INDEPENDENT REVIEW MECHANISM
3RD MONITORING REPORT

ON THE IMPLEMENTATION OF FINDINGS OF NON-COMPLIANCE AND
RELATED ACTIONS TO BE UNDERTAKEN BY THE AfDB MANAGEMENT
ON
THE BUJAGALI HYDROPOWER AND INTERCONNECTION
PROJECTS

06 JUNE, 2011
# TABLE OF CONTENTS

ACKNOWLEDGEMENTS

ABBREVIATIONS AND ACRONYMS

INTRODUCTION

MAIN FINDINGS

1. Compensation and Resettlement Issues

2. Consultations, Cultural and Spiritual Issues

3. Kalagala Off-Set & Forests Conservation

4. Negative Impacts of Rock Blasting at Bujagali Dam site

5. Projects’ Cost

6. Witness NGO

7. Bujagali Projects Monitoring Committee

8. Projects’ Information made available to IRM

CONCLUSION AND RECOMMENDATIONS

LIST OF PEOPLE/INSTITUTIONS MET
ACKNOWLEDGEMENTS

The IRM Monitoring Team would like to express its gratitude to the people, including the Requestors, Government officials, project promoter, and the Bank’s staff, who contributed information and made themselves available for discussion with the IRM Monitoring Team in its preparation of this report and during its field mission on 27 April–3 May, 2011 in Uganda.
LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfDB</td>
<td>African Development Bank Group</td>
</tr>
<tr>
<td>BEL</td>
<td>Bujagali Energy Limited</td>
</tr>
<tr>
<td>BPMC</td>
<td>Bujagali Project Monitoring Committee</td>
</tr>
<tr>
<td>CPMP</td>
<td>Cultural Properties Management Plan</td>
</tr>
<tr>
<td>CRMU</td>
<td>Compliance Review and Mediation Unit</td>
</tr>
<tr>
<td>GoU</td>
<td>Government of Uganda</td>
</tr>
<tr>
<td>IRM</td>
<td>Independent Review Mechanism</td>
</tr>
<tr>
<td>IUCN</td>
<td>International Union for Conservation of Nature</td>
</tr>
<tr>
<td>MEMD</td>
<td>Ministry of Energy and Mineral Development</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance, Planning and Economic Development</td>
</tr>
<tr>
<td>MoTTI</td>
<td>Ministry of Tourism, Trade and Industry</td>
</tr>
<tr>
<td>NAPE</td>
<td>National Association of Professional Environmentalists</td>
</tr>
<tr>
<td>NEMA</td>
<td>National Environment Management Authority</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>PAPs</td>
<td>Project Affected People</td>
</tr>
<tr>
<td>REA</td>
<td>Rural Electrification Authority</td>
</tr>
<tr>
<td>SMP</td>
<td>Sustainable Management Plan</td>
</tr>
<tr>
<td>SOUL</td>
<td>Supporting Opportunities for Uganda Learning</td>
</tr>
<tr>
<td>UETCL</td>
<td>Uganda Electricity Transmission Company Ltd</td>
</tr>
<tr>
<td>UGFO</td>
<td>Uganda Field Office of the African Development Bank Group</td>
</tr>
</tbody>
</table>
INTRODUCTION

In accordance with paragraphs 52(c) (iii) and 59 of the Operating Rules and Procedures (June 2004) of the Independent Review Mechanism (IRM), the Boards of Directors of the Bank Group on 9 July, 2009, authorized the IRM to monitor the implementation of the findings of non-compliance issues raised by the IRM Review Panel’s Compliance Review Report and the related Management Action Plan on the Bujagali Hydropower Project and Bujagali Interconnection Project (hereinafter referred to as “Bujagali Projects”), which were taken note of by the Boards of Directors in their meeting on 22 May, 2009.

The IRM Monitoring Team was authorized to monitor the actions taken with regard to bringing the Bujagali projects into compliance with the policies of the Bank Group, while the implementation of the recommendations of the IRM Review Panel in relation to institutional systemic issues and policies were left for other entities of the Bank Group to follow-up on. The first and second IRM monitoring missions were conducted in 2009 and 2010 and the related 1st and 2nd IRM Monitoring Report submitted to the Boards of Directors for information and to Management for action on 22 July, 2009, and 28 July, 2010, respectively.

The third IRM monitoring mission took place from 27 April to 3 May, 2011. The Monitoring Team comprised of Dr. Maartje van Putten, one of the IRM Experts, and Ms. Grace Kimani, Principal Compliance Officer of CRMU. The Monitoring Team was accompanied in several meetings and field visits by Mr. Daniel Isooba, Infrastructure Specialist based in the AfDB Uganda field office (UGFO).

By this report, the IRM Monitoring Team intends to inform the Boards of Directors and the Bank’s Management of the progress made in implementing the promised actions by the Bank’s Management as of the date of the IRM Team’s third monitoring mission. Where appropriate, the IRM Monitoring Team makes recommendations on measures that should be undertaken without further delay to mitigate the unresolved issues to bring the projects into compliance with the relevant Bank Group’s policies and procedures. The proposed measures are based on the discussions that the IRM Team held with different stakeholders during its mission in Uganda and discussions with and documents obtained by the Team from Bank staff in Tunis.
MAIN FINDINGS

In general terms, the IRM Monitoring Team (hereinafter referred to as “the Monitoring Team”) noted that progress has been made to resolve the pending issues reported by the Compliance Panel in 2008, followed by the 1st and 2nd IRM monitoring Reports of 2009 and 2010. However, there are notable pending social and environmental issues relating to compensation along the transmission line, relocation and appeasement of the spirits in the Bujagali Falls, and compensation for negative impacts of rock blasting.

In summary, the Monitoring Team learned that the Bujagali Projects are on course as planned and the generation of the first 50 MW will start in October 2011. The construction of the main transmission line may not be completed by then due to pending compensation cases. However, the Uganda Electricity Transmission Company Ltd (UETCL) has constructed an alternative transmission line (T-line) from the Bujagali Dam site connecting it to the existing Owen Fall Power Station where the 50 MW will be directed before the main T-line is completed by the time the whole project is commissioned by April next year (2012). The people resettled in Naminya village are somewhat happy with the progress made in addressing the pending issues reported last year. They now have (three) 3 fish ponds, connection of piped water is in progress and electricity connection will follow soon. Inter-denominational prayer service was held on 28 April, 2011 in memory of the people buried in Dumbel Island which will be inundated soon. The three (3) cultural shrines have been completed but relocation of the spirits to the shrines and the appeasement ceremonies are yet to be performed. The people affected by rock blasting are yet to be compensated by the project promoter-Bujagali Energy Limited (BEL). Last but not least, the case filed by 557 people is still pending in court and did not have a hearing date at the time of the mission.

The following is detailed report of the pending issues as noted by the Monitoring Team during its third monitoring mission to Uganda:

1. Compensation and Resettlement Issues

**IRM Compliance Review Report of 2008:** Failure to resolve legacy issues prior to commencement of the project, especially for people affected by the Bujagali Interconnection Project, constitutes non-compliance with the Bank’s Policy on Involuntary Resettlement.

**AfDB Action Plan of 2009:** A mechanism will be established to monitor compensation outcomes for displaced households and a completion report produced.

**IRM Monitoring**

The IRM Monitoring Team in 2009 expressed concern about the serious delays of payment in finalizing the resettlement and compensation issues and urged the Bank’s
Management to ensure that immediate appropriate actions were taken to resolve these issues.

The IRM Monitoring Team in 2010 noted that very little progress had been made in solving compensation issues along the transmission line (T-line) and this had been complicated by a pending court case filed by 557 affected people living along the T-line who claimed they were inadequately compensated for both crops and land.

In April/May 2011, the Monitoring Team found the following:

(a) **Compensation of landowners along the T-line**

Some notable progress has been made in compensating the project affected people (PAPs) along the T-line compared to the situation in 2010. The Monitoring Team was informed by the Uganda Electricity Transmission Company Ltd (UETCL) that in the overall, compensation along the T-line stood at 93%, that is, 2,632 compensation cases have been finalized. This group comprises people who have land ownership documents along the T-line. 7% of the pending compensation cases comprise of 5.7% of PAPs without land ownership documents, and 1.3% of PAPs who have land documentations but have disputed/refused the compensation offered by UETCL. The 1.3% comprises 25 cases that UETCL termed as “difficult cases” and a committee has been set up in collaboration with the Office of the Prime Minister to determine compensation rate for each of the PAPs in this category. During the second monitoring mission in 2010, the “difficult cases” stood at 48 but had now reduced to 25 after the Prime Minister’s Office intervened and some of the PAPs were compensated using a higher land rate than that quoted by the Chief Government Valuer. In one occasion, UETCL re-routed the T-line when the concerned PAP refused compensation so that the project can remain on schedule.

However, as mentioned before, the 557 court case reported in the 2nd IRM Monitoring Report is still pending in Court. The Monitoring Team was informed by UETCL that the case was mentioned in court in September, 2010, for purposes of fixing a hearing date but it has not been heard as of the date of the Team’s meeting with UETCL. The lawyers representing the 557 claimants informed the Monitoring Team that the case had dragged in court because the Judge who was initially hearing the case was transferred to another station and they (lawyers) were still trying to fix a hearing date for the case. The lawyers were in favour of an out of court settlement but UETCL and the Ministry of Finance, Planning and Economic Development (MoF)
indicated they will wait for the court judgment on the matter. The MoF reiterated that adequate funds have been set aside for compensation purposes in the event that the court rules in favour of the claimants. However, UETCL and MoF are concerned that if the court case takes too long to be decided, compensation amounts declared by the court could be too high and exceed the amount already set aside.

The IRM Monitoring Team is aware that the pending court case may take long to be determined and that UETCL may not intervene until court judgment is delivered. However, the Monitoring Team recommends that the Bank’s Management and staff in their supervision of the Bujagali Projects should ensure that compensation in the pending 25 cases along the transmission line are undertaken by the Government of Uganda without further delay, particularly those that are not the subject of the court process.

(b) Resettlement in Naminya Village

The 2nd monitoring report of July 2010 highlighted the pending issues in Naminya resettlement village. These included non-payment of ‘disturbance allowance’, additional two class rooms in the primary school, insecurity brought by the empty houses in the resettlement village, non-construction of fish ponds that were promised by BEL, provision of piped water and connection to electricity. The Monitoring Team visited Naminya village during its third monitoring mission and noted that some of the above-mentioned issues are no longer a concern to the people resettled in Naminya village and are therefore not dealt with in this report. The remaining issues of concern to the people are fencing of the fish ponds, connection to piped water and electricity, and the empty houses.

The Monitoring Team met with people resettled in Naminya village. They informed the Team that they now have three (3) fish ponds with fish growing in them, courtesy of the joint efforts of eleven families in the village, BEL and an NGO called SOUL (Supporting Opportunities for Uganda Learning). This was confirmed by BEL in a meeting with the Monitoring Team. BEL bought the land in which the fish ponds are located, the people dug the three fish ponds from July to December 2010, while SOUL provided the fingerlings (catfish and tilapia) and fish feeds. This is a commercial fish-farming initiative for eleven (11) families (out of the thirty-five (35) families
resettled) in Naminya Village who were willing to participate in the fish farming. They estimate that they will be harvesting fish for sale in the three ponds twice a year. The arrangement is such that SOUL will provide the people with feeds until the 3rd harvest of the fish in the three fish ponds and also provide new fingerlings after each harvest until the 3rd harvest. Thereafter, the people will take over the role of buying the feeds and introducing new fingerlings after each harvest.

The eleven families that manage the fish ponds received some training on fish farming and finance management from SOUL. Based on this training and advice from SOUL, they opened a bank account where they will be depositing 50% of the fish proceeds after sale, and 50% will be divided among the eleven families to cater for household needs. Each of the eleven families will also get one (1) kilogram of fish for family consumption after each harvest and the rest of the fish will be sold in the market. The first fish harvesting in one of the ponds was done on 27 April, 2011 and yielded 121 kgs. 110kgs were sold in the market at Uganda shilling 150,000/= and 11 kgs were divided among the 11 members of the fish farming group. This group of fish farmers is optimistic that with time, they will make profits from sale of fish.

The fish farmers had three concerns. First, the fish ponds are not fenced and hence are a security risk to children, and unauthorized people can also access the ponds and fish or poison the fish. They proposed that SOUL or BEL or both should assist them with fencing to avert the foreseen risks stated above. BEL promised to look into the fencing request in a meeting later with the Monitoring Team. Second, the group is concerned that it may not be financially able to take over the role of introducing new fingerlings and buying fish feeds after the 3rd harvest if SOUL pulls out as per the current arrangement. They hope that SOUL will give them sufficient time beyond the 3rd harvest to enable them to have a stable financial base in order to take up the feeding and fish restocking role in a sustainable manner. Third, the people expressed concern that the fish farming has brought division in the resettlement village because only 11 out of the 35 resettled families are involved in the fish farming activity. The Monitoring Team was informed that the 24 families feel left-out because they also gave up their land for the construction of the Bujagali Dam. However, BEL explained to the Monitoring Team that only the
eleven families were willing to participate in the digging of the fish ponds and therefore the other 24 families were left out of the fish farming activity.

With regard to water connection, the resettled people were somehow happy because water connection has started but had complaints concerning the manner in which the connection is being done, as opposed to what they were promised when they were being resettled. They informed the Monitoring Team that during the resettlement exercise, the people were promised that the main water pipes will pass through near each household so that it would be easier and cheaper for the people to connect water to their homes from the main water pipe.

However, the piped water is being connected in such a way that the whole resettlement village will have only three (3) main water-stands located in individual’s land, from where the rest of the people in the village will buy the water at a higher price per cubic meter than they would pay to the National Water and Sewerage Corporation if they connect water directly to their homes as promised during resettlement. The people are concerned that some homes are very far away from the 3 water points and will require them to walk for about 500m to buy water which they used to get free from the river before being resettled.

BEL informed the Monitoring Team that the main water pipes will pass near the people’s houses but the people are reluctant to connect to their homes. This is because they have to pay for the water connection fees to the National Water and Sewerage Corporation as well as the water bills. The three water-stands have been constructed by individual households in the resettlement village who want to start selling water in the village if the other households fail to connect water to their houses. BEL also explained that those who will be unable to connect to the piped water can still access water from the existing boreholes in the village for free.

As for electricity connection, the Monitoring Team was informed by the people in the resettlement village that they had been informed by BEL that electricity will be connected to the village after the water connection is completed. They said that during the resettlement exercise they were promised that electricity poles will be placed near each household so that it would be easier and cheaper for the people to drop electricity connection directly to their homes. Given the people’s experience with the water connection, they fear that BEL may not fulfill this promise and may put electricity connection far away from people’s homes such that it would be difficult and expensive for people to connect to their homes. BEL explained that just like in the case of water
connection, electricity will be delivered to Naminya village and as close to the people’s homes as possible. BEL will meet the total cost of delivering electricity to Naminya village. However, the people have to connect electricity to their homes and pay connection charges as well as the electricity bills. At the time of the mission, BEL was finalizing arrangements with the electricity utility company of Uganda-Umeme- to have electricity delivered to the village in the next 7-8 months from the date of the IRM monitoring mission.

With regard to electricity connection to other villages near the Bujagali Dam, BEL will contribute 30% of the total cost (the community component), while the Government of Uganda, through the Rural Electrification Authority (REA), will contribute the remaining 70%. According to BEL, electricity will be connected to these villages once the Bujagali project is commissioned in April, 2012.

The empty houses in the resettlement village are still a concern to the people living in this village. These are houses build by the project promoter but were never occupied by the people intended to be resettled because they opted for money compensation. The people in the village are concerned about the security risk posed by these houses, some with no windows and others without doors. BEL explained that it was in the process of working out a programme to have the houses occupied or put to other uses.

*The IRM Monitoring Team applauds the Bank’s Management for following up on fish ponds and water connection during its supervision missions to Bujagali Projects. The Team urges the Bank supervision missions to follow up on electricity connection to the Naminya resettlement village as soon as the first production of 50 MW is commissioned in October, 2011.*

2. Consultations, Cultural and Spiritual Issues

**IRM Compliance Review Report in 2008:** Failure to meaningfully consult with spiritual leaders and stakeholders due to the silence of the appraisal reports on the issue is a non-compliance with the Bank’s policies on Involuntary Resettlement, Good Governance and Environment Review Procedures, Integrated Environment & Social Impact Assessment Guidelines.

**AfDB Action Plan:** Government to update Cultural Properties Management Plan (CPMP) with assistance from BEL.

**IRM Monitoring**

In 2009, the IRM Monitoring Team recommended that a Committee of various stakeholders including NGOs, representatives of religious leaders, relevant ministries and BEL, and observers from the project financiers including AfDB, be formed to map the
way forward in conciliating the cultural and religious differences and relationships in the project area.

In 2010, the IRM Monitoring Team recommended to the Bank Management to urge the Project promoter (BEL) and the Government of Uganda to complete the 3 cultural shrines to facilitate relocation of the spirits for whom Nfuudu is the medium, and to undertake a final ceremony with Nabamba Bujagali in order to deal with the cultural and spiritual matters once and for all.

During the third monitoring mission in April/May 2011, the Monitoring Team was informed by the Ministry of Energy and Mineral Development (MEMD) and BEL that a Memorandum of Understanding was signed between BEL, the MEMD and the Busoga Kingdom, detailing how the cultural and spiritual issues will be settled once and for all. The Busoga Kingdom will issue a Certificate of Completion to BEL upon completion of the relocation of the spirits and appeasement ceremonies so as to mark these issues as closed. The Team was further informed that inter-denominational prayer service was held on 28 April, 2011 in Dumbel Island in memory of the people buried in the island which will be inundated (flooded) soon.

BEL informed the Monitoring Team that the Bujagali Falls will be inundated by September this year by about 1.5 to 2 meters in preparation for the generation of the first 50MW from the Bujagali Hydropower Dam in October, 2011.

The Monitoring Team was informed by MEMD and BEL that the construction of the three (3) cultural shrines was complete and the next step is to relocate the spirits and conduct the appeasement ceremonies. In addition, the Team learnt that the two spiritual leaders- namely, Nabamba Bujagali and Lubaale Nfuudu, were invited by the Busoga Kingdom to discuss the modalities of the relocation of the spirits. However, Nabamba Bujagali declined to attend the meeting to discuss the ceremonies before they could be held. However, the two institutions will pursue the matter and find ways of having the two spiritual leaders participate in the relocation of the spirits and the appeasement ceremonies.

The IRM Monitoring Team is somewhat optimistic that the relocation and appeasement of the spirits will be completed before the commissioning of the first
generator in October this year, considering the efforts being made by the concerned institutions to settle these matters.

3. Kalagala Offset and Forests Conservation

**IRM Compliance Review Report in 2008:** There is need for a long term action plan to ensure that the offset serves its purposes.

**AfDB Action Plan:** A long term Sustainable Management Plan (SMP) for the Mabira and Nile River Forests, and Kalagala Offset is part of the World Bank Indemnity Agreement. The SMP is under preparation by the International Union for Conservation of Nature (IUCN). The Bank will review the SMP produced by IUCN.

**IRM Monitoring**

The IRM Monitoring Team in 2009 recommended that the Bank’s Management should review the Sustainable Management Plan upon completion, and that the Bank should ask the Government of Uganda (GoU) to stop any developments in the Kalagala Offset until the SMP is finalized and approved by the Government. The report also questioned the fences that were put up by Adrift without a license from the National Environment Management Authority (NEMA) and was restricting the local people from accessing the river banks.

In 2010, the IRM Monitoring Team reported that the fences had not been removed to give the locals unhindered access to the cultural sites on the river banks. The Team emphasized the need for the Bank Management to review of the SMP, the need for budget allocation for the monitoring and evaluation of the Plan and strongly urged the Bank to ask the GoU to put on hold further private activities in the Kalagala offset area that are not in accordance with the SMP.

During the monitoring mission in Uganda in April/May 2011, the IRM Monitoring Team met with officials from the MEMD and the Ministry of Tourism, Trade and Industry (MoTTI) who were optimistic that the SMP will be implemented as planned. The Team was informed that the Ministry of Water and Environment was coordinating the implementation of the SMP, and that each of the government institutions involved in the implementation of activities in the SMP has to budget for such activities in its annual budget. The Ministry of Finance promised to allocate adequate budget to facilitate implementation of the SMP by the various government agencies mentioned in the SMP. The SMP contains activities that will be implemented over a 10 year period from 2010 to 2019. The IRM Monitoring Team is concerned about the inadequate budget allocation for the long term monitoring and evaluation of the SMP. However, the Team was informed by the Bujagali Projects Monitoring Committee appointed by NEMA that the World Bank was carrying out a review of the implementation of the SMP and is likely to recommend alternative sources of funding to cover the funding gaps for implementing the activities under the SMP.
The Monitoring Team visited the Kalagala offset and the river banks. It noted that a section of the fences built by the rafting company (Adrift) had been removed and the local people now have unhindered access to the cultural sites on the river banks. The construction of the planned lodges behind the fence had stopped. NEMA informed the Monitoring Team that it had finalized its review of the Environmental Impact Assessment Report submitted by Adrift and was working on the conditions to be imposed in the EIA License.

The activities of lodge building on the island seemed to have expanded and lodges completed. This will attract tourists to the area to enjoy the beauty of the Kalagala Offset. The Ministry of Tourism informed the Monitoring Team that it had commissioned a study on the tourism potential areas along River Nile which need to be conserved and developed for sustainable tourism activities.

The IRM Monitoring Team would like to emphasize the need for adequate budget allocation by the Government of Uganda for implementing the activities in the Sustainable Management Plan. The Team strongly urges the Bank to ask the Government of Uganda to ensure that development activities in the Kalagala Offset are done in accordance with the SMP.

4. Negative Impacts of Rock Blasting at Bujagali Dam Site

IRM Monitoring

In 2009, The IRM Monitoring Team reported damage to people’s houses due to blasting at the dam site. BEL informed the Monitoring Team that it had a system in place to
survey and compensate for damage, and further that BEL has insurance to cover such
damage after the blasting is finished. The Monitoring Team recommended that future
Bank supervision missions follow-up on this issue, and also look into the practice of
valuation of damage, including what is considered to be sub-standard and ineligible for
compensation.

In 2010, the IRM Monitoring Team reported that the people affected by rock blasting in
Malindi village had not been compensated by BEL. The blasting effects mentioned
included cracks on the houses, and lower milk and egg production. BEL on its part
pointed out that some of the complaints could not be wholly attributed to blasting
activities and could also be caused by structural defects in the construction of those
houses or even by effects of road traffic for the houses near the road. BEL had
commissioned an independent expert on blasting to look into the subject and define the
criteria for assessing damage that can be attributed to the blasting activities.

During the third IRM monitoring mission in April/May 2011, the Monitoring Team met
with BEL officials who informed the Team that it had received the consultant’s report on
rock blasting. The report had concluded that the cracks on the houses could not have
been caused by blasting partly because other houses further away from the blasting site
also have cracks similar to those on houses near the dam area. In addition, that it was
unlikely that any direct harm was caused to livestock and that production of eggs from
poultry and milk from cows would not be affected. BEL also informed the Monitoring
Team that blasting was stopped in August 2010 but will resume later this year during the
construction of the eastern embankment of the dam. BEL informed the Team that the
MEMD will send a team of experts to assess and evaluate the alleged damage caused by
rock blasting and together with BEL, map a way forward to resolving the complaints on
impacts of blasting on people, buildings and livestock.

According to BEL, hundreds of complaints regarding impacts of blasting operations have
been received and BEL forwarded the complaints to the Contractor (Salini) to solve them.
Most complaints concern cracking of homes, several involve impacts on poultry, one
claims that blasting caused the death of a man aged 90 years and one involves a
miscarriage by a pregnant woman. During the mission, it became apparent that Uganda
does not have blasting standards (regulation).

The Monitoring team also learnt that Uganda has no regulations to ensure the safety of
people during transportation of construction materials to the project site. In future
projects, it would be important for the relevant authorities in Uganda to ensure safety
precautions are put in place and enforced to protect the people. This is particularly
important to protect children and the elderly people, who sometimes cross the roads and
oblivious of the dangers posed by heavy trucks transporting materials to construction
sites.
The IRM Monitoring Team reiterates the need for the GoU and the project promoter-BEL to find an acceptable solution to the people affected by rock blasting. The Team therefore urges the Bank Management to ensure that the best international standards are used by the project promoter in assessing the damage caused by the blasting activities. Moreover, future Bank supervision missions should follow up and ensure that those affected by the blasting are compensated as soon as possible and before the commissioning of the first unit generator in October, this year.

5. Projects’ Costs

IRM Monitoring

In 2010, the IRM Monitoring Team reported that the cost for the Bujagali Projects may increase from the initial overall estimated cost due to delays in the completion of the projects by ten (10) months. However, the Bank Management indicated that the cost increase was within the projects’ contingency funds.

During the third IRM monitoring mission in April/May, 2011, the Monitoring Team was assured by MEMD that despite delays in completing the Bujagali Projects, the projects’ cost was still within the overall estimated cost of USD 860 million.

6. Witness NGO

IRM Compliance Review Report of 2008: The treatment of one witness NGO to be both the independent monitor of the resettlement and a participant in the decision making process that deals with grievances arising from the resettlement fails to comply with the applicable policy requirements.

AfDB Action Plan: The Witness NGO, while not totally independent, is and has been providing satisfactory performance, and BEL/UETCL/GoU would not wish to compromise at this stage. The NGO provides observations and recommendations but does not participate in the decision-making process. An additional NGO will be included in the Project Monitoring Committee under NEMA. The witness NGO will share its reports with the Project Monitoring Committee.

IRM Monitoring

In 2009, the IRM Monitoring Team recommended that the role of the witness NGO should be closely followed-up in future supervision missions of the Bank, by taking into consideration how the potential users of the grievance mechanism perceive the dual role of the witness NGO by monitoring and providing recommendations on the one hand, and providing observations to the grievance committees on the other.
In 2010, the IRM Monitoring Team looked at the working relationship between the Witness NGO, InterAid Uganda Ltd., and BEL. The Team learnt that BEL does not influence the operations of the witness NGO.

In April/May, 2011, the IRM Monitoring mission met with the Witness NGO for update on its activities relating to the Bujagali Projects. The NGO informed the Team that it had continued to receive complaints from people near the dam about the impacts of rock blasting on their houses and livestock, and it had submitted these complaints to BEL for action. Further, the Witness NGO informed the Team that it was aware that BEL and Salini had each commissioned studies on blasting effects by two independent consultants. In addition, BEL and Salini had informed the Witness NGO that the two studies were finalized and concluded that the effects the people had complained about were unlikely to have been caused by the blasting activities. However, the NGO was not given copies of these studies by BEL or Salini. The NGO informed the Team that it sent a letter in March, 2011, to the lenders of the Bujagali Projects including the AfDB, proposing to the lenders to commission an independent study on effects of rock blasting to the people, buildings and livestock around the dam area and compare the findings with those of reports commissioned by BEL and Salini. This will assist in sorting out people’s complaints in a fair and just manner, rather than relying on the reports produced by BEL and Salini alone.

The Witness NGO also informed the Monitoring Team that its contract with BEL will expire in June, 2011, and it was not sure whether BEL will renew it. BEL later informed the Team that it may renew the contract, depending on the status of the projects’ implementation and pending social and environmental issues by end of June.

The Witness NGO shared with the Monitoring Team some of the lessons it had learned in its position as a “Witness NGO” in the implementation of the Bujagali Projects. According to the NGO, the following lessons may help in improving future implementation of donor funded projects in Uganda:

a) The role of witness NGO needs to be strengthened with a clear mandate and a reporting mechanism independent of the project promoter. A Witness NGO plays the observer role in project implementation and needs to report to the Banks/donors and share its findings with the government and project promoter. As such, it should be referred to as “Observer NGO” rather than a “Witness NGO”.

b) The government/project promoter should be required by the donors to ensure that the Observer NGO is involved in the implementation of all activities for the communities in the project right from the start. This will ensure that the NGO can inform the donors on the transparency of the entire implementation process.

c) It is important to enhance the independence of the Observer NGO. Funding of the NGO should come from the donors account and not the government or the project promoter because the government and the project promoter are interested parties.
in the implementation of the project. This will promote the independence of the NGO and eliminate people’s perception that the Observer NGO is not looking at the people’s interests but those of the project promoter.

7. Bujagali Projects Monitoring Committee

The 1st IRM Monitoring Report of 2009 indicated that the Bujagali Projects Monitoring Committee was established in early 2009 and started its work on 4 March, 2009, and that the National Association of Professional Environmentalists (NAPE) was a member of this Committee. The Monitoring Team then indicated that it was too early to comment on the performance of the Committee, although the Committee’s terms of reference were considered sound.

In 2010, the IRM Monitoring Team reported that the Bujagali Projects Monitoring Committee (BPMC) was following up and addressing the pending social and environmental issues in Bujagali Projects, including cultural and spiritual issues, resettlement and compensation along the transmission line, blasting impacts and compensation, and unlicensed developments in the Kalagala Offset area. However, its work was being hampered by inadequate budget and the Monitoring Team recommended the Bank Management to urge the GoU to provide adequate funds to enhance the work of the Committee.

During the third IRM Monitoring mission, the Monitoring Team met with the BPMC for an update on the progress it has made in addressing the pending social and environmental issues in the Bujagali Projects. The Committee informed the Team about the completed cultural shrines, removal of part of the fences in the Kalagala Offset to allow local people unhindered access to the river banks, progress made in compensating PAPs along the T-line and in settling the spiritual issues. The Committee informed the Team that it had set up a sub-committee to look into the impacts of rock blasting on the people and their property near the dam area. The report of the sub-committee will help in finding a common ground in handling the blasting complaints from the affected people. The BPMC was however concerned about the inadequate funds to enable it carry out its activities satisfactorily.

The Monitoring Team raised the issue of inadequate funding for the Bujagali Project Monitoring Committee during the Team’s meeting with the Ministry of Finance. The Deputy Secretary to the Treasury informed the Team that the Ministry will set aside sufficient funds for the Committee. During this meeting, he extended invitation to NEMA and asked the Monitoring Team to inform the Executive Director of NEMA to come to his office the next morning, to discuss the financial needs of the Committee so as to facilitate its work in addressing the pending issues for the Bujagali Projects. Up to the time of finalizing this report, the Monitoring Team had not received information on whether this meeting has taken place.
8. Project Information made available to IRM

IRM Monitoring, 2011

During the third monitoring visit to Uganda, the Monitoring Team learnt that BEL produces quarterly progress reports on environmental and social issues. These reports contain substantial and detailed information about what has been done for the affected people in all the villages surrounding the projects. BEL informed the Monitoring Team that these reports were made available to the Bank Management, a fact that was confirmed by the Bank staff during preparation of this report.

The IRM Monitoring Team recommends that such quarterly reports should be made available by the Bank Management to the CRMU/IRM in future projects undergoing monitoring by the IRM.

CONCLUSION AND RECOMMENDATIONS

As mentioned in the introductory remarks, the IRM Monitoring Team observed progress in resolving the pending social and environmental concerns posed by the Bujagali Projects. However, there are still some pending issues that the Bank Management should pay attention to during its supervision missions. These issues of concern are as follow:

1 On Compensation and Resettlement:

a) The fact that the 557 court case is still awaiting a court decision or an out of court settlement creates, unfortunately, a negative image on the entire project. The Government of Uganda has set aside some funds in the event that the court gives judgment in favour of the claimants. However, the government officials involved in the Bujagali Projects are concerned that if the court takes too long to decide the case, the compensation expenses may increase and the money set aside may not be enough.

b) The Bank Management should follow up and ensure that the Naminya resettlement village is connected to electricity when the first generation unit is commission in October this year. The Bank should urge the relevant authorities in Uganda to speed up compensation settlement of the 25 pending cases along the transmission line.

2 On Cultural and Spiritual Issues: To ensure that the project promoter-BEL, the relevant government ministries and other stakeholders including the two
spiritual leaders Nabamba Bujagali and Lubaale Nfuudu are involved in resolving the issues of relocation, settlement and appeasement of the spirits.

3 **On Kalagala Off-set and Forest Reserves Mitigation Measures:** To urge the GoU to provide adequate funding to the various government agencies for implementation of the activities in the Sustainable Management Plan (SMP).

4 **On the Blasting issue:** The Bank Management should urge BEL to guarantee that the best international standards concerning blasting are used and that all the people adversely affected by the blasting activities are adequately compensated by BEL without further delays.

**In conclusion:**

The Monitoring Team notes that despite the serious problems that occurred during construction of the Bujagali Projects, and the fact that the remaining issues have to be resolved urgently; the Bujagali Projects could be a good example for similar future projects within the region. It should not surprise anyone that problems occur in a project of this magnitude. Many lessons have been learned during the implementation phase. These lessons would have a great value that both the Government of Uganda and the Bank could benefit from if incorporated in similar projects in future.

The IRM is of the view that if the above issues are settled as soon as possible and by latest before the commission of the whole dam by April 2012, the Bujagali Projects will have complied with the relevant Bank Group’s policies and procedures and further IRM monitoring missions for these projects may not be necessary. However, in the event that some of these issues will not have been addressed by then, the IRM will conduct another monitoring mission to Uganda in 2012.
LIST OF PEOPLE AND INSTITUTIONS MET

• Mr. Frank Muramuzi, Director, National Association of Professional Environmentalists (NAPE) and other Requestors
  • Oweyegha Afenaduula, NAPE
  • Robert Kugonza Akiki, African Rivers Network (ARN)
  • Dickens Kamugisha, AFIEGO
  • Pathias Karekona, Uganda Conservation Education Program
  • Herbert Kiggundu, Muwema & Mugerwa Advocates-Law firm representing the 557 compensation claimants along the transmission line

• Mr. Keith J. Muhakanizi, Deputy Secretary to the Treasury, Ministry of Finance (MoF)
  • Mr. Charles V. Byaruhanga, Budget Advisor, Ministry of Finance

• Eng. Mr. Paul Mubiru, Director, Energy and Mineral Department, Ministry of Energy and Mineral Development (MEMD)
  • Mr. James Baanale Isingoma, Ag. Commissioner, Energy Resources Department, Ministry of Energy and Mineral Development (MEMD)
  • Mr. Moses Otim, Hydro Power Development Unit, Uganda Electricity Generation Company Ltd (UEGCL)
  • Mr. Charles Dranu, Uganda Electricity Transmission Company Limited (UETCL).
  • Mr. Edward Mutesa, Uganda Electricity Transmission Company Limited (UETCL).

• Eng. Samuel Ssenkungu, Director of Industry and Technology, Ministry of Tourism, Trade and Industry (MoTTI)
  • Mr. Thomas Rukondo, National Forest Authority (NFA)
  • Ms. Anne Nakateew, Wakiso District

• Mr. David Bizimana, Project Coordinator/ M &E Specialist, InterAid Uganda Ltd
  • Ms. Lilia A. Aporo, Community Services/Protection Counsellor, InterAid Uganda Ltd
  • Ms. Allen Kikomeko, Field Officer/ Environmentalist, InterAid Uganda Ltd

• Waiswa Ayazika Arnold, Director, Environmental Monitoring & Compliance, National Environment Management Authority (NEMA)
  • Mr. Herbert Oule, Senior Environmental Inspector, NEMA
  • Mr. Francis Ogwal, NEMA
  • Ms. Margaret Aanyu, NEMA

• Mr. Bill Groth, Resident Construction Manager, Bujagali Energy Ltd. (BEL)
  • Mr. John Berry, Transmission Line Manager, BEL

• Mr. Gabriel Negatu, Director, OREA
  • Mr. Patrick Simiyu Khaemba, Resident Representative, African Development Bank Field Office, Uganda (UGFO)
  • Ms. Furaha Bishota-Folquet, Country Programme Officer, UGFO
  • Mr. Daniel Isooba, Infrastructure Specialist, UGFO