to include a broad-based consultation to take place by end-2009 with high-level GoU officials, spiritual and opinion leaders, and other stakeholders.</p> <p>In Progress. The cultural resource</p>

¹ Entries in italics account for the additional actions endorsed by the Board.

² See Table 2, Page 39 of the Management Report and Recommendations, November 2008.

	the EPC Contractor’s Code of Practice (which is covered in the 2007 CPMP developed by the Contractor) for “chance finds” procedures.	management consultant will coordinate with BEL in producing a stand-alone and updated CPMP to be completed by the end of 2009, which will include the Contractor “chance finds” procedures.
Environment Assessment and Mitigation Measures		
Independent Panel of Experts (OP4.01 and OP13.05)	<ul style="list-style-type: none"> BEL will review the Environment and Social Independent Panel of Experts (PoE) reports and disclose them by end-2008. 	Completed. BEL has disclosed on its website all 4 of the reports the PoE has prepared.
Ongoing Supervision Activities³		
General		
Institutional Capacity	<p>Management will follow up on:</p> <ul style="list-style-type: none"> Coordination arrangements of the MEMD Project Inter-Agency Coordination Committee (PICC); and The National Forest Authority (NFA) implementation capacity for the SMP for the Kalagala Offset and Mabira Central Forest Reserve. 	<p>Completed. The GoU has established a coordination and oversight structure led by a high level Steering Committee that has been functional since September 2008. The structure includes a multi-stakeholder Bujagali Monitoring Committee (see Annex 1).</p> <p>To be Completed Under SMP. NFA capacity and institutional strengthening will be included in the SMP, to be completed by the end of 2009. To this effect, the draft 2009–2018 Forest Management Plan (FMP) for Mabira CRF, prepared as input for Kalagala SMP, prescribes increasing of Forest Supervisors from 8 to 11, with corresponding increase of patrolmen from 18 to 22, and establishment of an additional intermediate Forest Station at Bulanga. Additional staff and facility expansion is planned for eco-tourism program.</p>
Social Impact Assessment and Mitigation Measures		
Remedial Steps for Updating and Completion of Baseline Socio-economic Information (OP4.12)	<p>Management will ensure that:</p> <ul style="list-style-type: none"> Findings from the socio-economic survey (which will be completed by March 2009) are integrated into the CDAP by BEL in its design of sub-project activities; [Above findings are] reported in BEL’s Quarterly Environment and Social Monitoring; BEL will undertake an enhanced 	<p>Completed. Socio-economic survey of 1,535 respondents (project affected households plus control group of non-affected households) in the 9 affected villages completed in February 2009; survey results integrated into CDAP design of sub-project activities.</p> <p>Completed. Indicators of socio-economic impacts measured and reported in the Quarterly Environment and Social Monitoring Report (QESMR) No. 6 using updated survey data on household income and livelihood. On-the-job training for new BEL staff on monitoring and evaluating impacts continues. A specific technical officer within BEL staff has now been given an extra task of follow up monitoring and evaluation of project activities</p> <p>Completed. Socio-economic database set up</p>

³ See Table 3, Page 40 of the Management Report and Recommendations, November 2008.

	<p><i>socio-economic survey to support and fully achieve livelihood restoration. It will enhance its database of household survey data and capacity building for monitoring and evaluating impacts of livelihood restoration and community development; Through technical assistance (from MIGA), BEL will improve the socio-economic database.</i></p>	<p>in an electronic file and measured quarterly and reported in the QESMRs; MIGA technical assistance was not required, since BEL already allocated project funds for field mentoring and on-site training.</p>
Sharing of Project Benefits (OP4.12)	<ul style="list-style-type: none"> Management will follow up with BEL on yearly updated needs assessments that are used to adjust CDAP activities, responding to priorities of project affected people (PAP). 	<p>Completed for 2009. Needs assessment completed for 2009 as part of the socio-economic survey; BEL will continue its monthly field assessments through village focus group meetings. Updates on project benefits are shared with stakeholders at sub county, district and national levels through workshops and regular meetings.</p>
<p>Environment Assessment and Mitigation Measures</p>		
Environment Management Plan and Kalagala Offset (OP4.01)	<ul style="list-style-type: none"> Management will monitor progress of BEL's ongoing afforestation activities (79 hectares completed; additional 125 hectares by end-2008; 196 hectares by end-2009) as part of the EMP jointly implemented by BEL, District Environmental Officer, District Forest Officer, and LC1; Management will follow up on completion by NFA of the SMP for the Kalagala Offset, which includes the Mabira Central Forest Reserve by June 2009, including tourism development program. 	<p>Initial Target Met. BEL's afforestation scheme planted 444 hectares as of June 2009 compared to the target of 400 ha (176 ha were afforested on the east bank and 268 ha on the west bank). BEL plans to afforest additional 92 ha around Kalagala once it signs a Memorandum of Understanding with the developer of the Kalagala eco-tourism concession (expected 2010).</p> <p>In Progress. IUCN (consultant to NFA) organized extensive consultation process for SMP preparation, including GoU, local communities, tourism operators, cultural leaders and NGOs). Five SMP background papers, six consultation reports, and discussion draft SMP report were delivered by mid June, 2009. Eco-tourism development has commenced in Kalagala area as approved by NFA and NEMA, and with support of the local community. This is viewed as part of SMP process and may be modified as SMP finalization progresses. BEL is part of the planning team for SMP and participates in all consultative activities. The SMP is expected to be completed by the end of 2009.</p>
Cumulative Impacts: Climate Change and Hydrology Risks; Potential Impacts on Lake Victoria; Alternative Project Configurations (OP4.01)	<ul style="list-style-type: none"> Management will follow up on GoU's commitment to disclose the Lake Victoria hydrological (water releases) information and make it available to the EAC. 	<p>Completed. GoU has been submitting the monthly "water release" information since December 2008 to the EAC.</p>

II. PROJECT DESCRIPTION AND STATUS

6. The Uganda: Private Power Generation (Bujagali) Project supports the development of the 250 MW run-of-river Bujagali hydropower station on the Nile River, eight kilometers downstream from the existing Nalubaale/Kiira power station. A transmission line, funded by the African Development Bank (AfDB) and Japan International Cooperation Agency (JICA) is also under construction to evacuate power to the main grid in Kampala. The most recent (May 2009) lender's engineering report finds that the quality of work on the dam is generally of high standard, but notes that construction has lagged behind the contractor's schedule, which could result in a three to four month delay in the previously planned June 2011 commissioning. Civil works are currently at about 34 percent (15 of the 44 months) of earthworks completed; basic design by Fichtner (Contractor's Engineer) completed; and Alstom (electromagnetic supplier) 88 percent completion for engineering and 48 percent for procurement. The discovery of schist and weathered rock in the tailrace area, which BEL is currently addressing, could potentially further slow construction progress and increase costs, and any such future delays may affect the final commissioning date. The other identified issue that may affect commissioning would be problems in completion of the transmission line (T-Line). However, the project is expected to fully achieve its development objective of providing least cost power to Uganda, which will eliminate power shortages, within a reasonable time period estimated for commissioning.

7. In particular, once completed, the project will allow Uganda to retire 100 MW of costly automotive diesel oil (ADO) thermal power stations that are required to bridge the gap until Bujagali commissioning. This will result in an immediate reduction in overall power generating costs.⁴ 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 already has reduced due to the impact of inflation (the tariff has not been adjusted since November 2006). 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.

8. A Power Sector Investment Plan (SIP), which will provide an investment road-map including generation, transmission, and distribution, is currently under preparation with financing from the Bank-supported Power Sector Development Operation. The SIP is being developed by the Ministry of Energy and Mineral Development in the context of a Sector Wide Approach. The overall aim of the SIP is to increase access to least cost power in support of Uganda's economic growth and to improve the quality of life. The

⁴ There are two 50 MW ADO thermal power stations, one of which (Mutundwe) is partially financed by the Bank-supported Power Sector Development Operation.

Bank-supported Energy for Rural Transformation II Project also was approved in April 2009. This second phase of a three phase Adaptable Program Loan is focused on increasing access to electricity and information/communication technologies (ICT) in rural Uganda through investments in power and ICT network extension, mini-grids, and solar photovoltaics as well as renewable energy systems such as mini-hydro. These three projects – Power Sector Development, Bujagali, and Energy for Rural Transformation – represent a coordinated program of support for Uganda’s power sector that will help to reduce sectoral stress prior to Bujagali commissioning, reduce sector revenue requirements (post Bujagali), and extend the benefits of electricity to the growing Ugandan population.

9. According to the Fifth Uganda Electricity Transmission Company Limited (UETCL) Monitoring Report on the Interconnection Project (March 30, 2009), T-Line construction of the 5-km Bujagali-Nalubaale section is 75 percent complete. The Kawanda-Bujagali section surveys and tower spotting are ongoing, but the status of implementation of the Resettlement Action Plan (T-Line RAP) and Environmental Management Plan (T-Line EMP) are just 59 percent complete. Although T-Line construction is not financed by the World Bank Group, support for compliance with safeguards policies has consistently been provided. The AfDB’s Compliance Review and Mediation Unit (CRMU) 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, was delivered in June 2008. The AfDB Board subsequently discussed its management action plan (addressing both project-specific issues and policy issues) in May 2009 and the CRMU travelled to the project site in June 2009 to monitor implementation of the AfDB’s action plan. The CRMU’s monitoring report is expected by the end of 2009. The World Bank Group team continues to collaborate with AfDB in project supervision to ensure compliance with all applicable safeguard requirements of both institutions.

III. DETAILED PROGRESS DESCRIPTION OF MAP ACTIONS

10. **Institutional Capacity. The process for setting up the project’s institutional and coordination mechanisms, including the Project Monitoring Committee, is completed.** This process was undertaken in the context of the broader coordination and oversight structure that GoU has established for the Bujagali hydropower and transmission project (see Annex 1 for a schematic). Since Bujagali is an energy sector project, the MEMD has overall responsibility for ensuring that it is implemented as agreed with all stakeholders. This includes maintaining budget and schedule discipline, ensuring good engineering practice is followed; and implementing environmental and social management plans. A Hydropower Unit, established by MEMD, reporting to the Permanent Secretary MEMD, and housed in UEGCL, is charged with day-to-day oversight on behalf of GoU. A high level Steering Committee, chaired by the Permanent Secretary of MEMD, provides access to high level oversight and decision making, as required, based on feedback from the three Sub-Committees: (i) Environment and Social; (ii) Tourism and Forest Management; and (iii) Communications and Legal.

11. **The National Environment Management Agency (NEMA) commitment to establish a project monitoring committee has been completed**, and forms part of the overall management and oversight structure described above. Specifically, the Environment and Social subcommittee has been convened as the Bujagali Monitoring Committee (BMC). The BMC's mandate includes both the Hydropower and Interconnection Projects. BMC is chaired by a highly respected engineer from Makerere University, with 20 members from a wide range of government agencies and non-governmental organizations, including the Nile Basin Discourse Forum, which includes one of the Requesters, the National Association of Professional Environmentalists (NAPE). The BMC commenced work in March 2009 and has carried out multiple field verifications, meetings and retreats. The BMC also created thematic sub-committees in the areas of engineering, social, and environment. It was agreed during the site visit that periodic field inspections; review of quarterly monitoring reports; and, assessment of issues (and grievances) would be made by the BMC, with recommendations forwarded to NEMA for action. BMC reports have been prepared and circulated to relevant GoU agencies for comment.

12. **The action plan aimed at strengthening BEL's capacity for implementing the Environment and Social Management Plan (ESMP) is completed.** During the past five months, BEL has taken proactive steps to bolster the capacity of its ESU by hiring four new operational staff. Also, in collaboration with GoU agricultural and health extension agents, BEL established on-the-job capacity building of its staff and village leaders in the areas of agriculture, education, health, and youth skills training. BEL is currently implementing long-term capacity building programs for youth, women, and farmers' group leaders.

13. **Guidance on Legacy Projects.** The Quality Assurance and Compliance Unit in Operations Policy and Country Services and the ESSD and International Law Practice Group of the Legal Department have prepared an interim Guidance Note on environmental and social safeguards for legacy projects. This addresses issues in projects such as Bujagali that involve legacy safeguard issues from previous projects or activities. This interim Guidance Note was completed in June 2009 and posted on the Bank's internal safeguards website on July 8, 2009. Further adjustments may be made to the Note, based on comments/input from task team leaders, technical specialists, and other staff based on experience gained from application of the this guidance.

14. **Vulnerable Groups.** Revision of the programs to address the needs of vulnerable groups has been **completed**. BEL did satisfactory work in 2006-2007 in identifying vulnerable people residing in the nine affected villages. As noted in BEL's QESMR No. 5 (January 2009), this inventory was expanded to include host communities, and the information on vulnerable groups was broken down by age, gender, livelihood or source of income, and other socio-economic data. Collection of updated information was completed in April 2009. On the basis of this updated information, BEL improved the CDAP sub-programs for targeted assistance to vulnerable households. These included programs targeting women's groups, youth, and life skills training for disabled populations.

15. There were about 312 households with one or more members belonging to vulnerable groups in the nine affected villages. As of June 2008, the survey of “vulnerables” showed the following breakdown by household: 49 with disabled persons; 77 with elderly persons; 41 with HIV/AIDS infected people; 118 headed by women or elderly persons; 13 headed by children/youth; and 14 with seriously ill household members. A re-verification exercise carried out in May 2009 showed a slightly different breakdown: 12 with disabled persons; 167 with elderly persons; 14 destitutes; 4 with full blown-AIDS infected people (those with HIV/AIDS but on assistance through TASO and other agencies were excluded); 52 headed by women and 2 headed by children/youth (the youths being assistance through NVI skills training were excluded). Based on the 2009 re-verification exercise, special programs to address vulnerables were started. For example, among women’s groups, the measures of outputs and impacts have been impressive. More than 51 percent of all farmers’ groups in the nine affected villages were composed of women. Of the ten village water maintenance committees formed, seven of them were headed by women. More than 60 percent of participants in the Sanitation and Hygiene Campaign were women and young girls. Specifically for youth members, BEL contracted the Nile Vocational Institute, to offer one-year Basic Skills Training (BST) courses, certificate and diploma courses to 140 youths starting in 2009. As a result of the training, the youths who are participating in the courses have been gainfully employed. Lastly, the next phase of life skills and vocational training will focus on communities including villagers with disabilities, and programs administered through the existing Community Based Training (CBT) teams.

16. **Cultural Property Management Plan (CPMP).** An update of the CPMP, which was part of the RCDAP in 2002, is **in progress** and should be completed by the end of 2009. MEMD, with the concurrence of the BMC, hired a full-time cultural and spiritual values specialist.⁵ The specialist submitted a Work Plan to MEMD that included an update of the CPMP, which will be released as a stand-alone document/plan incorporating the Code of Practice for “chance finds” procedures that was developed by the Contractor in 2007. Several local consultations are planned, including a multi-stakeholder forum with key Buganda and Busoga spiritual leaders, and consultations on cultural issues with the Requesters. The specialist will also coordinate with BEL the construction and set up of two cultural resource centers on each side of the river, and the sacred site in the Kalagala Offset area.

17. **Disclosure and Panel of Experts Reports.** To date, the PoE has produced four reports. All four these have been disclosed on BEL’s website [<http://www.bujagali-energy.com/poer.htm>].

IV. DETAILED PROGRESS OF ONGOING SUPERVISION ACTIONS

18. **Project Inter-agency Coordination Committee (PICC).** The GoU has **completed** the establishment of a functional coordination and oversight mechanism,

⁵ The specialist (consultant) was involved in delineating Uganda’s world heritage sites and has experience in addressing cultural property and culture/spiritual issues.

described in paragraphs 10-11 above and in Annex 1. 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 handled 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 the BMC members (including the Nile Basin Discourse Forum).

19. **National Forest Authority Capacity to Implement Sustainable Management Plan (SMP).** The NFA has contracted with the International Union for Conservation of Nature (IUCN) for preparation of the SMP. IUCN has assembled a qualified international team for this assignment, and is undertaking it on a collaborative and consultative basis. As an input to the Kalagala Offset SMP development, NFA produced a draft 2008–2018 Forest Management Plan (FMP) for Mabira Central Forest Reserve (MCFR). The FMP outlines both staffing and infrastructure capacity expansion planned for MCFR. The Task Team’s Kampala-based environmental expert is closely supervising all aspects of SMP development, including the aspect of NFA capacity. The SMP process led to preparation of five background papers, six consultation reports, and a discussion draft SMP report that was reviewed at a multi-stakeholder national workshop held on June 19, 2009 and presented to the top MEMD management on July 9, 2009. However, finalization and formal approval of the SMP will require a final round of public consultations on the pre-final draft. These are expected to be complete in late 2009. Start up of full SMP implementation would proceed thereafter and is expected to be completed by the end of 2009.⁶ Management is following up closely on SMP preparation and will seek to ensure that capacity strengthening measures identified in the SMP are adequately addressed through GoU budget, donor support, or other appropriate means.

20. The SMP process has reconfirmed that optimizing the management and utilization of the Kalagala Offset is a complex, multifaceted issue involving unclear jurisdictional lines, legacy claims, spiritual/cultural aspects, commercial aspirations, and competing interests in the private sector, public sector, and civil society. The SMP is expected to clearly frame these issues and describe a process for addressing them. However, full resolution of these issues is not realistic within the SMP preparation timeframe. Ecotourism development by the Adrift Adventure Company is becoming a focal point of this discussion and is outlined below.

21. One of the firms affected by the Bujagali project, Adrift Adventure Company, was competitively awarded by NFA a concession for eco-tourism development in the Kalagala area in 2004. The development includes an eco-lodge and guest facilities on Kalagala (Muyanja) Island, reforestation with indigenous trees along the river bank and on mid river islands, and a footbridge from the west bank to Kalagala Island. Adrift’s development plan closely follows the GoU’s July 2001 Tourism Development Concept

⁶ For this reason, a new Forest Management Plan covering both Mabira and Kalagala has been adopted which will be superseded by the SMP once it is adopted.

for the Kalagala Itanda Offset. The eco-tourism development is considered to be a part of the Kalagala SMP, which explicitly contemplates such eco-tourism investments. Since 2004, Adrift has sought to navigate overlapping jurisdictional claims, e.g., those involving national level Government agencies (NFA and NEMA) cultural users of Kalagala site (local community and other users,) and district governments (Jinja and Kayonga). Adrift has consulted with local community, NGOs, and spiritual groups on its plans, and obtained two Memoranda of Understanding (MoU) endorsing its development. The MoUs are: (i) between Adrift and the local community represented by the local development foundation KAKODEF; and (ii) between the local community and the Buganda Kingdom caretaker of the Buganda cultural assets at Kalagala. Construction of the eco-lodge commenced in late 2008.

22. Adrift also commenced construction of a tented camp facility on the west bank overlooking Kalagala Falls. This latter construction has been halted by NEMA, on the grounds that the NEMA certificate issued to Adrift for eco-lodge construction did not include approval for development in the west bank area, and a separate project brief (environmental assessment) was required. Adrift has since submitted the required project brief and requested a NEMA certificate for west bank development. The Bank requested NEMA to withhold its decision until the Bank team undertakes a thorough technical review of the project brief and provides input to the NEMA approval process. Management submitted comments to Government on July 21, 2009. While noting that eco-tourism development is contemplated under the Indemnity Agreement, Management has initial concerns on balancing the proposed tented camp development with the fencing off of the area that has public access to the viewpoints and cultural and spiritual assets at Kalagala. In a related development, a local NGO, the Cultural Heritage Exchange Center (CHEC) sent letters to the Bank in May 2008 and May 2009 requesting assistance in their pursuit of a prior claim on the west bank site. CHEC alleges that the NFA tendering process was flawed in that it did not acknowledge this prior claim, and also alleges irregularities in the process (see Annex 2 for CHEC's summary letter and the response from Bank Management as well as the subsequent reaction from NFA). The Bank responded by noting that the Ugandan legal system should provide an adequate means of pursuing these claims. The Bank also urged CHEC to participate fully in the consultative SMP process.

23. **Socio-Economic Survey.** The socio-economic survey and update of information collected in 2002 was **completed** in February 2009. Survey data and analysis were placed in an electronic database and coded by enumerator identification number so that changes in socio-economic status could be tracked over time through a follow-up survey. This survey, planned for 2010, will measure key indicators of social and economic conditions. The completed survey results and feedback from quarterly needs assessments have been incorporated into the design of activities under the Community Development Action Plan (CDAP). During the socio-economic survey it was found that some of the PAPs are difficult to integrate in the BEL activities. This is especially true for the sixty one people who have moved away from the project area to as far away as Pallisa and Kampala.

24. BEL **completed** its reporting of survey findings in the QESMR No 6. The total number of survey respondents was 1,535, or 85 percent, of project affected households,

along with a control group of non-affected households. The survey found 68 percent of affected villagers relied on agriculture and fisheries for their primary income sources. Among farming households, three-fourths owned their land as a result of land titling assistance provided by the project. About 35 percent of farmers and 31 percent of fishermen formed farming and fishing livelihood groups (e.g., farm collectives; fishing cooperatives).⁷ Less than 5 percent of surveyed households had access to electricity and clean water. BEL plans to provide grid-connected electricity and village water supply through sub-projects funded with assistance from the Agence Française de Développement (AFD). Negotiations were finalized on 13 July 2009 for the consultant to design and prepare tender documents for the water supply to project affected villages. The draft contract is under preparation. The Request for Proposal (RFP) will be finalized by end of July 2009 for the consultant to prepare the rural electrification feasibility study.

25. **Livelihood Restoration.** Among other measures, the survey results provide a baseline comparison for measuring the impacts of livelihood programs on PAP incomes. Preliminary results from the recently **completed** socio-economic survey indicate that for a subset of 31 percent of the original PAPs that were surveyed, there was a 17 percent increase in income of households between 2002-2003 and 2008-2009. This information was available for only a third of the PAPs due to difficulties in locating the original PAPs, some of whom have moved out of the area; others had died or were in prison, so data collection for the entire original PAP population was not possible or could not be verified. On average, the survey showed an increase in the number of income sources (aside from agriculture and fishing), including rental property (some PAPs leased or sub-leased their houses), employment and wages, and remittances. Close to 70 percent of PAPs who were recently surveyed indicated that more than 60 percent of their income still came from agriculture or fishing, and about 20 percent were from non-agricultural sources (rentals, remittances) or wages. Thus, BEL will continue its agricultural and fishing support programs and expand the CDAP to cover more farming and fishing households.

26. **Needs Assessment.** The update of the 2006 needs assessment was **completed** in February 2009. The update was preceded by collection of secondary data at the district level. Between 2000 and 2008, local census information showed that annual population growth rate in the affected villages was higher than the national average at 2.7 percent. Literacy rates were lower, and measures of health status (infant mortality rate; maternal health; and HIV/AIDS and malaria incidence rates) continued to be higher than the national average. In light of these trends, BEL hired community facilitators who ensured that issues surrounding access to basic social services were discussed. The needs assessment indicated that the priorities for CDAP programming were in clean water, health and sanitation, and electricity. BEL responded, for example, to the needs assessment conducted in the Naminya Resettlement Village by constructing a nursery school (managed by Naminya residents with support from District Education Office) and

⁷ The farmers groups are composed of 10 to 30 farmers who receive extension and input support from the project on a group basis, similar to the Food and Agriculture Organization (FAO) “farmer field schools” approach. Fishing cooperatives receive fish nets and other gear and are set up in project-assisted landing sites.

a health center (which included agreement with the District Health Office for a health care provider). BEL also organized a local competition for demonstration of village clean-up and sanitation, which received highly satisfactory feedback from district health officials.

27. **Reforestation and Afforestation.** BEL commenced reforestation activities in November 2008, including the establishment of two tree nurseries in each of the nine affected villages. Seedlings for the afforestation program are purchased from these nurseries. As of February 2009, BEL had planted more than 227,000 tree seedlings on 244 hectares (river bank planting is a seasonal activity from September through November), with 165 ha planted in 2008. As of June 2009, 444 ha were planted, with 176 ha on the east and 268 ha on the west bank. This exceeds BEL's commitment to afforest a total of 400 hectares. BEL plans to plant trees on an additional 92 ha at the Kalagala Offset once SMP is finalized. The ownership of the afforestation program by the local communities is strong, and they have an opportunity to earn income from the sale of tree seedlings, poles and timber. The March 2009 Joint Lenders' Supervision mission made three recommendations to enhance the afforestation program: (i) increasing the afforestation upstream of the dam to limit siltation in the future reservoir; (ii) implementing experiments of direct mulch cropping to demonstrate the utility of this technique for erosion control; and (iii) strengthening efforts to enhance the linkage of afforestation and eco-tourism programs to maximize benefits to local communities. AFD also agrees with BEL's proposal to fund additional afforestation on the banks of the Nile River at the Kalagala Offset. Tourism operators (e.g., Adrift) also plan to continue their programs of planting indigenous trees as part of their tourism investments approved by NEMA. BEL has already identified and mapped out 35 ha upstream of the dam (in Kyabirwa village) where soil erosion control measures are to be implemented as a demonstration to the residents and also as a means to minimize siltation of the future reservoir.

28. **Completion of SMP for Kalagala Offset and Mabira Central Forest Reserve (MCFR).** The NFA is proceeding with preparation of the SMP, including tourism development, with the assistance of IUCN (see paragraphs 19-21 above). BEL signed a MoU with Nile River Explorers Limited in February 2009. A similar MoU with Adrift has been drafted but not yet signed. Protracted negotiations between BEL and Adrift are have not yet concluded (last meeting was on 30 June 2009). More talks are to be held to reach understanding on the items for joint cooperation.

29. Consultations were initiated in February 2009 to establish two cultural centers (one on the west bank with Kingdom of Buganda; and another on the east bank with Kingdom of Busoga). The establishment and operation of the cultural centers will be elaborated in the Kalagala Offset SMP.

30. Specific investment plans for tourism development beyond the Adrift plans discussed in paragraphs 21-22 will be covered in the SMP. The concept of eco-tourism development based on Kalagala and Mabira natural and cultural assets has strong and broad support of stakeholders participating in SMP development.

31. **Disclosure of Lake Victoria Water Releases.** The GoU is **complying with** its agreement with the Bank on disclosure of abstraction data from Lake Victoria. 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 than in the recent past.

32. In addition, on March 3, 2009, the Bank's Board approved the Lake Victoria Environmental Management (LVEMP II) project. LVEMP II includes covenants requiring development and adoption by Kenya, Tanzania, and Uganda of a Water Resources Management Plan (WRMP) for Lake Victoria. The project also includes capacity building for managing the GIS-based M&E system, and sharing of knowledge and ecosystem monitoring data, including releases and major abstractions from the Lake Victoria Basin water system.

33. **Project Supervision.** World Bank Group supervision of the Bujagali project has been closely coordinated with the other project lenders, and is strengthened by Kampala-based World Bank team members, including a Power Engineer, Senior Environmental Specialist, and a Social Specialist. The locally based team has recently been strengthened further, as described in Section V below. Joint Lenders' Supervision Missions have been organized every March and October. The World Bank team has participated in all three of these missions to date, while most other lenders have adopted an annual supervision strategy. In addition, World Bank Group team members are in weekly contact with project stakeholders to monitor progress, provide advice, and discuss issues/options. Lenders also receive periodic email reports and announcements from the intercreditor bank when issues arise. The World Bank Group team provides updates to Management as required. On the Ugandan side, the Government has established a coordination and oversight approach led by a high level Steering Committee with a subcommittee structure focusing on key thematic areas (see paragraphs 10-11 above). In the broader World Bank context, the emerging experience with Bujagali has been incorporated into training events (for example, as a case study in a one-week course on Power Sector Fundamentals for the non-specialist, and as a field visit for the one-week safeguards and cultural resources training for the Nile Basin Initiative countries.). Bujagali is also featured in Bank documents, such as an Africa Energy Briefing Note that was disseminated at the World Bank Annual Meetings in October 2008 and the July 2009 G-8 meeting.

V. NEXT STEPS

34. Once commissioned, the Bujagali project will provide longer-term and lower cost power supply, mitigating the present crisis, and will be followed by new investments to ensure generation capacity remains ahead of demand. In addition to the short-term solution of expensive thermal generation through rapidly installed small capacity plants, the Government is pursuing more economical permanent thermal capacity to complement its hydropower facilities, as well as off-grid and grid-connected rural electrification schemes.

35. **Continued Supervision Efforts.** Monitoring of the project's construction progress, up to commissioning, will continue to be comprehensive and information disclosure by BEL will continue. Joint Lenders' Supervision Missions are organized twice a year, with clear monitoring indicators measured for construction and civil works; and environmental and social impacts. These missions are in addition to the existing quarterly monitoring reports, including separate assessments of the quality of implementation of the Social and Environment Action Plan (SEAP). In addition, the Bank's significant field presence along with regular phone and email contact from headquarters based staff allows for continuous supervision of key issues such as T-line compensation. This includes regular interaction with BEL, the GoU, and the AfDB and other lenders, as well as close collaboration within the World Bank Group. Management will continue to field targeted missions on an as needed basis to address emerging issues. The Bank will also continue to assist and encourage completion of related activities promoted by other stakeholders, such as the AFD-funded support for water supply and electricity access to affected villages.

36. **Social Impacts.** The project will continue to enhance implementation of the Assessment of Past Resettlement Activities and Action Plan (APRAP) and CDAP in the following areas: (i) livelihood restoration; (ii) socio-economic information for measuring income and livelihood impacts; (iii) cultural and spiritual aspects; and (iv) vulnerable groups. The socio-economic monitoring database will be greatly enhanced through follow-up surveys that measure income and livelihood changes over time (see paragraph 23 above). 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 vulnerable groups (e.g., HIV/AIDs and health specialist).

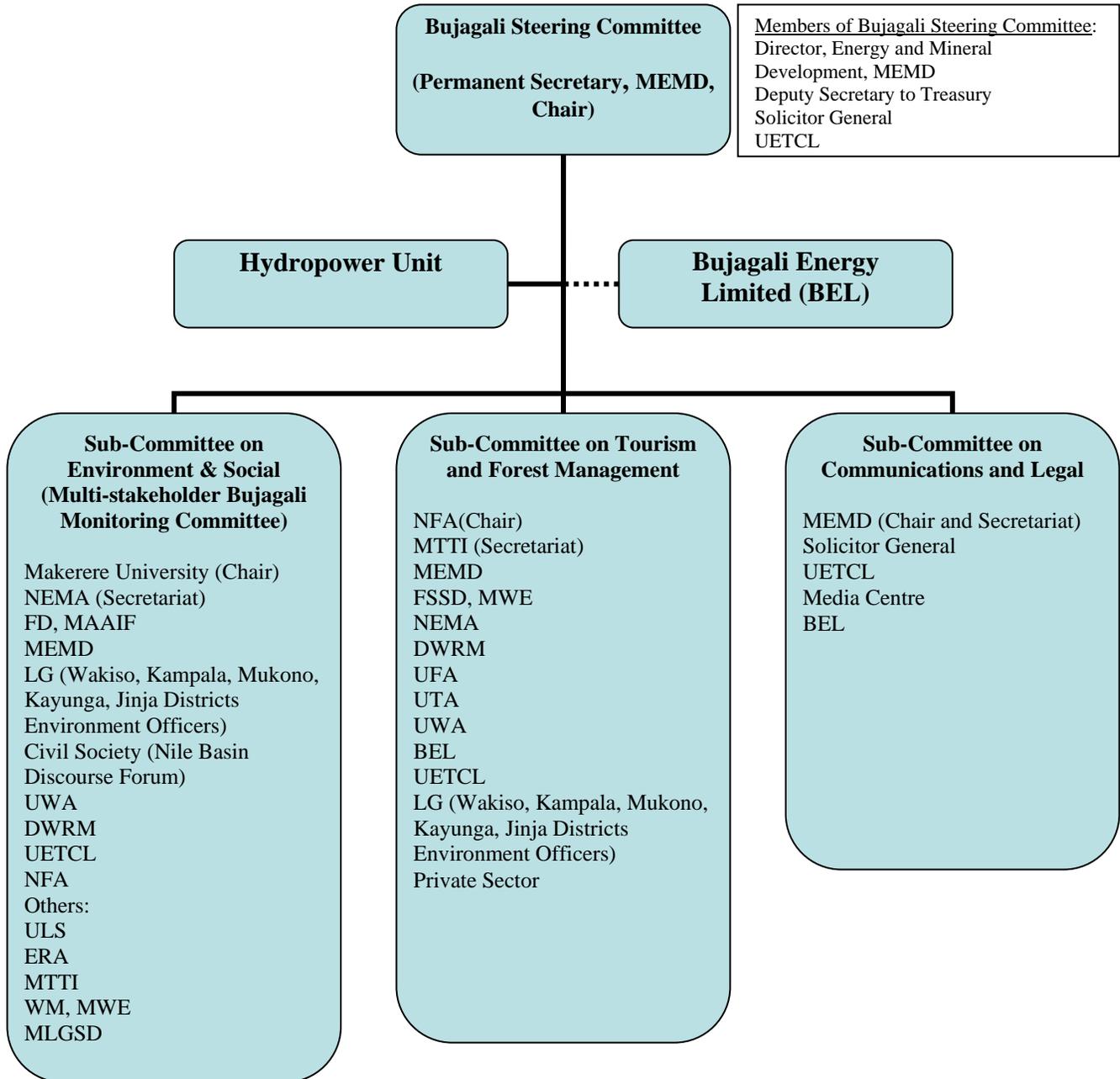
37. **Broader Bank Actions.** Beyond Bujagali, the Bank's energy sector team will maintain the dialogue with key stakeholders on sector structure, financial health, access expansion, future investments, regional integration, etc. This includes interaction with the Ministry of Energy and Mineral Development, the Electricity Regulatory Authority, UETCL, the Rural Electrification Agency, UMEME, BEL, Eskom (concessionaire for the Nalubaale/Kiira power station), other government agencies, donors, the private sector, etc. The energy sector team will also continue its support for related Bank-financed investments (e.g., Power Sector Development Operation, Energy for Rural Transformation, etc.), which will help to translate Bujagali power into economic development results on the ground. The team will continue to develop new Bank-supported operations, consistent with the Sector Investment Plan currently under development. In doing so, the team seeks to promote the participation of other donors, financiers, etc. and, in particular, to design operations that catalyze such participation. For example, the Bank's Board of Executive Directors recently approved \$75 million of IDA resources for the Energy for Rural Transformation II Project (April 6, 2009). This is being complemented with \$9 million in GEF resources, and may attract another \$35 million or more from sources including the Arab Bank for Economic Development in Africa (BADEA), the Saudi Fund for Development, the Global Partnership for Output

Based Aide, the Trust Fund to Support Energy Small and Medium Size Enterprises in Sub-Saharan Africa, and KfW. In the recent past, the energy team has conducted at least four supervision missions annually, and maintains close contacts on a continuous basis through its Kampala based Power Engineer, as well as through regular phone and email contact by Washington based staff.

38. **Enhanced local staffing.** Management is enhancing Kampala-based staffing which should allow an even greater level of supervision going forward. In particular, a Senior Energy Specialist and a Water Resources Advisor, both internationally hired, will be posted to Kampala in FY2010. This new staff will complement the existing Kampala based staff, which already includes a Power Engineer, a Senior Environmental Specialist, and a Senior Social Development Specialist. An internationally hired Senior Water Resources Specialist will also be added to the Bank's Dar es Salaam office who can act as backup if needed. The current Bujagali task team leader will transfer out of Africa to another region, but will be available for cross support as required. For FY10, a dedicated task and incremental budget managed by the Kampala based Senior Environment Specialist has been established to strengthen Bank supervision and follow up on the safeguards issues and Management Action Plan, and to create specific accountability for it.

39. **Future Reporting.** Management will update the Board on MAP progress in twelve month's time.

**Annex 1: Organizational Structure of GoU Coordination & Oversight
Uganda Bujagali Hydropower Project**



Handles issues related to BEL’s compliance on environmental and social aspects of the project as well as implementation of the RAPs

Responsibilities of Sub-Committees:

Handles issues related to Tourism and Forest Management Plans: (i) Put in place a Sustainable Management Plan for Kalagala Offset; (ii) Ensure that Kalagala Offset Alternative Investment Program is updated and implemented; and (iii) Ensure that Forest Management Plan for the Mabira and Kalagala Forest Reserve is updated and implemented

Handles issues of communication related to the project as well as legal compliance with various contracts and agreements; oversees work done by Pictures Africa, which is implementing the Bujagali Communications Strategy

Multi-stakeholder Bujagali Monitoring Committee:

The mandate of this committee is three-fold: (i) monitor and evaluate the compliance of the project in line with NEMA approval conditions; (ii) identify and investigate any other unanticipated concerns or negative impacts that might emerge, highlighting and documenting positive results and aspects of the development; and (iii) address inquiries, concerns, or criticisms that might arise in the course of project implementation.

The roles and responsibilities of the committee include:

- Advise the Bujagali Steering Committee on overall compliance of the Bujagali project in line with government regulatory policies and regulations of the project
- Advise on strategies to address potential and emerging environmental and social issues relating to the project
- Oversee the effective implementation of the mitigation measures outlined by NEMA in its approval conditions for the development
- Institute, in consultation with NEMA, independent surveys, studies and reviews on certain aspects of concern regarding the Bujagali project
- Advise on appropriate interventions to address emerging issues with regard to the development as may be revealed through studies, reviews, or public comments or notifications
- Package, in liaison with the Bujagali Steering Committee, and provide information for dissemination to the public and the stakeholders with regard to the progress of the project and its impacts.

Legend:

BEL –	Bujagali Energy Limited
Civil Society –	represented by Nile Basin Discourse Forum
DWRM –	Directorate of Water Resources Management
ERA –	Electricity Regulatory Authority
FD, MAAIF –	Fisheries Department, Ministry of Agriculture, Animal Industry and Fisheries
FSSD, MWE –	Forest Sector Support Department, Ministry of Water and Environment
LG –	Local Governments (District Level) – Wakiso, Kampala, Mukono, Kayunga, and Jinja Districts
Makerere University	Department of Civil Engineering, Faculty of Technology
MEMD –	Ministry of Energy and Mineral Development
MLGSD –	Ministry of Labour, Gender and Social Development
MTTI –	Ministry of Tourism, Trade and Industry
NEMA –	National Environment Management Authority
NFA –	National Forest Authority
UEGCL –	Uganda Electricity Generation Company Limited
UETCL –	Uganda Electricity Transmission Company Limited
UFA –	Uganda Forest Association
ULS –	Uganda Law Society
UTA –	Uganda Tourism Association
UWA –	Uganda Wildlife Authority
WM, MWE –	Wetlands Management Department, Ministry of Water and Environment

Annex 2 – CHEC Cover Letter, Bank Management Response, NFA Response

SCANNED FILE COPY

Accession No. 2009
Box No. 325148 R
Date: May 29, 2009
Action: REC
Project Name: #1010 GR TP FSW Co Re Adm Pr

P089659

INDEPENDENT REQUEST FOR INTERVENTION

**CULTURAL HERITAGE EXCHANGE CENTRE (CHEC)'S MANAGEMENT
REPORT AND REQUEST FOR INTERVENTION IN RESPONSE TO THE
PROPOSED KALAGALA-OFFSET-UGANDA**

**PRIVATE POWER GENERATION (BUJAGALI) PROJECT
(IDA GUARANTEE NO. B0130-UG)**

**CHEC-CLAIM ON CULTURAL PROPERTY MANAGEMENT AT
KALAGALA**

INDEPENDENT FINDINGS & RECOMMENDATIONS

May 29, 2009

Distribution:

Chairperson Inspection Panel –Werner Kiene

World Bank Country Manager, Uganda-Kundhavi Kadiresan ✓

World Bank Country Director, Uganda – John Murray McIntire, Dar es Salaam

Tatianna Tassoni – WorldBank

Director Compliance Review and Mediation Unit – Per Eldar Sovik

President Africa Development Bank - Dr. Donald Kaberuka

WORLD BANK

29 MAY 2009

RECEIVED



CULTURAL HERITAGE EXCHANGE CENTRE

The Flying Bachwezi Program

The Heritage Advocates



CHEC REQUEST CHEC/WB/ADB 01

May 29, 2009

REQUEST FOR INTERVENTION IN THE CULTURAL PROPERTY MANAGEMENT UNDER KALAGALA-OFFSET STRATEGIC MANAGEMENT PLAN FOR THE PROPOSED PRIVATE POWER GENERATION (BUJGALI) PROJECT (Guarantee No. B0130-UG)-UGANDA

The request is being forwarded by the independent requester Cultural Heritage Exchange Centre [CHEC], a registered Cultural Heritage Oriented Non- Governmental Organization (NGO) working in Uganda at Kalagala Falls Central Forest Reserve Cultural sites since 1993.

BACKGROUND TO CHEC (THE REQUESTER)

CHEC was formerly registered under the Uganda Laws Cap. Act 189, of Uganda by the year 1998 with the national NGO board (Uganda).

CHEC central objective is promoting positive societal cultures and practices for cultural environment conservation and sustainable development. CHEC has since been working in the districts of Kayunga, Mukono, Jinja, Kabarole and Kampala of Uganda, and at Kalagala in particular. CHEC is currently finalizing launching the Proposed Plan for integrated Management options for the conservation of Cultural Heritage Exchange in Uganda (prepared in 2004-2011).

THE CLAIM-KALAGALA FALLS CENTRAL FOREST RESERVE-CULTURAL SITE.

The Board of Directors [CHEC-Board] authorized the Executive Director on May 06 2005 to **lodge a claim and petition** to the National Forestry Authority (NFA) on the Cultural Sites at Kalagala in regard to the proposed Bid to run Private Tourism Development at Kalagala and Itanda. Management thus, conducted an investigation on the Matters relating to the Bids and Bid process in regard to the cultural site and Cultural Property Management at Kalagala according to the Grand plan 2001-Kalagala-Itanda Offset government plan.

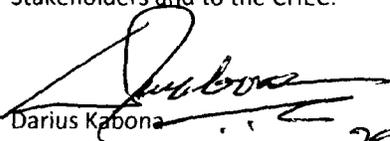
Pursuant to CHEC's objectives and guarantees for user rights of the cultural site, several issues were unearthed and submitted to relevant authorities of government (GoU) i.e. line ministries and agencies but no due diligence has been done. CHEC continues to protest since the complaint has been blatantly disregarded and rendered irrelevant despite the findings indicating gaps and irregularities that surrounded the Bids and Bid Processes.

Please be advised that according to the attached report (Background) and the Proposed Private Power Project, the Kalagala Offset- Strategic Management Plan has been delayed, derailed and misrepresented by the Authority (NFA) and relevant stakeholders despite the CHEC's findings in their

possession. This act of disregard of complaint is likely to jeopardize the objective of the "Kalagala Offset" contrary to provisions of OP4.01 and OP4.04 on Natural Habitats and Mitigation measures and other relevant Procedures by the developers, financiers and beneficiaries of the power project with deleterious consequences.

CHEC Management submits the independent request for intervention to the Banks management in regard to Kalagala Offset through a report indicating its findings to the complaints and recommendations in response to such findings. CHEC management seeks to recommend that your institution(s) prevail upon the government of Uganda and relevant stakeholders to streamline the issues in this request for sustainable benefits and successful project.

We sincerely hope that our complaints, Report and findings will be of great value to all Project Stakeholders and to the CHEC.


Darius Kabona

29 May 2009

EXECUTIVE DIRECTOR-CHEC

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Plot 1, Lumumba Avenue
Rwenzori House
Kampala, Uganda

Tel: (256-41) 4230 094
Fax: (256-41) 4230 092

June 15, 2009

Mr. Darius Kabona
Executive Director
CHEC
P.O. Box 25551
Kampala
Uganda

Dear Mr. Kabona,

Re: May 29, 2009 Independent Request for Intervention, Kalagala Offset

We acknowledge receipt of your May 29, 2009 Independent Request for Intervention on behalf of the Cultural Heritage Exchange Centre (CHEC) with respect to the Kalagala Offset. Your request echoes a similar request submitted by you in May 2008. This letter constitutes World Bank Management's response to both requests. Please note that the other recipients of your May 2009 request, at the World Bank Inspection Panel and the African Development Bank, may also respond separately.

We note in your requests as well as the May 31, 2009 follow-up meeting with World Bank staff, the specific assertions regarding CHEC's prior claim on a portion of the Kalagala site as well as assertions of irregularities in NFA's bidding process for Kalagala tourism development. We respectfully suggest that claims such as these would be best handled by the Ugandan legal system or other review and appeal processes established in Uganda.

In addition, we note your concerns regarding the preparation process for the Kalagala Offset Sustainable Management Plan (SMP). We have forwarded your request to the relevant Ugandan agencies and requested how the views presented therein were considered, together with views of other stakeholders, in the planning for the Kalagala Falls Offset management. We also strongly urge you to fully participate in the ongoing consultation process, including the on-site consultation such as the one scheduled for Wednesday June 10, 2009, and others, to which, we are informed, CHEC was invited. The multi-stakeholder SMP process is specifically intended to elicit views from all stakeholder groups in the preparation of a viable management plan which sets 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 World Bank.

Mr. D. Kabona, CHEC

-2-

June 15, 2009

We expect that the mechanisms described above which are already in place in Uganda will adequately address the concerns you have raised. If this is not the case, please do inform us either by return letter, or through the Bank's Kampala office.

Sincerely,



John Murray McIntire
Country Director for Tanzania, Uganda and Burundi
Africa Region

Mr. D. Kabona, CHEC

-3-

June 15, 2009

Bcc: W. Kiene, T. Tassoni (IPN); K. Kadiresan (AFMUG); K. Funk (AFTZ);
M. Fodor, M. Cosgrove-Davies (AFTEN); C. Di Leva (LEGEN);
M. Bitekerezo (AFTCS).

10/20 Spring Road
P.O. Box 70863
Kampala, Uganda

NFA
National Forestry Authority



Tel: 031-264035/6
041 230365/6
Fax: 041 230369

NFA/N/14.6/09
26th June 2009

Hon. Maria Mutagamba
Minister of Water and Environment
Kampala

SCANNED FILE COPY

Accession No. 2009	Box No. 325148 B
Date: July 5/09	
Author: JCC	

FILE # alpha Name of # Upr/Cr GB TE FSW Co Ro Agn. Pr

Dear Honorable Minister,

UG Kalagala SMR
cf 1089659

RE: KALAGALA FALLS TOURISM DEVELOPMENT

The National Forestry Authority (NFA) presents its compliments to you and wishes to refer to the letter dated 18th June, 2009 from The World Bank Country Director addressed to you and copied to me among others.

In the letter, The Country Director says that there were shortcomings in the development of Kalagala Offset and expressed the desire to have a review of a report from Cultural Heritage Exchange Center (CHEC) regarding the planning and management for Kalagala Falls Offset.

The purpose of this letter is to clarify as follows:

- 1- The development of Ecotourism facilities and activities at Kalagala Falls in Kalagala Central Forest Reserve (CFR) was advertised by NFA in the public media in 2005. Adrift (U) Ltd emerged the best bidder and was licensed to develop and manage Ecotourism facilities on 17.3 Hectares at Kalagala CFR in July 2006. In effect, the right to use the land at Kalagala Falls for Ecotourism development lies with Adrift (U) Ltd. The license is for a duration of 25 years and is still subsisting as of today. Any act of granting another license to an entity over an area already licensed would amount to breach of the license for which Government may pay heavily in terms of damages in case of being sued.
- 2- Within this licensed area, is said to be a cultural site hosting worship rocks and a ceremonial fig tree. The management of this cultural site has been contentious with many stakeholders claiming the right to manage the site. Among the several claimants include The Cultural Heritage Exchange Center (CHEC). The Cultural Heritage Exchange Center claims to be a spiritual medium for the preservation of various cultural sites in Uganda. Their interest in Kalagala site dates back to 1999 when they requested the former Forest Department for 2 acres of land at Kalagala falls for cultural development. The Forest Department wrote to CHEC in December 2002 allowing them to construct a perimeter fence around 2 acres of land. The Forest Department however, did not issue an official occupation permit because CHEC had not fulfilled the relevant conditions. Immediately NFA entered into a license agreement with Adrift U Ltd, CHEC resurfaced with fresh claims of 3 Hectares at Kalagala. NFA therefore has no contractual obligations with CHEC. NFA however has a responsibility to the neighboring communities. A series of consultative meetings including site visits to Kalagala site have been held during which the local communities have totally disowned a one Mr. Darius

- Kabona who claims to be the Director of CHEC. The local communities have said that Mr. Darius Kabona seems to have a one man NGO and are not aware of any other members. In fact no other person has ever accompanied him to any meeting apart from his lawyer. He has refused to join any site meetings whenever they are organized and prefers to alone meet and or write to senior government officials.
- 3- Another claimant for the site is the Buganda Kingdom through the association of the Royal Princes and Princesses code named "Balangira - Bambejja Twezimbe Cooperative Society (BABATWA)". They claim that Kalagala Falls is a very important cultural site for the Buganda Kingdom. It was curved out by the former Kings of Buganda starting with Ssekabaka Nakibinge Mulwanyammuli between 1440 AD and 1490 AD. This King is said to have initiated cultural activities which are still cherished at the site today. For example, in August 2006 the current reigning King of Buganda, Kabaka Ronald Muwenda Mutebi performed cultural activities at the site. This association has submitted a proposal to NFA reclaiming the site and expressing desire to regain and preserve the cultural site with its regalia and symbols.
 - 4- Adrift (U) Ltd has expressed willingness to work with any one cultural site manager although there are many different claimants which makes it difficult for Adrift to deal with all of them. They intend to transform the cultural site into a cultural education center and are open to ideas from the Local community, the Buganda Kingdom and other stakeholders. Indeed, the local communities have been mobilized and sensitized and are fully involved and fully enthusiastic about the proposed project undertaking by Adrift (U) Ltd.
 - 5- The process of preparing a Sustainable Management Plan (SMP) for the Kalagala Offset is ongoing. The process is being spearheaded by International Union for Conservation of Nature (IUCN) as the consultant contracted by The Government of Uganda through the Ministry of Energy and Mineral Development. The Sustainable Management Plan will consist of collective measures for ensuring sound environmental management of the ecosystem housing Bujagali Falls/Dam for purposes of counter balancing the negative effects caused by Bujagali Dam on the environment. This is part of Government of Uganda's undertaking to fulfill its obligations to the Kalagala Offset as specified in part (a) of Section 3.06 of the Indemnity Agreement. The SMP is expected among others to add value to current environment, investment and management plans applicable in the "Mabira ecosystem" as well as the ongoing programmes and activities. It will provide overall planning and development goals, objectives, strategies and a framework for enabling Uganda to meet its obligations to the Indemnity Agreement. The key documentary outputs will be a Sustainable Management Plan for Kalagala Offset; a Management Plan for Mabira Forest Management Area (comprising of Mabira, Kalagala, Nile Bank, Namawanyi, Namananga, Namakupa and Namavundu Central Forest Reserves. The Kalagala – Itanda Tourism Investment Plan will also be documented. Issues of Landscape Planning will therefore be addressed in the SMP process. The guiding principle for this process is participation and ownership of all stakeholders and Lead Agencies as well as value proposition, sustainability, cost – effectiveness and identity.
 - 6- In the meantime, an Environmental Impact Assessment (EIA) of the proposed establishment of Kalagala Falls Tented Camp by Adrift (U) Ltd is going on. A project brief has been submitted to National Environment Management Authority (NEMA) for review and consideration for approval. Initially, the developer had conceived the proposed project at Kalagala Tented Camp to be part of the overall Muyanja Island Exclusive Tourism Project whose Environmental Impact Assessment (EIA) certificate was obtained. However, NEMA demanded a separate Project Brief or addendum to cater for Kalagala Tented Camp which has been prepared and submitted to NEMA. The views and concerns of other stakeholders at the Tented Camp project had also to be

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taken into account. Hence the construction of Tented Camps which Adrift (U) Ltd had started at Kalagala was halted. The project brief identifies certain environmental mitigation measures and recommends that the project implementation will have to adhere to the mitigation measures and undertake adequate monitoring for compliance.

- 7- Hon. Minister, as you can see from the foregoing narrative, NFA has not defied your orders or any other order regarding the development and management of Tourism projects at Kalagala CFR as insinuated by CHEC. NFA is indeed anxious and open to further dialogue leading to the amicable resolution of the issues raised above so as to be able to tap into the positive socio economic and environmental benefits that may accrue from the implementation of these Tourism projects. We also note that the cultural site is not gazzeted, and hence it has become difficult for NFA to delineate it from the existing contract area with Adrift (U) Ltd.

Once again, NFA avails itself of this opportunity to renew to you the assurances of its highest consideration and cooperation.

Forests for Prosperity,
Yours Sincerely,



Isaac H. Mweru
FOR: **EXECUTIVE DIRECTOR**

CC: Mr. Mweru

CC: Minister of Finance and Economic Development,

CC: Minister of Energy and Mineral Development

CC: Minister of Tourism, Trade and Industry

CC: Minister of Gender and Social Affairs

CC: Country Director – Africa Region, World Bank

CC: Permanent Secretary/ Secretary to the Treasury, Ministry of Finance, Planning and Economic Development

CC: Permanent Secretary, Ministry of Energy and Mineral Development

CC: Executive Director, National Environment Management Authority