



STAKEHOLDER AND INSTITUTIONAL ANALYSIS:
Achieving No Net Loss for communities and biodiversity in Uganda

Nafeesa Esmail

Wild Business Ltd

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Prepared by : Nafeesa Esmail

Reviewed by : Julia Baker, Joseph Bull, E.J. Milner-Gulland

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Abbreviations and Acronyms

AfDB	African Development Bank
AFD	Agence Francaise de Developpement
AKDN	Aga Khan Development Network
AKFED	Aga Khan Fund for Economic Development
BEL	Bujagali Energy Limited
BHPP	Bujagali Hydropower Project
BIP	Bujagali Interconnection Project
CIWEC	China International Water & Electric Corporation
FMO	Deutsche Investitions-und Entwicklungsgesellschaft mbH
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EPC	Engineering-Procurement-Construction
ERA	Electricity Regulatory Authority
ESIA	Environmental Social Impact Assessment
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
HPP	Hydropower Project
IDA	International Development Association
IFC	International Finance Corporation
IHPP	Isimba Hydropower Project
IPS	Industrial Promotion Services
KfW	Kreditanstalt fUr Wiederaufbau
KO	Kalagala Offset
KOSMP	Kalagala Offset Sustainable Management Plan
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MGLSD	Ministry of Gender, Labour & Social Development
MLHUD	Ministry of Lands, Housing and Urban Development
MTWA	Ministry of Tourism, Wildlife and Antiquities
MWE	Ministry of Water and Environment
MIGA	Multilateral Investment Guarantee Agency
NAFIRRI	National Fisheries Resources Research Institute
NEMA	National Environmental Management Agency
NGO	Non-Governmental Organization
NNL	No Net Loss
NFA	National Forestry Authority
PPA	Power Purchase Agreement
PRG	Partial Risk Guarantee
PRI	Political Risk Insurance
Proparco	Promotion et Participation pour la Coopkraton Economique
RAP	Resettlement Action Plan
RCDAP	Resettlement and Community Development Action Plan
REA	Rural Electrification Agency
SEA	Social and Environmental Assessment
SMP	Sustainable Management Plan
UEB	Uganda Electricity Board
UEDCL	Uganda Electricity Distribution Company Limited
UEGCL	Uganda Electricity Generation Company Limited
UETCL	Uganda Electricity Transmission Company Limited
UWA	Uganda Wildlife Authority
WBL	Wild Business Ltd
WCS	Wildlife Conservation Society
WBG	World Bank Group

Executive Summary

This stakeholder analysis was undertaken for the project, “Achieving No Net Loss for communities and biodiversity in Uganda” aiming to support government, NGOs and businesses to integrate local poverty alleviation, equity and cultural heritage into biodiversity offsets for national economic development. This project is financed by the UK Darwin Initiative, led by University of Oxford and implemented in partnership with the International Institute for Environment and Development (IIED), National Environmental Management Authority of Uganda (NEMA), Nature Uganda, Wild Business Ltd and Wildlife Conservation Society-Uganda (WCS). Outputs and outcomes of this project will be based upon research carried out on three case studies: Bujagali Hydropower Project (BHPP); its associated Kalagala Offset (KO); and Isimba Hydropower Project (IHPP).

In order to proceed appropriately, an assessment of relevant stakeholders and a full institutional analysis for all three project case studies is required. The objective of this report consists of stakeholder identification and mapping, defining roles and responsibilities, as well as the institutional structure and relationships associated with each case study. The methodology adopted for this assessment included reviewing existing project documents, identifying stakeholders and undertaking key individual consultations to clarify stakeholders’ roles, responsibilities, relationships and classification within the institutional structure.

Stakeholders are classified as primary or secondary and further categorized into groups depending on their function within the context of each case study. With regards to the institutional implementation structure, these groups include: governmental bodies, semi-governmental bodies, lender, investor, investor parent companies, primary contractors, secondary contractors, sub-contractors, clients, project sponsors, project implementing agencies, guarantors and other secondary tier stakeholders. The institutional (construction, implementation and financial) structure of BHPP includes twenty-eight players, ten for KO and thirteen for IHPP. The client of both hydropower projects is the Ministry of Energy and Mineral Development (MEMD), acting on behalf of the Government of Uganda (GoU), however each with different financial and ownership structures and terms. BHPP was developed through a Public-Private Partnership agreement, financed by eight lenders (both commercial and development) and two investors; whereas only one lender financed IHPP, China Export-Import Bank. Other stakeholder groups include those within the tourism and energy private sectors, civil society, environmental and conservation groups/NGOs, the general public of interest (local communities and energy consumers) and traditional cultural kingdoms.

Analysis reveals high disparity of coordination and communication between governmental entities and other involved players, limiting effectiveness of monitoring, reporting and implementation of actions to be done together and actions required to meet environmental and social goals. This often stems from fundamentally weak, institutional capacity at both national and local government administrative levels. For all three case studies, ambiguities in terms of responsibilities and ownership have created secondary knock-on effects, often at the expense of biodiversity and local community wellbeing. This is particularly evident with regards to the discrepancies between aspiration and actuality of the initial development objectives that enabled financial lending by the nine development banks/agencies (IFC, FMO, AfDB, EIB, AFD, PROPARCO, DEG, IDA, MIGA) involved for Bujagali Hydropower Project.

Another key finding of this analysis is that the implementation and financing for the Kalagala Offset Sustainable Management Plan lies within the responsibility of the GoU, however no clear plan for mobilizing funds was evident, nor had a strategic financial plan been conceived. The World Bank is currently carrying out research to evaluate the full impacts of Isimba Hydropower Project on the Kalagala Offset Area because of the required conditions and agreements contingent on the World Bank Group (WBG)’s loan provision, commercial loan guarantee and investor insurance guarantee, namely the Indemnity Agreement for Bujagali Hydropower Project. The Indemnity Agreement signed by GoU and WBG outlined the designation of Kalagala Falls site exclusively for natural habitat and environmental and

spiritual values, only allowing environmentally and socially sustainable tourism activities to occur, preventing any power generation developments that could adversely affect maintenance of the Kalagala Falls, and a stipulation to conserve the surrounding Central Forest Reserves through a sustainable management programme and budget. Because of its particular importance and the high concern about cumulative impacts, an Addendum to the EIA for IHPP was identified as being led by the project's proponent, MEMD (involved individuals have been identified and contacted). However, concerns remain about how initial approval was granted and the potential for conflicts of interests must be recognised.

Practical limitations in undertaking this analysis were experienced during data collection, resulting in restricted stakeholder consultations and limited information available (particularly for IHPP). This, combined with the fact that some documentation did not exist and knowledge was lacking among stakeholders (particularly for KO), contributed to the lack of detail reflected in the reported results for these two case studies in comparison to BHPP.

This assessment clearly highlights the need for better coordination between stakeholders and better understanding of the potential for cumulative impacts of infrastructure development on biodiversity and local people. Weaknesses also emerged in the monitoring and auditing of social and environmental impacts. This exemplifies numerous issues of complexity and the critical challenges that can arise from implementing Biodiversity Offsets in practice, particularly relevant to developing countries. Success of Biodiversity Offset implementation innately lies in effective integration (and monitoring) of activities between and within acting and responsible agencies.

1. Background

In 2016, Wild Business Ltd (WBL) was part of a consortium that successfully applied for funding from the UK Government's Darwin Initiative. The project for which funding was obtained is entitled "Achieving No Net Loss for communities and biodiversity in Uganda" (henceforth "NNL Uganda project" in this report). This collaborative project is led by the University of Oxford with National Environmental Management Authority of Uganda (NEMA), and implemented in partnership with International Institute for Environment and Development (IIED), Nature Uganda, Wild Business Ltd and Wildlife Conservation Society Uganda (WCS). Other key project collaborators are the WCS-led COMBO project seeking to build capacity for mainstreaming biodiversity into government policy, the Forest Trends Business and Biodiversity Offsets Programme (BBOP), Makerere University and the Ministry of Water and Environment.

Governments, businesses and lenders worldwide are increasingly adopting no net loss (NNL) of biodiversity as an objective on development projects, which is often at least partly delivered through the mechanism of biodiversity offsets ('offsets'). However, there is a lack of understanding concerning how to achieve NNL with regard to people's use of, and cultural values for biodiversity, as well as the social, economic and ecological trade-offs involved. The NNL Uganda project aims to support government, NGOs and businesses to integrate local poverty alleviation, equity and cultural heritage into biodiversity offsets for national economic development. Drawing upon primary research into one of the biggest hydropower developments (Bujagali) and associated offset projects (Kalagala) – the only offset currently completed in Uganda – the NNL Uganda project will produce, and support implementation of, local and national policy guidance for Uganda. Isimba is included in this assessment because its construction impinges upon the Kalagala Offset, thus it is highly relevant to the NNL Uganda project as a whole. General lessons learned from the NNL Uganda project will be disseminated internationally.

One of the key first steps identified by the NNL Uganda project team, at its inception meeting, was the need to complete an assessment of relevant stakeholders and a full institutional analysis of the three project case studies (referred to as case studies in this report): (A) the Bujagali Hydropower Project; (B) the associated Kalagala Biodiversity Offset; and, (C) the Isimba Hydropower Project, currently under construction. The objectives of this report is to feed back this assessment to the project team and other interested parties, as well as to make recommendations for future business engagement in Uganda, laying the foundation to achieve NNL goals.

2. Methodology

The technique of stakeholder analysis is often used to identify and assess the importance of key people, groups of people, or institutions that may influence the success of an activity or implementation of a project, in this case for NNL Uganda project.

For the purpose of this assessment, a **Stakeholder** is defined as: All those impacted by the project, both positively and negatively, and those that can significantly impact or influence project success. A stakeholder is then categorized as:

Primary Stakeholder: Those directly affected by or who can affect the project. For example: local people living within communities where either the Bujagali or Isimba Hydropower Project is constructed.

Secondary Stakeholder: Those indirectly affected as intermediaries (i.e. there is a link to the project through another stakeholder). For example tourists and visitors who are patrons to adventure tourism operators (primary stakeholders) directly impacted by the submersion of rapids which are used to provide white water rapid tourism activities for its clients.

All stakeholders in this report are represented according to these definitions, regardless whether they were consulted for this assessment or whether and how they were involved during the Environmental Impact Assessment (EIA) and/or Environmental Social Impact Assessment (ESIA) processes of Bujagali and/or Isimba Hydropower Projects.

Information used for this assessment was collated from a number of sources and analysed as per the following:

A sound understanding of all three case studies (Bujagali, Isimba and Kalagala) was initially ascertained from reviewing publically available documents, including existing consultant and stakeholder reports, websites and press releases. From this, a list of stakeholders and their structure was drafted.

Appropriate stakeholder representatives were contacted between August and October 2016 requesting informal interviews and discussions. Consultations were held in person, in Uganda whenever possible or via telephone/email when not. Sources and contacts were collected through various opportunistic methods including introductions via previous personal relationships, cold contacting of involved institutions and asking who would be most appropriate to answer particular questions, or whom they recommended speaking to.

The gathered data were then analysed, findings are reported in Section 3 and interpreted in Section 4 of this report. Results were ground-truthed and cross-referenced from multiple sources whenever possible to identify gaps and corroborate findings. For example, questions relating to loans provided for hydropower project construction were asked to representatives of multiple lenders.

Relationships between stakeholders were teased out throughout this process and through gaining a better qualitative and contextual understanding of the case studies. Further contextual knowledge was obtained by following local news stories relating to the case studies. It should be noted that this assessment was undertaken during a particularly sensitive time for all three project case studies, primarily due to changing operational roles and on-going financial discussions between stakeholders (referred to in the results and interpretation sections of this report). Unfortunately, this has left information gaps yet to be clarified, primarily based on public disclosure.

3. Results

The results of this assessment are presented as follows: Firstly, the background and key facts for all three case study projects' development are outlined separately, to provide historical, spatial and financial context for each (Section A). The main objectives of this study are then addressed in the remaining sections. Section B outlines the timeline of milestones for all case studies to illustrate their relationships. A broad overview of all related stakeholders and institutions involved and associated with all three case studies by the kind of group (Section C). Finally, in Section D, stakeholders and institutions and their specific roles pertinent to each case study are then further detailed first for Bujagali Hydropower Project and its associated Kalagala Offset and next for Isimba Hydropower Project. Results are interpreted, summarized with limitations drawn out in Part 4 of this report; this includes, cautions and recommendations for ways forward for future business engagement strategies.

A. Background and Key Facts

A.1. BUJAGALI HYDROPOWER PROJECT

Background:

In 1999, AES Nile Power (AESNP), associated with Madhvani Group, was commissioned by the Government of Uganda (GoU) to construct and operate a hydropower plant and related transmission line (World Bank Project ID: Bujagali Private Hydropower Development Project). In December 2001, financing was approved by World Bank Group (WBG), a construction plan and an EIA/SIA was produced, but AESNP later withdrew from the project. Subsequently,

GoU terminated agreements in September 2003 and the operation was deemed cancelled by WBG in 2005.

New project sponsors were selected to develop the project in April 2005 through an international competitive tender overseen by the GoU based on the lowest return on equity. The GoU subsequently commissioned the dam and power station construction, referred to as Bujagali Hydropower Project (BHPP) / World Bank Project ID: P089659 Uganda Private Power Generation (Bujagali) Project to a partnership of Project Sponsor entities: Industrial Promotion Services, Sithe Global, Uganda Electricity Transmission Company Limited (UETCL), for which structure is further detailed in Section 3. Financing for the construction was through development and commercial loans (including from and guaranteed by WBG), combined with equity investments, further detailed in Section 3 and Appendix I.

The transmission line construction, referred to as Bujagali Interconnection Project (BIP) was commissioned by UETCL. All components and constituents of Bujagali as a whole are initially outlined below. However, only bolded items are the focus of this assessment, as it was the construction of the hydropower dam, which brought forth the need to implement the Kalagala Biodiversity Offset. Therefore that is also the premise of the corresponding biodiversity and social impact research being undertaken for the NNL Uganda Project. Implementation of the Community Development Action Plan falls under UETCL's responsibility for commissioning BIP.

Cost Components:

- **Construction: engineering, procurement, civil works, supply and installation**
- Development: land, access road, rights of way, resettlement, the Community Development Action Plan and **project development** etc.
- Financing costs: IDA (International Development Association), financing the Liquidity Facility, contingency and Debt Service Reserve Account

Constituents:

- **28 m high earth-filled dam and associated spillway**
- **388 ha (308 previously covered) reservoir**
- **Power station housing five electric-generating turbines**
- 80-100km transmission line from Jinja to Kawanda
- Substations and other associated works

Scale of dam, associated spillway, reservoir, powerhouse:

- 250 MW hydropower dam capacity
- 125 ha land (inundated) used for permanent facilities + 113 ha land used for temporary facility construction
- Total cost: US\$800m
- Total investment: US\$906m

Location:

Dumbbell Island, approximately 8 km downstream (i.e. north) of the Town of Jinja, on Victoria Nile in Jinja District, North of Lake Victoria in Uganda (figure 3.1).

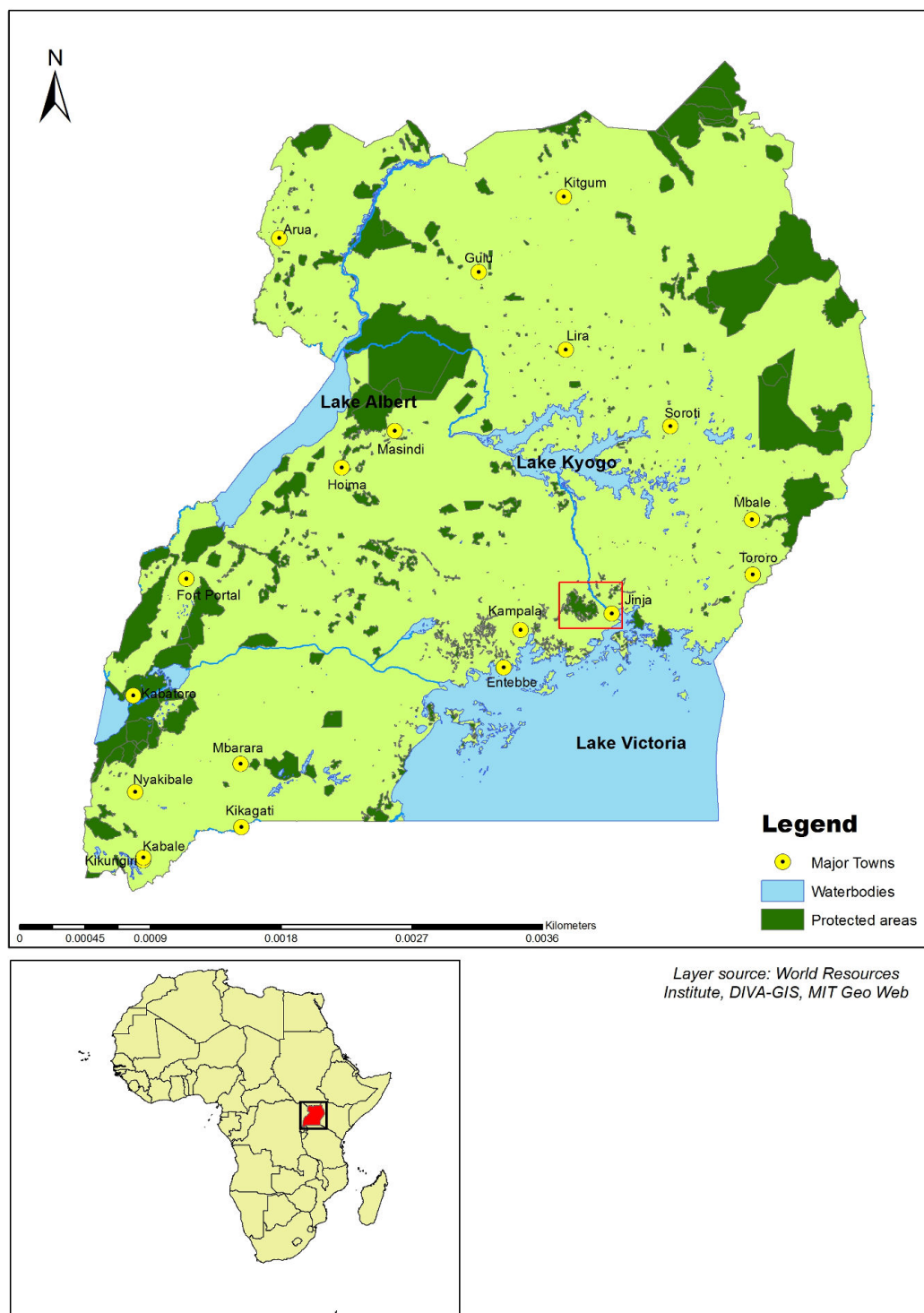


Figure 3.1: Case studies' location, relative to all water bodies and Protected Areas in Uganda
(Credit: Victoria Griffiths)

A.2. KALAGALA OFFSET:

Background:

The BHPP Environmental and Social Impact Assessment (ESIA, 2006) identified adverse social and environmental impacts caused by the hydropower project's construction. As a result, the World Bank Group's (WBG) financing was contingent on GoU's commitment to

protect the Kalagala Area, including the Kalagala and Itanda Falls (figure 3.2); thereby avoiding cumulative negative biodiversity and social impacts where possible, and offsetting unavoidable damage caused by the hydropower developments.

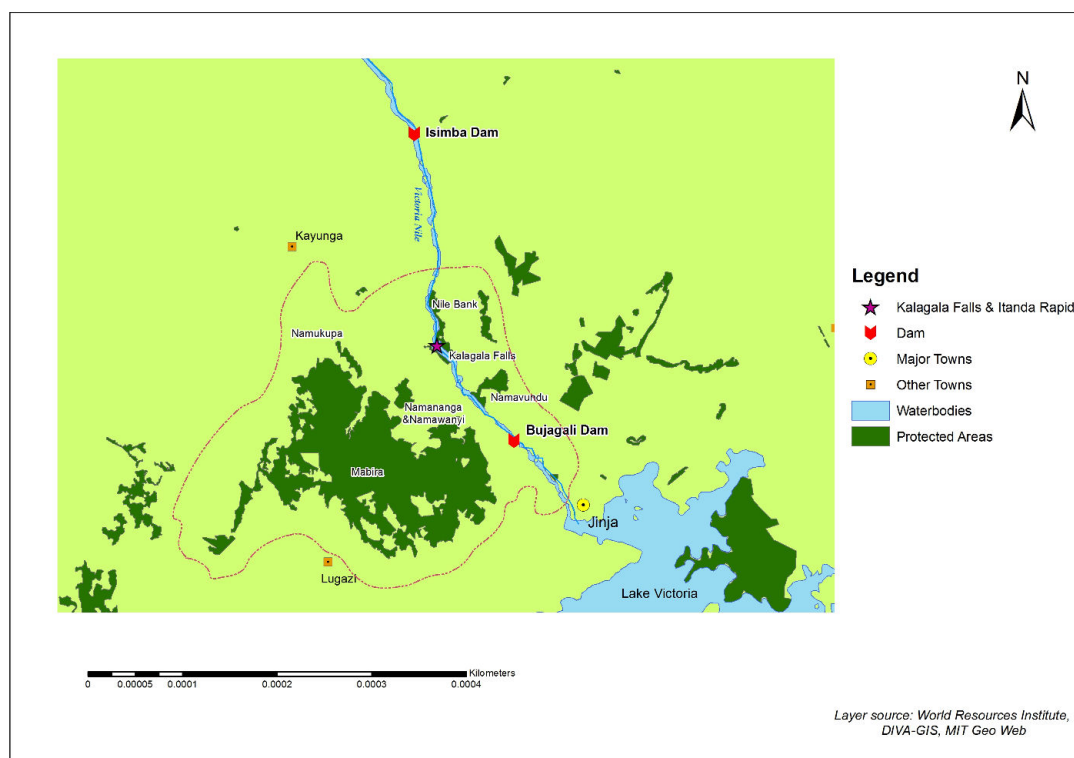


Figure 3.2: Kalagala and Itanda Falls (Kalagala Offset) in relation to Bujagali and Isimba Hydropower Projects, along Victoria Nile (Credit: Victoria Griffiths)

Recommendations on mitigation were developed with the World Commission on Dams (WCD), complying with its seven strategic priorities. These included the development of the Kalagala Offset Sustainable Management Plan (KOSMP, 2009) outlining the necessary mitigation measures to be taken. The KOSMP was approved by all involved parties to achieve social and environmental obligations as stated in the *Indemnity Agreement*, signed by WBG and GoU with International Development Association (IDA) acting as a Guarantor. As an integral component of the approved BHPP, the *Indemnity Agreement* outlines the requirement to:

- a) Set aside the Kalagala Falls site exclusively to protect its natural habitat and environmental and spiritual values in conformity with sound social and environmental standards.
- b) Carry out tourism development activities at the Kalagala Falls site in conformity with sound social and environmental standards.
- c) Not to develop power generation that could adversely affect the ability to maintain the Kalagala Falls.
- d) Conserve through a sustainable management programme and budget, the present ecosystem of Mabira Central Forest Reserve, Kalagala Central Forest Reserve and Nile Bank Central Forest Reserve.

The likely negative impacts addressed in the KOSMP include loss of biodiversity, loss of environment and submersion of the Bujagali Falls (rapids) resulting in tourism operators having to move their activities 8km further downstream. Additionally, displacing several social, economic and cultural activities and benefits accruing from the Bujagali Falls area.

Constituents:

- Water catchment following the hydrology directly into the Nile system within or near Kalagala and Itanda Falls
- Natural resources and ecosystems including forests, river banks, islands, land, water, wetlands in, around and connected to the Kalagala and Itanda Falls
- Natural and modified production systems (and local people residing within) at 3-5 km from either side of Nile river at 0.45° and 0.67° north
- Central Forest Reserve (Kalagala, Nile Bank and Namavundu)
- Mabira Forest Reserve
- Cultural assets associated with the Kalagala and Itanda Falls

A.3. ISIMBA HYDROPOWER PROJECT:

Background:

Isimba Hydropower Project (IHPP), as well as Karuma HPP, currently also under construction, are planned as major additions to the national hydropower pool, reducing load-shedding and replacing expensive thermal power generation. This is apart of Strategy 1 (Construct large hydropower plants and thermal power plants through public and private investments) of Government of Uganda's five-year National Development Plan, 2010 relevant to the financial years between 2011 and 2015. However, IHPP is classified as Category A (high risk and likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented) according to WBG International Finance Corporation (IFC) classifications.

The items in bold are the focus of this assessment, relating to the hydropower plant construction, exclusive of the transmission line, coinciding with the social and biodiversity research being undertaken for the NNL Uganda Project, directly related to the Kalagala Offset.

Constituents:

- **Dam and spillway**
- **Reservoir**
- **Powerhouse (embedded in water retaining structure) including power station with Kaplan turbines**
- 40km double circuit (132kv) transmission line and associated substations

Scale of dam, spillway, reservoir, powerhouse:

- 183 MW hydropower dam capacity
- 1,160.5 ha of land required
- Estimated cost: \$556 - 570M

Location:

Isimba on Victoria Nile, 40 km downstream of Bujagali hydropower station in Busaana sub-county, Kayunga District, Uganda (figure 3.2).

B. Timeline of Case Studies' Milestones

Year	Month	Milestone
1999		AESNP commissioned by GoU to construct and operate a hydropower plant and related transmission line (Bujagali Private Hydropower Development Project)
2001	December	Financing was approved by WBG, a construction plan and was EIA/SIA produced
2003		AESNP withdrew from Bujagali Private Hydropower Development Project
2003	September	GoU terminated agreements with AESNP
2005		WBG deemed Bujagali Private Hydropower Development Project cancelled
2005	April	New project sponsors was selected through international competitive tender to construct and operate a new Bujagali HPP (Uganda Private Power Generation Project) via a Public-Private Partnership Agreement
2005	December	<i>Power Purchase Agreement</i> signed for Bujagali HPP
2006		MEMD prepared plan to overcome Uganda's shortfall in electricity supply at present and in anticipated future
2007	May	Construction of 250MW Bujagali HPP commences
	December	Final GoU approval and sign off for Bujagali HPP , including <i>Indemnity Agreement</i> to set aside Kalagala Falls Area as an Offset to protect natural habitat, environmental and associated spiritual values
2010	January	Scheduled implementation of Kalagala Offset SMP
2012	February	First generating unit commissioned for Bujagali HPP
	June	Bujagali HPP fully commissioned doubling current electricity supply, reducing load-shedding and replacing expensive thermal power generation
	August	Bujagali HPP commences commercial operation
2013	August	CWE signed Memorandum of Understanding with GoU to construct Isimba HPP
	September	Final contract signed for Chinese government loan to finance Isimba HPP through a bilateral arrangement
	October	Government ground breaking ceremony along River Nile in Kayunga District for the construction of the Isimba HPP
2014		World Bank raises initial concerns about the proposed Isimba HPP adversely impacting the Kalagala Offset area
2015 - 2016		World Bank statement committing to undergo evaluation of impacts of proposed Isimba HPP on Kalagala Offset area
2016	September	UEGCL to start operation and maintenance duties at Isimba HPP
	October	Construction of Isimba HPP at approximately 40%
	December	Expected MEMD release of EIA Addendum (alongside Long-term Conservation Options Report) for Isimba HPP , incorporating impacts of Kalagala Offset and World Bank comments
2018	December	Scheduled for completion date of the construction and commissioning of Isimba HPP
2019	December	Scheduled end date of Kalagala Offset SMP (initiated in 2010), prior to which an evaluation is scheduled to set future activities and a proceeding additional SMP

C. Relevant Stakeholders and Institutions

General descriptions of all relevant stakeholders and institutions for all three case studies are explained in this section. Specific roles and responsibilities of each stakeholder and institution are explained in greater case-study specific detail in Section C.

C.2. UGANDAN GOVERNMENTAL (OR SEMI-GOVERNMENTAL) BODIES:

Here we present the Ugandan government, or semi-governmental, bodies that are stakeholders relevant to all case studies, in order to give a full understanding of the wider context within which they operate.

Note: All Ministries are governed by the Minister, the political lead; followed by the Permanent Secretary, the technical lead.

The **Ministry of Energy and Mineral Development (MEMD)** is mandated to: “establish, promote the development, strategically manages and safeguards the rational and sustainable exploitation and utilization of energy and mineral resources for social and economic development”. Responsibilities are discharged through the following directorates/departments: **Directorate of Energy Resources Development, Directorate of Geological Survey and Mines, Directorate of Petroleum, Supply Department and Finance and Administration Department**. The Ministry plays a key role in policy development and implementation, resource data acquisition and interpretation, capacity development, and monitoring and regulation of licensees. Depending on project ownership, MEMD may be responsible for producing EIAs/SIAs for energy, oil and mineral development projects before NEMA does so.

The **Electricity Regulatory Authority (ERA)** reviews all energy projects in Uganda at the proposal stage and assesses hydropower generation licence and tariff. ERA is not involved at the construction phase, but is responsible for processing applications for hydropower generation licenses (and subsequent approvals). ERA acts as an agency for MEMD, established as a corporate body to also oversee implementation of Electricity Act 1999 and ensure compliance with set regulations and standards. Therefore, ERA also regulates the operations of the limited companies responsible for generation, transmission and distribution of electricity.

The **Uganda Electricity Transmission Company Limited (UETCL)**'s mission is to dispatch, transmit quality and reliable bulk power in a viable and efficient manner. UETCL is appointed as the “Single Buyer Actor” in the Ugandan power market to provide continuous power at the lowest reasonable cost to customers and to be responsible for mitigating emergency power situations. UETCL is also responsible for import and export of electricity power to neighbouring countries and transmitting power to and from substations within the national grid and connecting hydropower plants to switchyards to evacuate power. During hydropower project construction phases, UETCL often carries the role to construct (or at least oversee) the transmission lines and subsequently is involved in Resettlement Action Plans and implementation actions within surrounding areas.

The **Uganda Electricity Distribution Company Limited (UEDCL)** is designated to administer the Lease and Assignment Agreement for development and maintenance of the electricity distribution assets, compliance and investment requirements. UEDCL is expected to grow other electricity distribution assets by 10% per annum and sells electricity to UMEME Company Ltd and Rural Electrification Agency.

The **UMEME Company Ltd** is the main power retailer for all urban centres and the majority electricity purchaser from UEDCL.

The **Rural Electrification Agency (REA)** is a government agency responsible for promoting and providing rural electrification, as well as assisting with the transition of traditional energy

source use (e.g. firewood and other basic forms of biomass) to modern energy services (e.g. electricity, petroleum fuels, bio-fuels and improved stoves).

The **Uganda Electricity Generation Company Limited (UEGCL)**'s mission is to sustainably generate reliable, quality and affordable electricity with a mandate to generate enough power to meet the growing needs of the domestic market and a surplus to be exported to neighbouring countries. UEGCL's role on a site level often varies project to project, however in general UEGCL is responsible for:

- Monitoring the operation and maintenance of existing plants.
- Overseeing the efficient production of electricity power in the country.
- Monitoring the effects of electricity generation on the environment and developing appropriate policies in line with International Standards.

UETCL, UEDCL and UEGCL all are Public Limited Companies incorporated in 2001 as a result of the power sector reform and liberalization policy that unbundled Uganda Electricity Board (UEB) into successor companies. These Companies operate under policy guidance of MEMD and were previously parasatal companies (holding some political authority and serving the state indirectly).

The Ministry of Water and Environment (MWE) is responsible for setting national policies and standards for the environment, managing and regulating water resources and determining priorities for water development and management, including river and catchment health. This includes the responsibility of water obstruction; issuing and approving temporary permits for waste management during development, etc. MWE operates through three relatively autonomous directorates: **Directorate of Water Resources Management (DWRM)**, **Directorate of Water Development (DWD)** and **Directorate of Environmental Affairs (DEA)**. DEA comprises multiple units: Climate Change Unit (CCU), Environment Support Services (ESS), Forest Sector Support Department (FSSD), Metrology Department and Wetlands Management Department (WMD). MWE also oversees autonomous agencies, National Environment Management Authority and National Forestry Authority.

The **National Environment Management Authority (NEMA)** is the principal authority for regulating compliance with existing legal and institutional frameworks on environmental management. With the principal responsibility of coordination, monitoring and supervision of environmental conservation activities, NEMA is the critical decision maker for all disputes that may arise between development and environment. NEMA is authorized to notify developers when and if necessary to amend its practices. Additionally, NEMA is responsible in the implementation of environmental policy, management and feedback to and from Local Government.

NEMA has a cross-sectorial mandate to oversee EIA production through issuing EIA guidelines, regulations and practitioner registration. It reviews and approves EIAs in consultation with any relevant lead agencies. During project developments, NEMA is responsible for ensuring mitigation measures are adhered to including waste disposal, water management etc.

The **National Forestry Authority (NFA)** is the semi-autonomous body responsible for managing central forest reserves in Uganda, created as a result of The National Forestry and Tree Planting Act of 2003. NFA is particularly concerned in terms of project associated hydropower transmission lines, which pass through natural forests (i.e. near Nampanyi village).

The **Ministry of Tourism, Wildlife and Antiquities (MTWA)** - previously Ministry of Tourism, Trade and Industry – is responsible for the promotion of tourism, wildlife and cultural heritage preservation for socio-economic development through implementation of policies, strategies, plans and programmes.

MTWA entrusts the management of protected areas, national parks and wildlife to the **Uganda Wildlife Authority (UWA)**, a semi-autonomous body. In accordance with the National Environment Act 1995 and Uganda Wildlife Act 1996, UWA is required to act as the

lead agency (and regulator) for EIAs within the country's protected areas.

The **National Fisheries Resources Research Institute (NAFIRRI)** is a public body, guided under the National Agricultural Research Organization (NARO). NAFIRRI is designated to conduct pure and applied aquaculture, fisheries and aquatic research. NAFIRRI is mandated to carry out fish stock assessments and water quality monitoring and approvals in all major water bodies in Uganda.

The **Ministry of Finance, Planning and Economic Development (MFPED)** is responsible for allocating government revenue in line with the National Development Plan, which is prepared by the **National Planning Authority (NPA)**. NPA prepares guidelines and provides cross-sectorial oversight, but is not mandated to enforce.

The **Ministry of Land, Housing and Urban Planning (MLHUD)** is mandated to ensure sustainable land management, planned urban and rural development and decent housing for Ugandans, including management of social impacts associated with loss of land and buildings and subsequent resettlement and compensation for those displaced.

The **Ministry of Gender, Labour and Social Development (MGLSD)** is the lead and coordinating agency for all social development in Uganda. MGLSD is responsible for (including compliance inspections of) occupational health and safety, national labour relations and laws, community empowerment, as well as the protection and promotion of the rights and obligations of vulnerable groups and gender equity.

The **Resettlement Advisory Committee (RAC)** is an inter-ministerial committee comprising of MEMD, MLHUD, NEMA, Ministry of Local Government, and associated development companies; remit for which is unknown.

The **Ministry of Local Government** is the local government administration mandated by the Local Government Act to guide project implementation at a local level, including compliance of land acquisition requirements through the delegation of specific officers, councils and boards. District and Local Council administrations can provide input and be a part of the final ESIA, as well as play a role in subsequent monitoring.

Local Councils (LCs) operate at different seniority levels (1-5). The District Council (LC5) is the highest local government level. LC4 operates at the municipal level, followed by LC3 at the sub-county or town level with a mayor and town clerk acting as the technical head. LC2 operates at the parish level and LC1 at the village level. LCs are elected within the Local Council Court system to hold decentralized administrative, legislative and judicial power. These authorities may be sought to address any conflicts or issues that may arise within the communities, such as cases of land disputes held under customary tenure, disputes in identifying a customary hire, damage of property, trespass, contracts, assaults and debts.

Districts have a council chairperson who is elected locally and acts as the political head, along with a Chief Administration Officer who is the technical head and known as the community facilitator and mobilizer. There are a number of departments which report to the Chief Administration Officer, including Finance, Administration, HR, Auditing, Planning, Natural Resources, Community Development, Works, Education, Production, Tourism and Health. Key personnel within the most relevant of these departments are outlined below:

- The **Natural Resources** department consists of the District Natural Resource Officer, District Environmental Officer, Senior Land Management Officer, and District Forestry Officer, who report to NEMA, MoWE and NFA as appropriate.
- The **Community Development** department consists of the District Development Officer, who reports to MGLSD and works on projects to improve community livelihoods.
- The **Works** department consists of the District Water Officer, District Housing and Roads Engineer, who reports to MLHUD.

- The **Production** department consists of the Fisheries Officer, Agriculture Officer and Entomology Officer.
- The **Tourism** department consists of the Tourism Officer, who reports to MTWA.

Note, not all Districts have appointed officers for all departments – there is a Tourism Officer for Jinja, but not any other region within the study area. Some districts may also have a Resident District Commissioner, who is appointed by the Office of the President.

The **District Land Board** facilitates the registration and transfer of land ownership. In addition they compile and maintain a list of compensation rates payable in respect of crops, buildings including those non-permanent. **Village Land Committees** manage and address social issues that arise out of resettlements.

Traditional Cultural Administration: Kingdoms are designated as sub-national monarchies throughout Uganda. Their specific authoritative role is yet to be clarified.

C.2. PROFESSIONAL BODIES:

Uganda Association for Impact Assessment: A membership association of EIA consultants approved under NEMA compliance and guidelines. An environmental practitioner registration committee provides for membership administration and certification with its secretariat based at NEMA.

National Association for Professional Environmentalists (NAPE): An organization committed to sustainable solutions for Ugandan environmental and economic growth issues through monitoring government actions, research, education and linking affected communities with other civil society organisations and international organizations.

Uganda Tourism Board (UTB): An umbrella for Uganda tourism agencies, some of which operate along Victoria Nile and are affected by hydropower developments.

C.3. CIVIL SOCIETY AND CONSERVATION GROUPS:

Advocates Coalition for Development and Environment (ACODE): A civil society platform, registered as an NGO to serve as an independent public policy research and advocacy think-tank.

African Institute for Energy Governance (AFIEGO): A public policy and advocacy NGO dedicated to influencing energy policies to benefit the poor and vulnerable.

Conservation NGOs including **Wildlife Conservation Society (WCS)**, **Nature Uganda (NU)**, **World Wildlife Fund (WWF)** and **International Union for the Conservation of Nature (IUCN)** are especially active in the business/ infrastructure/ extractives/ development and biodiversity conservation arena in Uganda.

D. Case study-specific stakeholders and institutional structure

The following section places stakeholders and institutions within the context of each case study. Entities are categorized according to their function within each project structure and grouped by colour, which coincides with consistent colour coding in figures and text boxes to facilitate clarity and overall understanding. Text boxes are intended to interpret the flow and provide further detail on the structures illustrated in the figures.

D.1. BUGAGALI HYDROPOWER PROJECT & KALAGALA OFFSET:

Figure 3.1 depicts the stakeholders specific to BHPP, mapping each as either primary or secondary stakeholders.

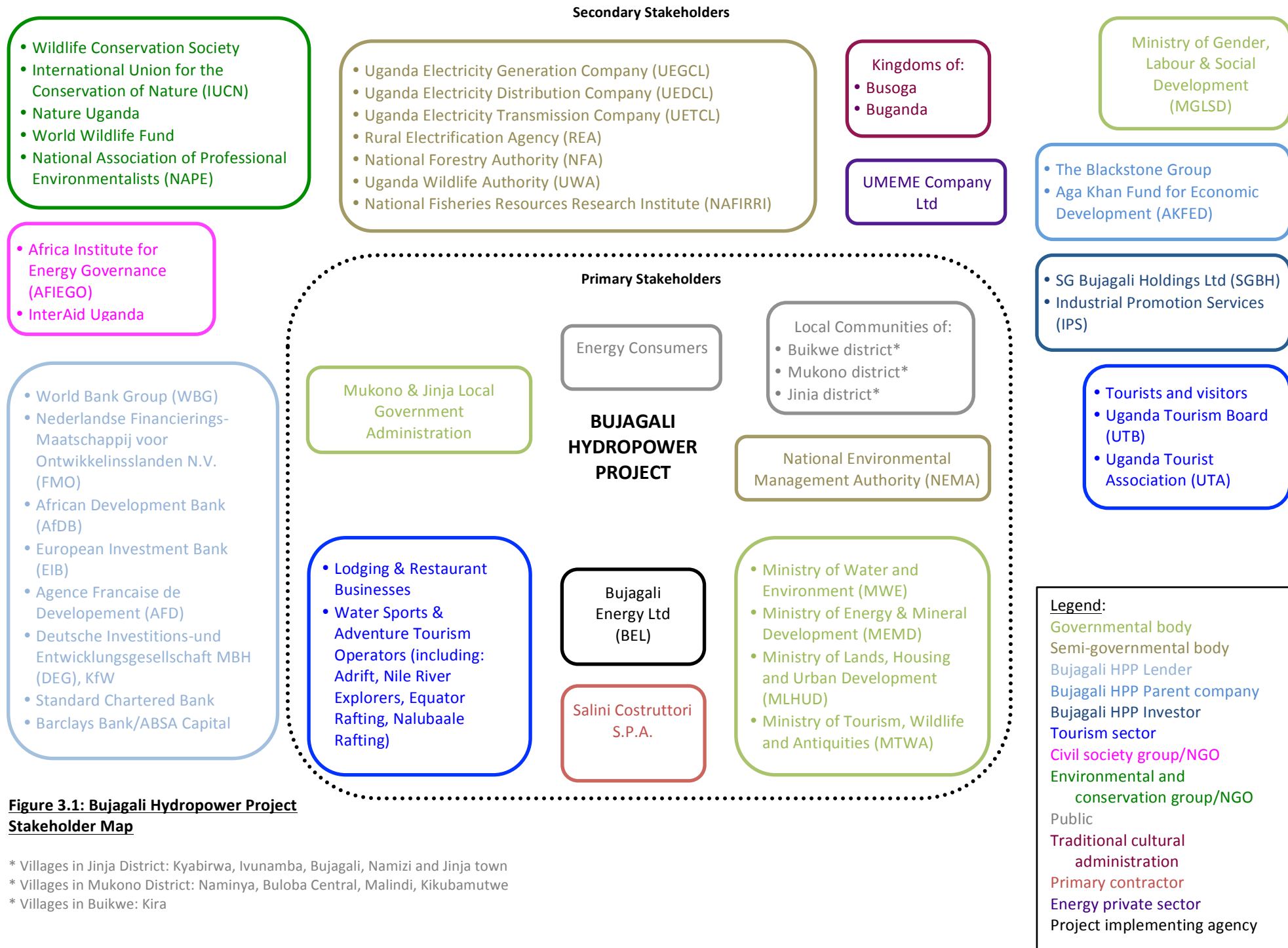


Figure 3.1: Bujagali Hydropower Project Stakeholder Map

* Villages in Jinja District: Kyabirwa, Ivunamba, Bujagali, Namizi and Jinja town

* Villages in Mukono District: Naminya, Buloba Central, Malindi, Kikubamutwe

* Villages in Buikwe: Kira

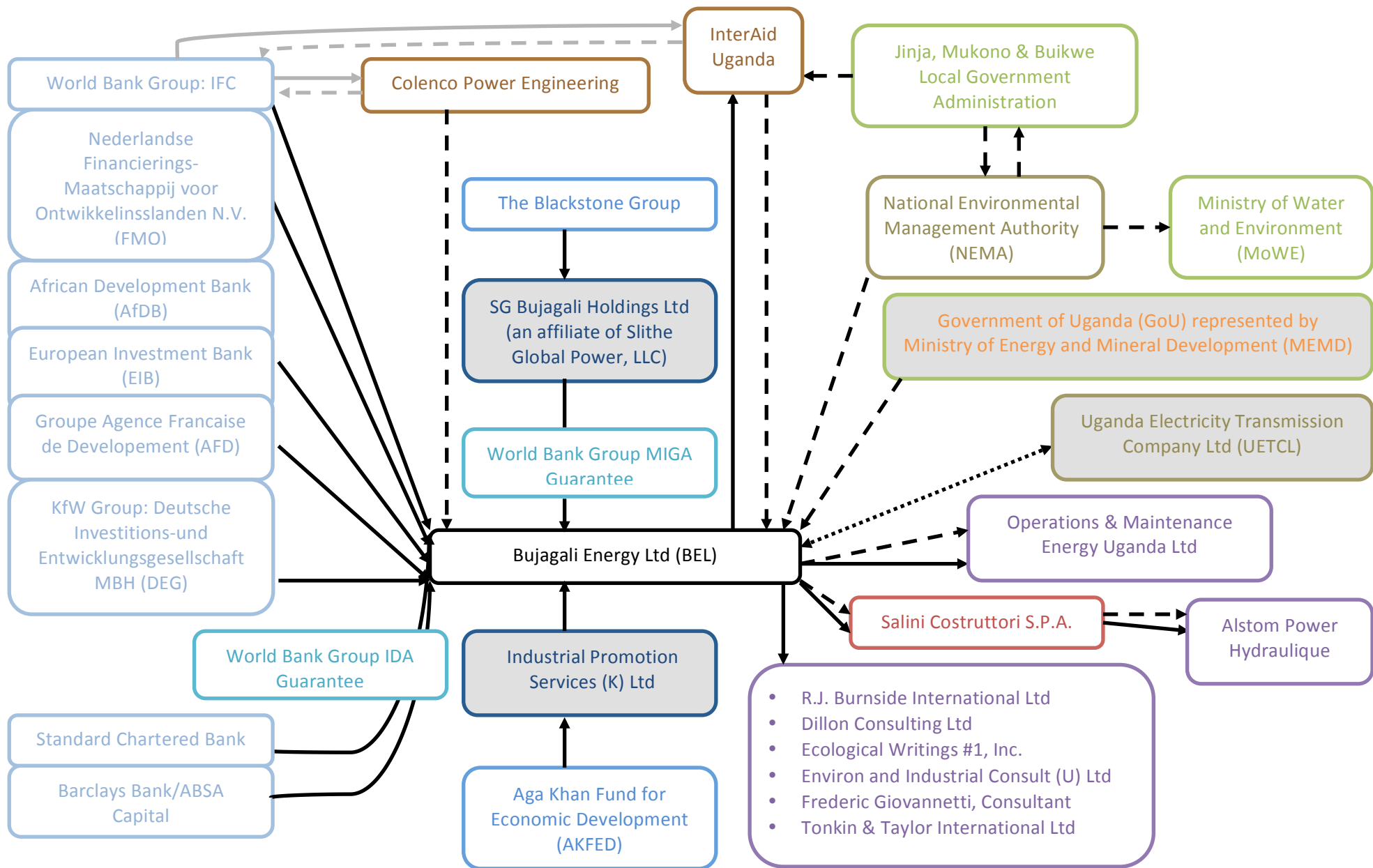


Figure 3.2: Bujagali Hydropower Project Institutional Map: based on the planning and construction of the project (not the operation, transmission and distribution of power)

Legend:

Governmental body Semi-governmental body Lender Investor Parent company Guarantor Primary contractor Secondary/sub-contractor Implementing agency Client Other

Constituents of the BHPP Public-Private Partnership

Influence/feeds info
- - - - -

Buy-Sell transaction
.....

Flow of money
—————>

Unconfirmed relationships
- - - - -

BHHP is an example of a Public Private Partnership (PPP) arrangement in which infrastructure assets are provided by the private sector and the government provides the necessary services. The arrangement made for Bujagali includes Project Sponsors (Industrial Promotion Services, Sithe Global, the Government of Uganda including UETCL), as well as multilateral and bilateral development agencies and commercial lenders. Parties involved in the development and implementation of BHHP as well as their institutional and contractual relationships with one another is reflected in Figure 3.2 and the subsequent corresponding text.

Bujagali Hydropower Project Lenders:

There are eight lenders for BHPP: World Bank Group, FMO, African Development Bank, European Investment Bank, AFD Group, KfW Group (specifically DEG), Standard Chartered Bank and Barclays Africa Group/Absa Capital.

1. World Bank Group (WBG) consists of five institutions: the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA), International Finance Corporation (ICSOD), and International Finance Corporation (IFC). The development loan awarded for the construction of BHHP was awarded through IFC (further details of which are outlined in Appendix I).

IFC is the world's largest development institution exclusively focused on the private sector in developing countries. Geared to overcome financial, operational and political challenges, IFC utilizes and leverages products and services created through other WBG institutions as well as applies financing resources, technical expertise, global experience and innovative thinking to catalyse development.

BHHP was one element of the WBG's support for Uganda's energy sector strategy. WBG's development objective for BHPP is to: "promote growth through developing least-cost power generation for domestic use in an environmentally sustainable and efficient manner. In addition to mobilizing private capital, the project promotes private sector ownership and management of the power sector and sector reform"¹. WBG has also committed funds to undertake an Energy for Rural Transformation Programme to increase access to electricity in rural areas of Uganda.

In 2008, the WBG instituted a public hearing during the construction of BHHP as a result of a filed Request for Inspection and preceding events:

On March 5, 2007, NAPE, along with other NGOs (including International Rivers) and individuals filed a Request for Inspection with the World Bank's Inspection Panel due to failures and omissions of International Development Association (IDA) standards in the design, appraisal, and implementation of BHHP causing adverse social, cultural, and environmental impacts. The Request raises concerns about a number of environmental, hydrological, social, cultural, economical and financial issues; additionally contending that the Bank failed to follow its own operational policies and procedures, which will result in harm for both the local people living in the project area and for the environment.

On May 18, 2007, the Inspection Panel undertook investigations into these allegations and subsequently submitted Investigation Reports (No. 44977-UG) on August 29, 2008. In response to these findings, World Bank Management submitted a Report and Recommendation, including a detailed Management Action Plan (MAP) on November 7, 2008. Subsequent progress reports were submitted to the Board on September 14, 2009; April 1, 2011; April 25, 2012 and September 13, 2013.

¹ World Bank. 2007. Project Information Document (PID) for Uganda - Private Power Generation Project (Bujagali). Washington, DC: World Bank. Report No: AB2857.
<http://documents.worldbank.org/curated/en/555991468110935737/Uganda-Private-Power-Generation-Project-Bujagali>

On 2 December 2009, NAPE along with Counter Balance (Europe), CLAI (Italy), Sherpa (France), and legal representatives of locally affected people launched a complaint with the European Investment Bank (EIB) Compliance Mechanism. This formal complaint was on the basis of the negative environmental, social and developmental impacts as a result of the implementation of BHPP (including its associated KO) having not been correctly addressed in compliance with EIB. The outcome of which is unknown.

2. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) is the Dutch development bank with a history of investing in developing countries and emerging markets for over 46 years “to empower entrepreneurs to build a better world”. Founded in 1970, FMO is one of the largest bilateral private sector development banks. As a Public-Private Partnership, 51% of shares are held by the Dutch State and 49% by commercial banks, trade unions and other members of the private sector. As of 2015, FMO reported an investment portfolio of €9.2b across 85 countries. Focal investment sectors include financial institutions, energy, agribusiness, infrastructure, manufacturing and service.

As part of the development loan provided for BHPP construction, monitoring and evaluation activities were carried out, however its parameters and any reporting outputs are not available for public access.

3. African Development Bank (AfDB) consists of the African Development Fund (ADF) and the Nigeria Trust Fund (NTF). With an overarching objective “to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction,” the AfDB Group operates in all 54 African countries. The total value of loans and grants provided by AfDB Group from 1967-2014 is US\$71.72b.

AfDB supports infrastructure (transport, energy, water), social, financial, agriculture, rural, environmental and private sector development. The group focuses on regional economic integration to create larger, more attractive markets, to link landlocked countries, including fragile states to international markets and support intra-African trade. AfDB works towards strengthening capacity in regards to governance, accountability, skills and technology.

AfDB's internal experts carried out joint missions with other BHPP lender representatives. Additionally, AfDB went through a regimented compliance review and request process, raising concerns on the social, environmental, hydrological and economic issues according to bank policies and requirements, particularly in respect to the KO. This request was submitted to the independent recourse mechanism of the AfDB, separate from that submitted to the WB. AfDB also produced 4 independent (and publically available) monitoring documents on non-compliance and related actions of Bujagali Hydropower and Interconnection Projects. Reports were carried out in 2009-2014 through AfDB's Independent Review Mechanism.

AfDB's final report in 2014 questions the validity and enforceability of GoU's long-term commitment and management of KO. AfDB's management response states its support to WBG to ensure KO maintenance and protection in perpetuity, furthermore stating this as a necessary condition of AfDB's participation in BHPP.

4. European Investment Bank (EIB) is the European Union's bank, which finances projects with EU objectives. EIB supports projects that make a significant contribution to growth, employment, regional cohesion and environmental sustainability. EIB does this through favourable financing conditions, project preparation and implementation support. The total investment of EIB to-date is €77.5b, 90% of which is provided to projects within EU and 10% to projects outside EU.

EIB stipulations indicate that the first loan disbursement for BHPP was subject to the closing of the financing plan and satisfactory final environmental and social analysis (which included KO). The EIB Board also stated that this should occur in line with those of the other co-financiers, in particular the WBG, in order to ensure a coherent approach to any WB Inspection Panel recommendations for the project.

The Investment Facility was established under the Cotonou Partnership Agreement between African, Caribbean and Pacific (ACP) States and the EU governs the EIB's financial resources funded by EU Member States through the European Development Fund.

5. Agence Francaise de Developement (AFD) Group consists of a financial institution and France's implementing development agency, which provides assistance to developing countries and overseas territories. Promotion and Participation for Economic Participation (PROPARCO) is an AFD Group subsidiary acting as its private sector financing arm. PROPARCO's mission is "to strengthen the private sector's contribution to achievement of the Sustainable Development Goals (SDGs)." This is done through loans, equity and quasi-equity investments, investment funds, guarantees and/or technical assistance. French Global Environmental Facility (FFEM) is another AFD Group subsidiary, established to promote environmental protection in developing countries.

AFD investment sectors include: agriculture and agribusiness, banks and financial markets, climate, education, industry, infrastructure (energy, telecommunications, transport, water and sanitation, etc.), microfinance, health and tourism. AFD's total investment portfolio as of 2015 was €5b, provided to over 80+ countries in Africa, Asia, Latin America and Middle East.

AFD abides by WBG standards and compliance, thus only after their approval was AFD's loan for BHPP approved and committed to. Should the WBG challenge the compliance of BHPP ESIA and KO SMP, AFD's stance would be to stand behind WBG decisions.

Considering that the dam was built on a low-volume basis (80 hectares submerged), meaning local population resettlement is limited to only 634 people, a proportion of the loan was allocated to additional measures for improving the Environmental and Social Management Plan: increasing the availability of drinking water, rural electrification, reforestation of the banks of the Nile downstream from the dam and the promotion of eco-tourism. Internal Monitoring and Evaluation has been carried out for drinking water, reforestation and is currently in progress for rural electrification by BEL as per their corporate responsibilities and requirements.

6. Kreditanstalt für Wiederaufbau (KfW) promotes and supports programmes and projects that mainly involve state actors in developing and emerging economies. KfW finances investments and reform programmes in the following sectors: climate and environmental protection, peace and security, health, education, water and sanitation, energy and financial system development. **Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG)** is a subsidiary of KfW group, mandated to promote private sector initiatives in developing and emerging countries using development loans as Financial Cooperation financing instruments. In addition to loans, KfW produces feasibility studies, equity financing, advisory services and consulting. The commissioning party of KfW is the German federal government. There is also a 3rd branch of the KfW group, IPAX that focuses on German commercial financing.

KfW Group operates in African, Asian, Latin American and South-East European countries. The total commitment of KfW Development Bank in developing countries of completed and currently on-going projects amounts to €164b.

Since the completion of BHPP, KfW has strengthened its social and environmental assessment capacity with in-house experts. KfW's current monitoring and regulatory system includes site visits to all projects at least once a year and internal annual reporting to assess any risks that may arise and address any issues. The parameters of social and environmental monitoring and regulatory activities carried out during BHPP implementation could not be ascertained, however reporting was confirmed as being done, through a collaboration between KfW Development Bank and DEG institutions.

7 & 8. Standard Chartered Bank (SCB) and **Barclays Africa Group/Absa Capital** provided commercial loans for BHPP via a Partial Risk Guarantee (PRG) granted by WBG's International Development Association (IDA). How this loan was split between these two commercial banks is unknown.

In reference to the BHPP financial and institutional structure, the following should be noted. SCB and Barclays are Equator Principle accredited banks, however Absa Capital is not. The Equator Principles is "a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making." On 31 July 2013, Absa Capital merged with Barclays' Pan-African Corporate and Investment Banking operations.

Bujagali Hydropower Project Guarantors (via Risk Mitigation Instruments):

International Development Association (IDA) is the WBG component focused on reducing poverty in the poorest countries through the provision of loans and grants for programs that increase economic growth, reduce inequalities, and improve living conditions. IDA lends money on concessional terms meaning that credits have a zero - low interest charge and repayments are generally made over a 25-40 year period with a 5-10-year grace period.

Financing options also include Partial Risk Guarantees (PRG), which guarantee commercial lenders against debt service payment defaults resulting from the Government's failure to meet its payment obligations as stipulated under the *Indemnity Agreement* and the *Government Guarantee*.

PRG contractual agreements for BHHP consist of:

- *Guarantee Agreement* between IDA and the commercial lenders to BEL, which defines the scope of IDA's risk coverage and the trigger mechanics of the guarantee
- *Indemnity Agreement* between IDA and the Government of Uganda, under which the state counter guarantees IDA for any payments made under *the Guarantee Agreement*
- *Project Agreement* between IDA and BEL, under which the company covenants that it complies with World Bank environmental guidelines and other applicable requirements, including implementation of Kalagala Offset Area.

The purpose of BHHP PRG is to:

- Reduce perceived risk to enable private commercial debt to be mobilized by a syndicate of lenders.
- Improve commercial bank loan terms, by enabling access to long term, lower cost financing, therefore allowing such reduction to be factored into end users costs via a lower energy tariff.

PRG were established to cover the risk of debt service default for the covered lenders arising from the occurrence of certain events, for the life of the guarantee agreement.²

Upon signing, BHPP's PRG was deemed unable to be accelerated; therefore, IDA would cover principal and interest on the IDA Guaranteed Facility between the commercial banks and BEL, only as they become due.

Operational WBG safeguard policies triggered by BHHP PRG include: Environmental Assessment, Natural Habitats, Physical Cultural Resources, Involuntary Resettlement, Forests, Safety of Dams, and Projects on International Waterways.

Multilateral Investment Guarantee Agency (MIGA) is WBG's political risk mitigator through its role in foreign direct investment promotion in developing countries with the strategic goal to help support economic growth, reduce poverty, and improve people's lives. Having undertaken previous projects in the Ugandan agribusiness and power sectors, BHHP is consistent with MIGA's strategic priority of infrastructure support. Thus, supporting the purpose of MIGA's guarantee for BHHP. As one of the largest Independent Power Producers

² World Bank Group: International Finance Corporation and Multilateral Investment Guarantee Agency. 2007. Project Appraisal Document (PAD) to Bujagali Energy Limited for the Private Power Generation (Bujagali) Project in the Republic of Uganda. Report No: 38421-UG
<http://documents.worldbank.org/curated/en/366641468311073095/Uganda-Private-Power-Generation-Bujagali-Project>

in Africa, BHPP increases exposure to Africa, thereby demonstrating a positive effect for other potential foreign investments in Uganda and within the region.

In specific reference to BHPP, MIGA's coverage provides a guarantee to World Power Holdings Luxembourg SarL (WPH), a.k.a the Guarantee Holder covering its equity investment in BEL via Sithe Global Bujagali Holdings Ltd. This was first issued in 2007 and subsequently increased its coverage in 2012. In 2014, MIGA issued additional guarantees to commercial lenders, Absa Bank Ltd and Standard Chartered Bank. This agreement was entered on a swap arrangement with BEL to hedge against long-term interest rate risk.

Bujagali Hydropower Project Equity Investors and Parent Companies:

Private equity investment for BHPP involves **Industrial Promotion Services (IPS)** and **Sithe Global Bujagali Holdings, Ltd** (an affiliate of Sithe Global power). IPS is the industrial development arm of the **Aga Khan Fund for Economic Development (AKFED)**, within the international development agency, **Aga Khan Development Network (AKDN)**. Sithe Global Power is a private company for the construction and management of power infrastructure, Bujagali being its first project in Africa.

The development and implementation plans were led by IPS, which enlisted Sithe Global Power as another project investor, subsequently providing partial ownership (approximately 60% of equity contribution) of Project Sponsors' Implementing Agency, Bujagali Energy Limited (BEL). The total amount of equity investment from both investors was initially estimated as US\$127.8m. In 2016, Public Equity stakeholders began discussions to assess opportunities for distribution and transfer of shares in BEL, the outcome from which is unknown.

AKFED and the WBG have held a long-standing and extensive relationship developing several other projects together. WBG has supported multiple manufacturing, tourism, financial and power projects through AKFED related companies. Additionally, IFC has held a seat in IPS's Board of Directors since 1984.

Public equity investment for BHPP represents assets in-kind as land, acquired during the previous effort to develop the project, and associated intellectual property, provided by the **Government of Uganda (GoU)**. Equity (initially valued at US\$20,000) was contributed in exchange for a minority interest in BEL with no management responsibilities in the project and no right to receive dividends until all senior and junior loans have been fully repaid. The reasoning for which is to minimize the energy tariff and therefore, its impact on final consumer power bills.

Bujagali Hydropower Project Sponsors' Implementing Agency:

BEL is a project specific company formed (and registered in Uganda) by the project sponsors (IPS, Sithe Global, the Government of Uganda- in this case represented by UETCL) for the sole purpose of carrying out the Bujagali Hydropower Project. BEL was also involved in procurement and construction management of the associated Bujagali Interconnection Project (Bujagali switchyard - Nalubaale substation) to prevent delays in BHPP commissioning.

BEL's project activities include:

- Management of all activities from planning through to development, construction, operations and maintenance of Bujagali HPP, including financial management.
- Overseeing and supervision of the work carried out by the EPC contractor.
- Responsible for adhering to all social and environmental commitments made in the ESIA through dedicated resources for implementation of environmental action plan and resettlement activities, comprising of:
 - Reforestation (complete)
 - Water sanitation, including distribution and service system (complete)
 - Rural electrification (in progress)

- Carrying out the project's Community Development Action Plan, worth over US\$2.4m to support long-term development initiatives on both sides of the river: Wakisi Sub-county (west bank) in Mukono District, and Budondo Sub-county (east bank) in Jinja District. This plan includes:
 - Construction of community schools and health centres
 - Vocational, agriculture and fisheries training
 - Local income-raising programmes

US\$14m has been committed to social activities (primarily financed by AFD); amount spent specifically for environmental activities could not be determined.

BEL's project monitoring and reporting responsibilities include:

- Quarterly construction progress reports and semi-annual operation internal reports; annual status of insurance program; and the approved annual operating and maintenance plans
- Annual monitoring reports on compliance with applicable national environmental requirements as well as with the lenders environmental and social requirements, including the World Bank Group's safeguard policies, environmental, health and safety guidelines and on the Environmental and Social Action Plans
 - Holds the ultimate responsibility to ensure environmental M&E reporting procedures are undertaken (as per PAD), suitable to submit to NEMA, other stakeholders and made available online (not currently available)
 - BEL & WBG to agree on suitable arrangements for an independent review of monitoring throughout construction and initial operations (as per PAD)
- Unaudited and annual audited financial statements for BEL
- An Independent Panel of Experts (PoE) was the third party reviewer of BEL's compliance with IDA environmental and social safeguards and IFC performance standards. There was also the National Multi-stakeholder Environmental Monitoring Committee for Bujagali Project (BEMC), which included representatives from civil society to feedback comments as necessary. The submitted PoE reports were each carried out by 1-2 individuals, 1-2 times a year during 2007 and 2012 (coinciding with the BHPP construction phase).

BEL's key contractual agreements include:

- *Implementation Agreement* between BEL and Government of Uganda (GoU)/Uganda Electricity Transmission Company Limited (UETCL) sets the terms in which GoU grants to BEL the concession to design, finance, construct, own, operate and maintain the hydropower facility.
 - BEL's ownership and operation will be maintained for a 30-year period, after which it will be transferred to the GoU for US\$1.00.
- *Power Purchase Agreement* between BEL and UETCL sets the terms for BEL to sell facility generated power exclusively to UETCL and UETCL to purchase the project's contracted capacity.
- *Government Guarantee* between BEL and GoU sets the terms of financing through a PRG entered into agreement between IDA and commercial lenders in case of breach of the *Indemnity Agreement*.

Bujagali Hydropower Projects' Client:

The project client is GoU, represented by **Ministry of Energy and Mineral Development (MEMD)** acts under the following contractual agreements:

- GoU acts as the project Guarantor through the *Guarantee Agreement* (signed with BEL via the *Power Purchase Agreement*), whilst the Ministry of Energy and Mineral Development (MEMD) is the responsible agency on its behalf.
- As per the *Implementation Agreement*, entered into with BEL, GoU is responsible for overseeing the implementation and monitoring BHHP via *Indemnity Agreement*, covenanting compliance with World Bank environmental guidelines and other applicable requirements, including implementation (and financing) of associated Kalagala Offset.

BHPP underwent construction approximately two to three months ahead of schedule as a result of a US\$75m bridge loan that was advanced to BEL by the GoU apart of the Public Private Partnership. Proceeds from the GoU loan were used to finance engineering design, detailed site investigations, construction of permanent civil works, construction of camp-site and offices as well as the procurement of equipment. The GoU was repaid its loan and this additional equity provided.

Bujagali Hydropower Projects' Primary Contractor:

Salini Construttori (Uganda) is a branch of Salini Impregilo (Italy) with operations in over 50 countries, an annual turnover of around €4.7b, thus a global player in the construction sector and a leading global hydrological infrastructure company. Salini Construttori was selected as BHPP's Primary Contractor pursuant to a competitive EPC bidding process in accordance with the EIB procurement rules, compliance and adherence to associated Codes of Conduct.

Salini Construttori's project activities include:

- Engineering, procurement and construction through a turnkey *Engineering, Procurement and Construction (EPC) Contract* between BEL and Salini SPA, pursuant to a fixed price and date.
- Associated civil works

Salini Construttori's project monitoring and regulatory responsibilities include:

- Designation of Site Environmental Officers, who are responsible for compliance against all national environmental rules and regulations including that for:
 - Safety, solid and liquid waste handling and disposal (via registered waste disposal site in Jinja), air pollution

Bujagali Hydropower Power Projects' Secondary and sub-Contractors:

Alstom Hydro France is a promoter of sustainable mobility through the development and marketing of infrastructure systems, equipment and services primarily for the railway sector. Manufacturing is shared among the Group's facilities in France, Switzerland and India. Alstom Hydro France was previously known as Alstom Power Hydraulique. Note: World Bank declared Alstom Hydro France an ineligible firm from 2012-2015 on grounds of 1996 Procurement Guidelines 1.15 (a) (i)(ii).

Alstom Hydro France's project activities include:

- EPC sub-contractor under the turnkey contract signed with Salini Construttori for the supply of all hydro and electro-mechanical works and equipment, including turbine/generator units, control and protection systems.

Operations & Maintenance Energy (Uganda) Ltd is a 100% subsidiary of Gas Natural Fenosa (Spain), previously Union Fenosa SA. Gas Natural Fenosa leverages its experience in the power plant operation and maintenance field. Note: The initial project proposal indicated a Sithe associated company to take on this role.

Operations & Maintenance Energy's project activities:

- Operations and maintenance contractor under the *Operation and Maintenance (O&M) Agreement*, which sets out the terms and conditions between BEL and Operations & Maintenance Energy (U) Ltd.

A consortium comprised led by **R.J. Burnside International Ltd (Canada)**, in association with: Dillon Consulting Ltd (Canada), Ecological Writings #1, Inc. (Canada), Environ and Industrial Consult (U) Ltd (Uganda), Frederic Giovannetti (France) and Tonkin & Taylor International Ltd (New Zealand) was responsible for the project's feasibility and design studies and ESIA production. Before final project commitment and sign off, the ESIA produced was reviewed by participating International Finance Institutions representatives, namely the EIB (other direct institutional participation could not be confirmed).

Bujagali Hydropower Project Second Tier Stakeholders:

Colenco Power Engineering (Switzerland) was appointed by BHPP lenders as the “Lender’s Independent Engineers” with the responsibility of independently monitoring construction and operation activities on behalf of the lenders. The specific lender who appointed Colenco could not be identified from this assessment. Colenco Power Engineering provides analysis, consultancy and specialist services through its various subsidiaries and affiliates. Provided services are primarily within the energy and environmental technology sectors, but also the hydrological, nuclear, systems, electrical and piping engineering sectors, as well as associated industrial safety, installation and planning components, among others.

InterAid Uganda provides medical and legal support services, training and livelihood support to vulnerable persons, particularly refugees and migrants. InterAid Uganda was commissioned by BEL (based on its role from the previous Bujagali project) to act as a third party independent “Witness NGO” for the project.

This appointment fulfilled World Bank requirements to lead on compliance and monitoring of IFC Performance Standards. The proposed construction of Bujagali was intended to comply with WBG’s and MIGA’s Safeguard Policies and IFC Performance Standards as reflected in the below excerpted³ table (Table 3.1). IFC determined project risks were to be addressed through adherence to Performance Standards 1,2,3,4,5,6 and 8.

Table 3.1: IFC Results Framework and Arrangements for Results Monitoring

Key Impacts:	Impact Indicators:	Timing of Impact:
Social	Implementation of the Community Development Action Plans for the proposed project	2007-2011
Environmental	Implementation of the Environmental Management Plan for the dam and power house	2007-2011
Environmental	Implementation of Kalagala Offset agreement	Life of project

However, InterAid only addressed and/or monitored social impacts, not any environmental activities and issues aside from those directly related to community livelihoods.

InterAid’s project monitoring and reporting responsibilities:

- Review of the final ESIA drafting process through a 3-day workshop.
- Assessment of the outcomes and compliance of BEL’s social commitments prior to construction and after commissioning, from 2006 until 2012; after which time InterAid’s monitoring responsibilities were handed over to the GoU.
- Monitoring of the social activities involving implementation of Resettlement Action Plan, Community Development Action Plan and Valuation (including safety throughout the process and subsequent livelihood enhancement), disclosures, management of payments and grievances for the project affected persons.

Reports were submitted to Bujagali to be shared with World Bank and any other interested party, including other lenders. Note: BEL is the owner of these reports and they may be sought from BEL, if required.

Governmental and Semi-governmental bodies associated with Bujagali Hydropower Project and Kalagala Offset:

Uganda Electricity Transmission Company Limited (UETCL)’s project activities include:

- Purchase of all electricity produced from BEL under a 30 year *Power Purchase Agreement*, as the main power off-takers.

³ World Bank Group: International Finance Corporation and Multilateral Investment Guarantee Agency. 2007. Project Appraisal Document (PAD) to Bujagali Energy Limited for the Private Power Generation (Bujagali) Project in the Republic of Uganda. Report No: 38421-UG
<http://documents.worldbank.org/curated/en/366641468311073095/Uganda-Private-Power-Generation-Bujagali-Project>

- Distribution of hydroelectricity from the dam to national power grid through the construction of an associated power transmission system (falls under a separate associated project, The Bujagali Interconnection Project)
- Consultations with project affected populations surrounding project site and Interconnection Project areas through self-governed Bujagali Implementation Unit, active from previous sponsor project abandonment until project reinstatement by new sponsors.

National Environmental Management Authority (NEMA)'s project monitoring and reporting responsibilities include:

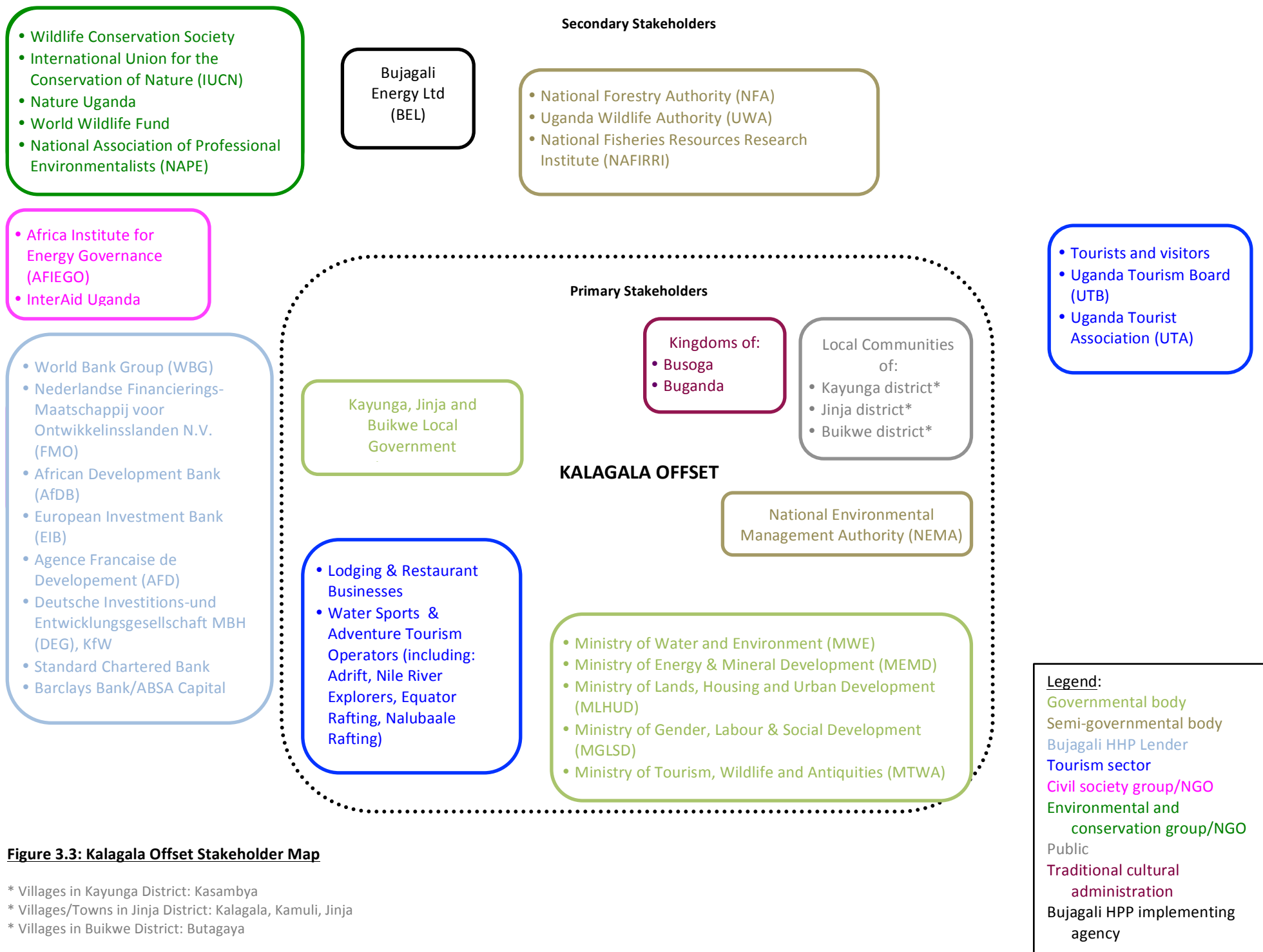
- Mandated to oversee all ESIA's for all development projects in Uganda, NEMA is to play an active role in monitoring of adherence to the mitigation measures outlined in ESIA's in collaboration with associated ministries and departments. Information obtained for this assessment indicated that no progress reports from MWE were submitted to NEMA for either Bujagali or Kalagala.
- During the project construction phase (2007-2012), NEMA coordinated an Interagency Compliance Committee, facilitated by WBG, which met quarterly, and for which NEMA produced unpublished broader-level inspection reports. However, how this review process was coordinated with BEL, the implementing agency, as well as their Panel of Experts reports which included relevant environmental and social monitoring during the same period is unknown and apparently did not function well.

Figure 3.3 depicts all stakeholders specific to KO, mapping each as either primary or secondary stakeholders.

The planning process for the Kalagala Offset Sustainable Management Plan (KOSMP) was led by **Ministry of Energy and Mineral Development (MEMD)**, but **IUCN** was contracted out by the **Ministry of Water and Environment** to facilitate and coordinate the development of the Sustainable Management Plan using an Ecosystems Based Approach. The World Bank funded this process and IUCN was selected because of its capacity to act as a neutral player with regards to consultation at the local and national levels.

The KOSMP was developed for a 10-year period from 2010-2019. An evaluation is to be conducted near the end of this period to identify achievements, lessons learned and make recommendations for future activities to conserve KO for perpetuity. At present, progress on this is unknown.

KO objectives, outputs and activities for implementation are outlined specifically in Section 2.5 of Table 2 of the KOSMP. Figure 3.4 illustrates the institutions and their roles more broadly with regards to offset implementation through the KOSMP. In reality, implementation activities carried by each government stakeholder slightly differed to what was initially outlined and the information available is explained in further detail following figure 3.4.



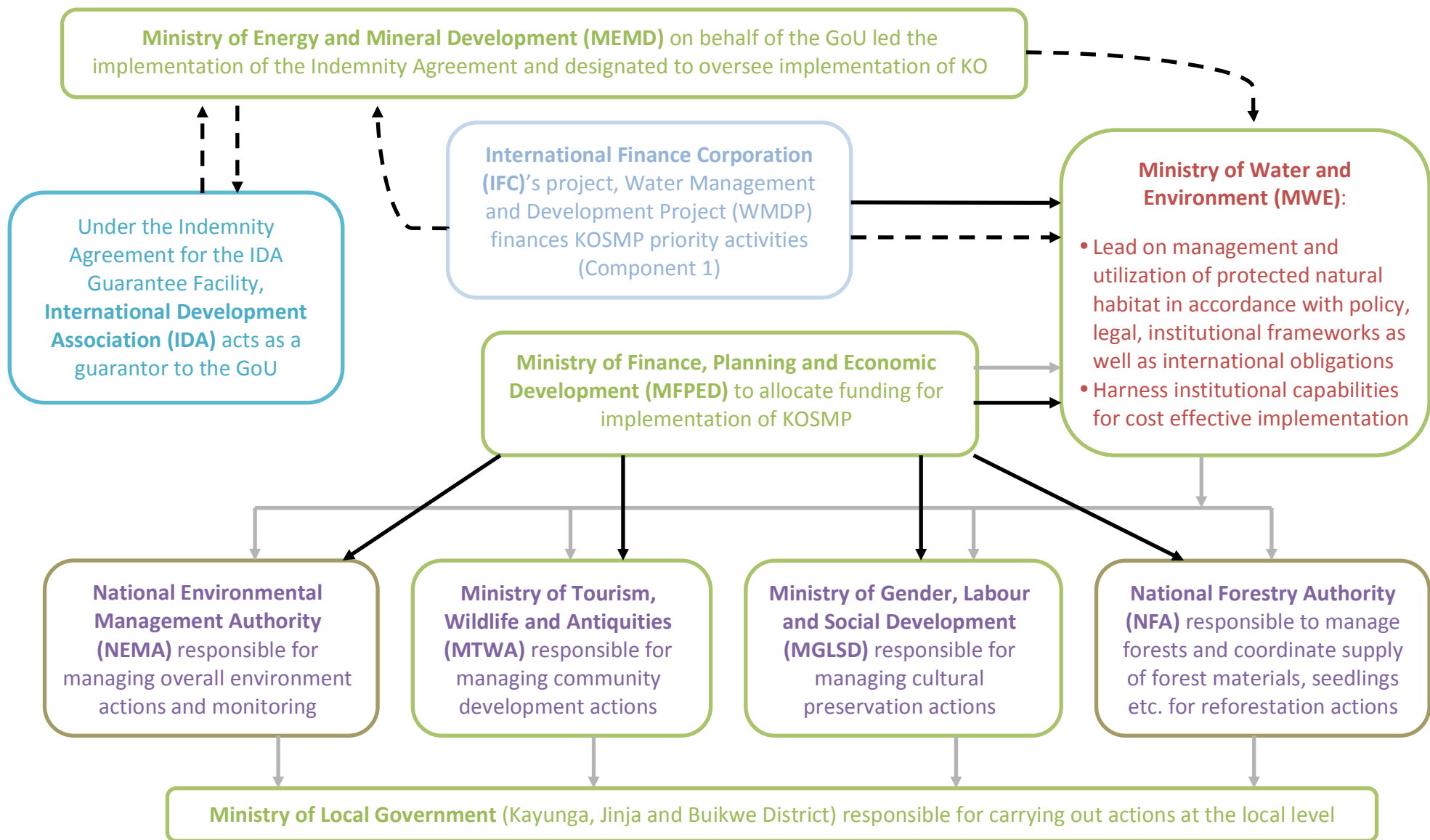
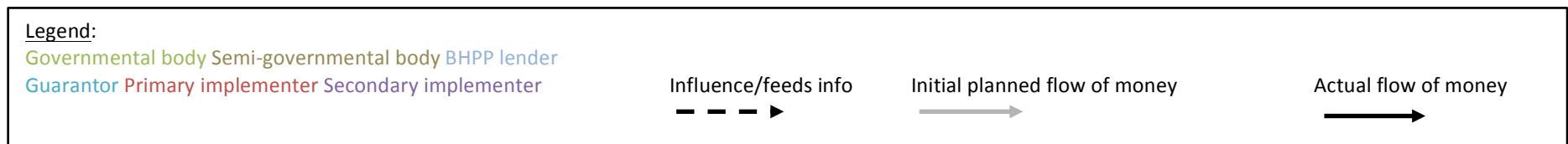


Figure 3.4: Kalagala Offset Institutional Map: based on the implementation and maintenance of the offset, including involved party's roles and responsibilities



The KOSMP envisages the establishment of an Implementation Unit specifically for KO day-to-day activities, consisting of three full time staff members (Coordinator, Monitoring & Evaluation Specialist, Accountant/Administrator). In the event, whilst there is a designated KO Coordinator, this is not his only role within MWE and no other support staff has been recruited. MWE hosts and chairs both a KO Steering Committee composed of NGOs, multi-lateral agencies, government, businesses and private sector as well as a KO Technical Implementation Committee composed of all the implementing agencies (Ministries and semi-governmental bodies) illustrated in the KO institutional structure (Figure 3.4).

Whilst the Cultural Department of the **Ministry of Gender, Labour and Social Development (MGLSD)** is mandated to govern cultural preservation actions for KO, a key hindrance has been its management and ownership, which was handed over to **Ministry of Tourism, Wildlife and Antiquities (MTWA)**. This led to discrepancies and uncertainties concerning each Ministry's implementation and regulatory roles and responsibilities. This issue was left for the Ugandan government's ministerial cabinet level to make a decision, but the outcome is still unknown. Additionally, the KO area site is not yet gazetted, thus the ownership of the sites falls under the MTWA including the preservation of the historical Kalagala cultural heritage site. The KO area has had restricted and varying access for local people, leading to additional conflicts between Traditional Kingdom Administrations and other groups.

The GoU is responsible for financing all activities associated with KO implementation. Implementation budgets have been outlined, but no record of actual Ministerial spend to-date on activities specifically under the KOSMP is publically available. Anecdotal evidence indicates that MWE have mobilized targeted funds from **Ministry of Finance, Planning and Economic Development (MFPED)**, which governs all GoU finances. As per the KOSMP, implementation of activities should be channelled through MWE to mobilize and manage funds for all other secondary implementing actors, however this was not carried out.

The World Bank began financing of the Water Management & Development Project (WMDP) in 2013 with a cycle until 2018. The MWE is the implementing agency for this project and it is aimed as a cross-sectorial project to improve:

- i) Integrated water resources planning, management and development
- ii) Access to water and sanitation services in priority areas

The project will contribute to higher-level goals of sustaining natural resources, improving service delivery, and increasing economic productivity. Component 1 supports priority activities within the KOMP. Support is through an estimated total investment of US\$33.70m, \$8.4m of which has been disbursed as of 2016. Priority activities include:

- i) Restoration activities for degraded areas (15,000 hectares) within the Mabira ecosystem: contractors appointed
- ii) Demarcation of Mabira CFR, Kalagala Falls Area and protected areas including riverbanks: initiated
- iii) Boundary plantings with exotic flora: planned, but implementation not yet approved
- iv) Ecological-socioeconomic baseline study of the Mabira ecosystem

Component 2: Infrastructure investment in urban water supply and sanitation/sewerage and catchment/source protection (Cost: US\$ 98.50m); and Component 3: Strengthening Institutions for Effective Project Implementation (Cost: US\$ 2.80m) are not directly related, but are within the KO area.

National Forestry Association (NFA) has an associated role to verify technical outputs of 3rd party contractors commissioned to undertake WMDP Component 1 activities, but is not directly accountable for activities under WB financing. Expenditure on NFA's restoration, forest protection and community outreach activities within Kalagala Offset Area is approximately US\$ 20,000-28,000 annually, however these activities overlap with NFA's normal operational mandate, thus financing did not come for KOSMP project specifically, nor

from the MFPED budget.

D.2. ISIMBA HYDROPOWER PROJECT:

Figure 3.5 depicts all stakeholders specific to IHPP, mapping each as either primary or secondary stakeholders.

The development of IHPP was intended to take form of a PPP, involving the private sector for financing and MEMD acting as the client on behalf of GoU. Parties involved in the development and implementation of IHHP as well as their institutional and contractual relationships with one another is reflected in Figure 3.6 and the subsequent corresponding text.

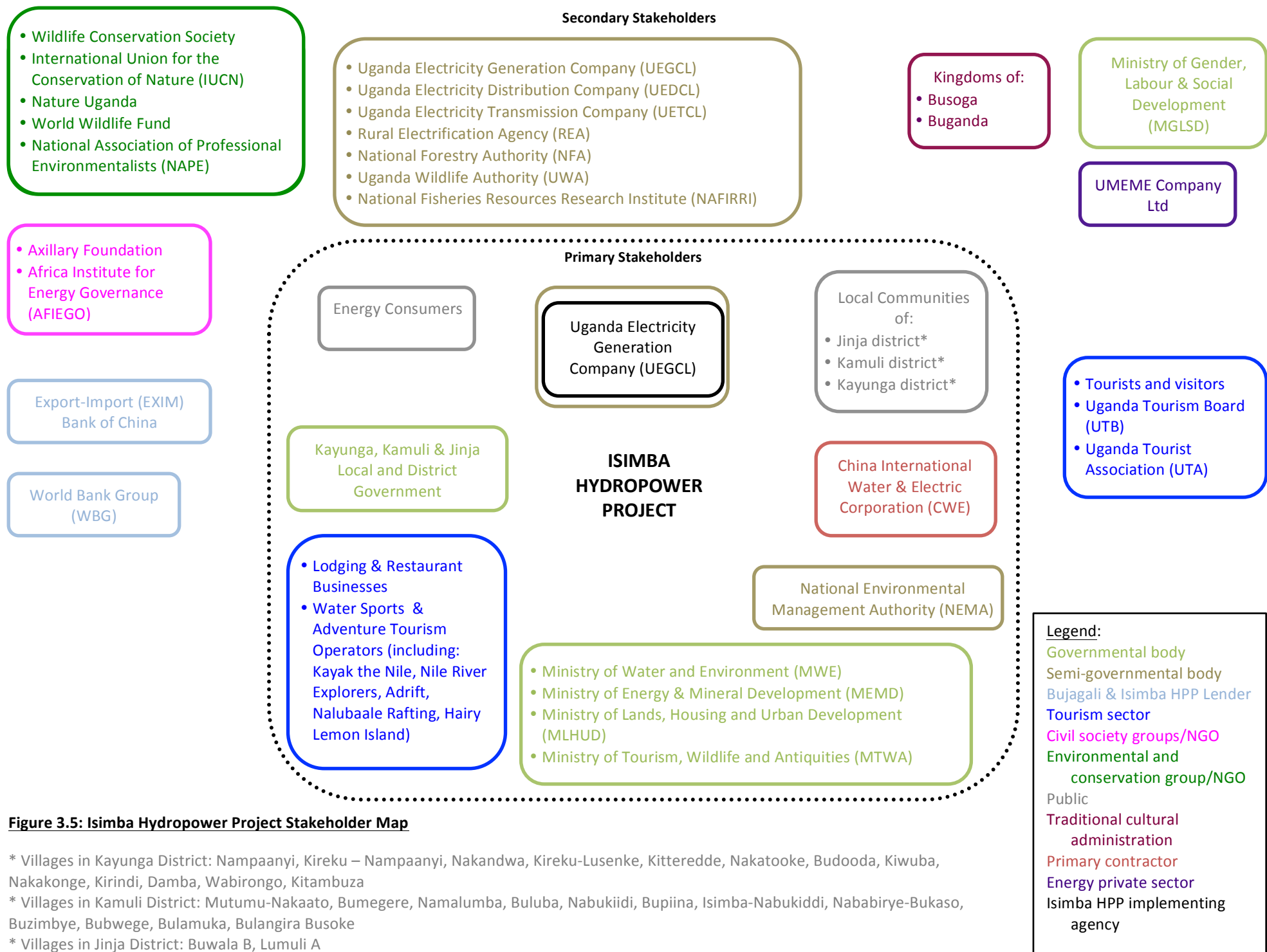


Figure 3.5: Isimba Hydropower Project Stakeholder Map

* Villages in Kayunga District: Nampaanyi, Kireku – Nampaanyi, Nakandwa, Kireku-Lusenke, Kitteredde, Nakatooke, Budooda, Kiwuba, Nakakonge, Kirindi, Damba, Wabirongo, Kitambuza

* Villages in Kamuli District: Mutumu-Nakaato, Bumegere, Namalumba, Buluba, Nabukiidi, Bupiina, Isimba-Nabukiddi, Nababirye-Bukaso, Buzimbye, Bubwege, Bulamuka, Bulangira Busoke

* Villages in Jinja District: Buwala B, Lumuli A

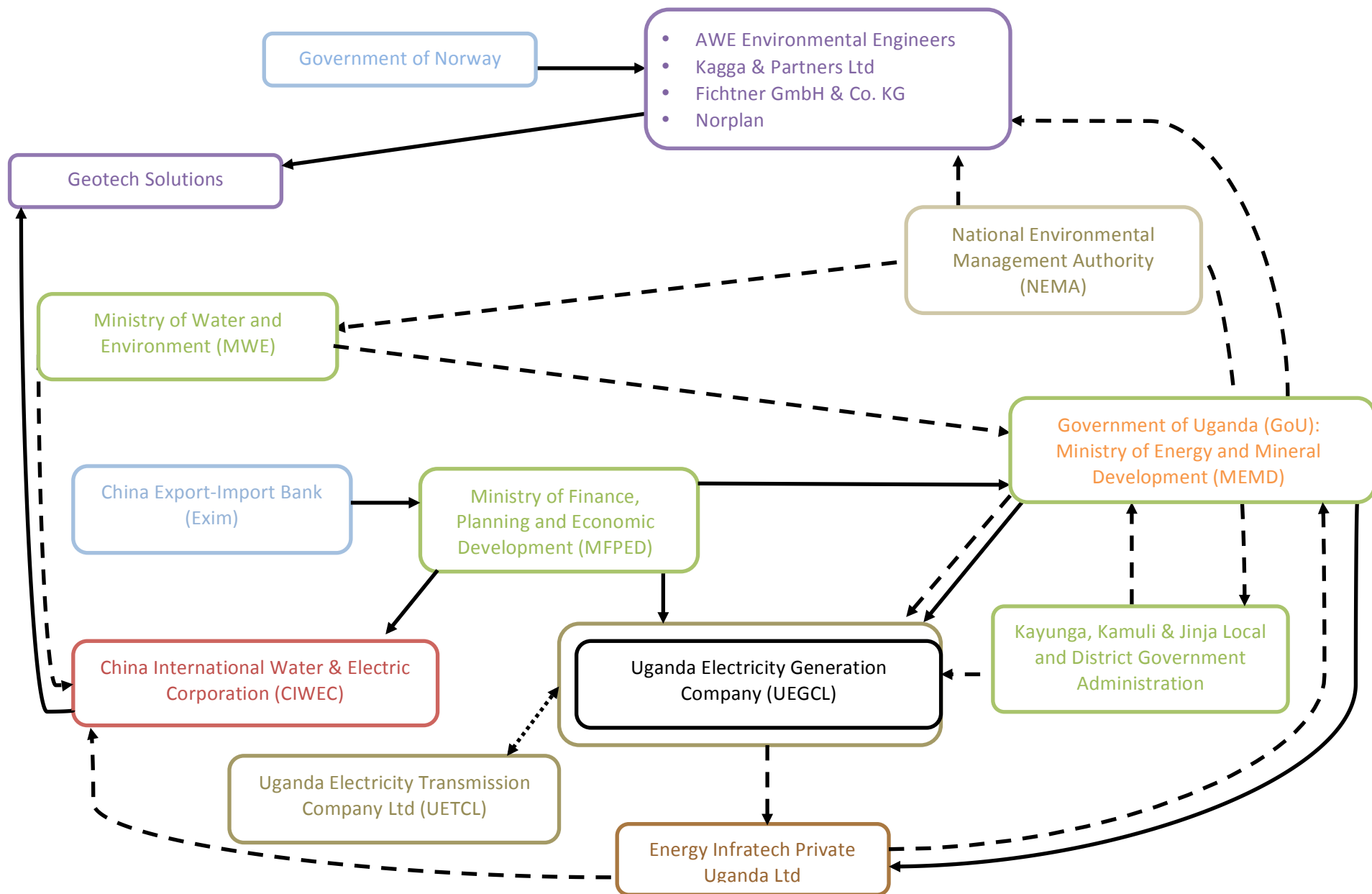


Figure 3.6: Isimba Hydropower Project Institutional Map: based on the planning and actual construction, not including the operation, transmission and distribution of power

Legend:

Governmental body Semi-governmental body

Lender Primary contractor Sub-contractor

Implementing agency Client Other

Influence/feeds info

Buy-Sell transaction

Flow of money

Isimba Hydropower Project's Investor:

Financing for the construction of Isimba Hydropower Project is from only one lender, **Export-Import (EXIM) Bank of China**. EXIM is a state bank, solely owned by the Government of China and under direct leadership of the State Council. EXIM operates 20 business branches inside China, one branch (Paris) and two representative offices (Southern and Eastern Africa and St. Petersburg) outside China. EXIM also primarily (85%) finances Karuma HPP.

Isimba Hydropower Project's Implementing Agency:

Uganda Electricity Generation Company Limited (UEGCL), a semi-governmental body was appointed (by MEMD) as the project's Implementing Agency. Recently, roles and responsibilities of the involved parties were redefined as part of a MoU signed (October 1, 2016) between MEMD and implementing agencies for both Isimba and Karuma HPP, as UEGCL is also the implementing agency for Karuma HPP. After commissioning of the HPP, project roles are expected to change again so that UEGCL will own and operate the HPP, taking on associated repayment risks (along with UETCL and UEDCL). Repayment is to be done through MFPED.

UEGCL's project activities and roles include:

- Stakeholder identification, consultation throughout the EIA/SIA process and construction and operational phases of the project.
- Involved in the procurement of project EPC contractor.
- Supervise, monitor and evaluate project budget and timeline, as well as set up any necessary implementation systems.
- Act as first point of contact for all public inquiries.
- Payment of district local government royalties (to local communities) in affected areas as the Hydropower Generation License holder and thus responsible.

UEGCL's project monitoring and regulatory responsibilities include:

- Contracting of other independent consultants to carry out additional monitoring of civil works, safety, quality etc. as necessary.
- Overseeing and evaluating CIWEC monitoring and progress reports.

Isimba Hydropower Project's Primary Contractor:

China International Water & Electric Corporation (CIWEC) was awarded contract as lead Engineering, Procurement and Construction (EPC) contractor for IHPP. The company's primary business operations include hydropower construction and operation, power generation and related technical services; road and bridge construction; port dredging. Operating in Uganda as a branch of a foreign company (China), CIWEC has undertaken projects in over 80 countries and regions globally.

CIWEC's project monitoring and regulatory responsibilities include:

- Periodic reporting to UEGCL on all operations, maintenance and scheduling. However, reports are not publically available and further specifics could not be disclosed.

Isimba Hydropower Project Second Tier Stakeholders:

Energy Infratech Private Uganda Ltd. (EIPU) is a consulting firm specializing in engineering and management activities for power and energy related infrastructure projects. EIPU operates as a branch of a foreign company (India), Energy Infratech whose primary projects are in India. Along with acting as the Project Management consultant for the development of associated Isimba-Bujagali double circuit transmission line, EIPU was appointed as the "Owner's Engineer" for IHPP.

EIPU's project activities and roles:

- Certification and review of engineering design and drawings submitted by EPC

- Contractor (CIWEC) at all stages (May 2014 - Aug 2017) as the Owner's Engineer
- Project enforcement, working closely with UEGCL to supervise the contract
- Review and approval of procedures and methods of execution of works, temporary installations, equipment, factory inspections, commissioning protocols
- Supervision of the various project components construction, assembly, erection, installation, green-testing, pre-commissioning and commissioning tests/works.
- Supervision of material performance and quality assurance
- Issuance of payment certificates to contractors, advise on contractual claims, disputes and cost control

Project monitoring and reporting:

- Monitor and update project schedule, advise the Contractor on any necessary interventions
- Ensuring compliance to the Environmental Management Plan (EMP) by closely monitoring the environmental aspects

Isimba Hydropower Project Sub-contractors:

GeoTech Solutions (Uganda) provides research and development in hydropower, road and bridge construction, oil exploration (and associated soil testing), geological mapping, drilling and grouting, topographical and cadastral surveying, infrastructure designs and construction. GeoTech Solutions operates in Uganda, Rwanda, Burundi, Sudan and Congo.

Isimba Hydropower project activities and roles:

- Initial geological investigations (including ground mapping, core drilling, grouting lugeon testing) and seismic refraction surveying at project design stage, before construction
- Additional site geological investigations (including core drilling, lugeon testing, test pitting, laboratory testing), during construction

A consortium comprising of **Fichtner GmbH & Co. KG (Germany)** and **Norplan (Norway)** in association with **Kagga & Partners (Uganda)** and **AWE Environmental Engineers (Uganda)** was allocated responsibility of initial project feasibility and design studies, production of EIA (original 2013 version only), SIA and resettlement plan for IHHP.

Normal practice is for the project sponsor company to commission (and finance) the EIA/SIA, however in this case, this was sponsored by the Norwegian government and contracted out by MEMD. Due to insufficient attention given to mitigation measures for KO in the original 2013 EIA, the document was subsequently reviewed and revised in 2015 by MEMD.

It should be noted that whilst these are the only sub-contractors used and commissioned at present, there may be potentially be others commissioned to complete IHPP as the project continues. Future contracts (if any) is not publicly disclosed information.

Isimba Hydropower Project's Client:

The client of IHPP is GoU, represented by its proponent, **Ministry of Energy and Mineral Development (MEMD)**. MEMD public investment is estimated at 15% of equity in kind (exact amount and date provided unknown).

MEMD is responsible for resource mobilization, distribution, and implementation of compensation and resettlement of affected persons. In response to amended EIA incorporating impacts on Kalagala Offset, MEMD has agreed (budget to be determined and commitment unofficial) to make a contribution for both tourism and conservation development as well as compensate for livelihood activities, cultural heritage and spiritual values lost due to the construction of IHPP. Mitigation measures will be the responsibility of MEMD and will be outlined in an EIA Addendum and Long-term Conservation Options Report (currently in progress).

4. Interpretation

In gaining an understanding of the local context, as well as how individuals and institutions work across the different projects analysed here, one of the greatest limiting factors is poor inter-governmental coordination and communication. This produces a lack of monitoring, reporting and implementation of actions to be done in conjunction with other parties, often stemming from weak institutional capacity. Particularly for complex projects such as these, coordination is fundamental and needs to be recognized at both national and local government administrative levels. For all three case studies, ambiguities in terms of responsibilities and institutional ownership of specific activities create secondary knock-on effects, often at the expense of biodiversity conservation and local community development.

A strong result should be noted with regards to the sheer richness of the stakeholders involved in BHPP as opposed to IHHP. This is largely due to the fact that BHPP was developed under a Public-Private Partnership (PPP) Agreement and involved a number of international actors. This is also reflected in the contractual agreements as well as publically available documentation, including that for project appraisal, design, compliance, monitoring as well as the easily accessible electronic ESIA produced for BHPP. Additionally, evidence was unclear as to whether the construction of IHPP was put out for international tender.

BHPP was conceived with the objective of becoming one of the largest privately financed hydropower projects on the continent, with the capacity to produce about half the country's energy demand and move the country from energy shortage to energy overcapacity. Additionally, BHPP was aimed at reducing energy costs, allowing the Government of Uganda to reduce its unsustainable level of energy subsidies upon completion. A strong motivator for the involvement of a majority of financial institutions was the development objective of producing electricity for domestic use, thereby contributing to poverty alleviation, providing rural access to essential energy resources and reducing national load shedding. This is well aligned with the overarching institutional objectives of the involved development banks, their associated agencies or related parent development agencies. These entities include: World Bank Group's International Development Association, International Finance Corporation and Multilateral Investment Guarantee Agency; African, German and Netherlands Development Banks; European Investment Bank; French and Aga Khan Development Agencies; German Investment Corporation.

International lenders of BHPP such as EIB and AfDB publicly justified their loans primarily because of the regimented project ESIA process and impact mitigation actions set out, abiding by approved World Bank standards. Thus, at project conception, the lenders positioned themselves in line with WBG's environmental and social compliance decisions and safeguards, monitoring and review practices without requiring their own internal regulatory and reporting activities. It is interesting to note that a select few involved lenders have since reviewed their internal responsibilities in terms of monitoring and evaluating environmental and social impacts of their projects. KfW, in particular has since strengthened their internal environmental and social expertise and capacity in order to carry out appropriate, timely and coordinated reporting for their development projects.

As a result of the WBG Request for Inspection (2007), and subsequent public hearings during the construction of BHPP, an Inspection Panel Investigation was carried out. Notable excerpts from the WBG Management Response Report⁴ include:

- The Bank did not support needed capacity building for implementation of social and environmental aspects.

⁴ World Bank. 2008. Management Report and Recommendation in Response to the Inspection Panel Investigation Report for Uganda Private Power Generation (Bujagali) Project. Washington DC: World Bank.
<http://ewebapps.worldbank.org/apps/ip/PanelCases/44-Management%20Report%20and%20Recommendation.Pdf>

- Neither the SSEA nor the SEA addressed cumulative effects of the existing and planned projects in a meaningful way. Analyses are not sufficiently backed by evidence and include opinions rather than careful fact-based examinations of the additive effects of impacts from present and foreseeable projects.

- The project did not appoint an independent panel of environmental experts, as required under Bank policy for contentious and complex multidimensional environmental concerns.

- While the Kalagala Falls has been established as an offset for the natural habitats inundated by the project, there is no evidence that this offset will be maintained in accordance with appropriate conservation and mitigation measures in conformity with sound social and environmental standards. Given present institutional weaknesses and lack of proper training arrangements, the Panel finds the capacity of local institutions to plan and manage the KO has not been developed and that no provision has been made to rectify this.

- Monitoring of enhancement, offset and replacement plantings has not been included in the terms of reference of the witness NGO (InterAid Africa) appointed to monitor Project compliance with IDA conditionalities.

This clearly indicates the inexistent environmental monitoring and actions necessary to mitigate against environmental impacts of BHPP as well as compliance of the IDA conditionality of maintaining biodiversity of KO. Resources to carry out environmental and social impact mitigation (as a result of BHPP) were reported to only be financed by additional subsidies and loans provided by BEL and AFD.

The responsibility of implementation and financing of the Kalagala Offset Sustainable Management Plan lies with the GoU. This was planned to initiate in 2012, however, no clear plan to mobilize funds, nor a strategic financial plan was clearly conceived (as required in the KOSMP). To understand more fully the status and progress of specific activities under the KOSMP, a detailed audit is required, which would go beyond the scope of this assessment.

The World Bank is currently undertaking research to evaluate the full impacts of Isimba Hydropower Project on the Kalagala Offset Area. This was designed to be done in line with and advise an EIA Addendum (currently in progress) for IHPP. The project's proponent, MEMD, is leading on drafting the EIA Addendum. However, even with this, agreements and guarantees put in place (i.e. the Indemnity Agreement) and the publically expected concern of cumulative impacts from IHPP questions how the construction of IHPP was initially approved and what conflict of interests play a role.

The EIA for IHPP states MWE has developed a monitoring plan for KO and that this would be used to continue monitoring IHPP impacts, however during this assessment MWE confirmed that a monitoring and evaluation strategy has not yet been developed nor was it implemented for KO in the first instance. Additionally, Environmental Management and Monitoring Plans and Action Plans for the construction of IHPP was also outlined (in the EIA) to be created defining actions, milestones, timelines etc. for both the primary contractor, CWE and the project sponsor/implementing agency, UEGCL. However, access to review these documents was unsuccessful. Considering the findings of this assessment and the inconsistencies throughout the project documents as well as finding of inexistent documents, there are undoubtedly further discrepancies to be uncovered.

Even though BHPP was fully commissioned in 2012, recent events have further complicated and increased sensitivity of these case studies. This included disputes on the quality of work carried out by the primary contractor for IHPP. Additionally, in April 2016, SN Power AS (Norway) began discussions to buy SGBH's partial interest in Bujagali HHP through BEL. However, negotiations were delayed due to tax implications and the higher consumer tariff produced than projected. In September, discussions arose regarding loan agreement terms. In October 2016, GoU (Office of the President) declared that the ownership terms for BHPP, as well as the operational roles and responsibilities, specifically of the Project Sponsor BEL,

were to be revisited. SN Power declared termination of the Purchase and Sale agreement with SGBH, January 2017 due to the fact SN Power and SGBH did not receive the necessary regulatory consent to close the transaction within the long stop date deadline.

Practical limitations in undertaking this analysis should be noted. Only 5 out of 10 financial institutional stakeholders of BHHP, and none involved in IHHP, have local and permanent representation in Uganda. Additionally, project appraisal and design proposals for Bujagali began 10+ years ago, inevitably involving individuals no longer in the same position and/or at the same organization/company. Thus, the inability to meet all stakeholder representatives in person, inconsistency of informed personnel and because a number of stakeholders were non-responsive or unable to respond, the reported financial details and associated regulatory roles are limited in this report. Whilst there were far fewer implementing stakeholders involved in the construction of IHPP in comparison, it was particularly difficult to interact with individuals from key proponents, adequately informed about environmental and social monitoring, reporting and compliance responsibilities. UEGCL (designated as the first point of public contact for any requested information on IHPP) was unable to publically disclose the required information and contacts considering the sensitive time period in which the data was collected for this report.

This assessment clearly highlights the need for better coordination between stakeholders and better understanding of the potential for cumulative impacts of infrastructure development on biodiversity and local people. Weaknesses also emerged in the monitoring and auditing of social and environmental impacts. This exemplifies numerous issues of complexity and the critical challenges that can arise from implementing Biodiversity Offsets in practice, particularly relevant to developing countries. Success of Biodiversity Offset implementation innately lies in effective integration (and monitoring) of activities between and within acting and responsible agencies.

Thus, moving forward, there is a clear need to better engage implementing (and all other) stakeholders in Uganda in order to improve their capacity to carry out environmental and social actions in response to business/development activities which impact on local biodiversity and communities. Greater cooperation, coordination and collaboration between and within different stakeholders, particularly government, development aid and financial agencies should be sought to enable synergistic partnerships with other projects as well as other entities to avoid duplicated efforts and inefficiency, thus ensuring a greater overall impact. This needs to go alongside appropriate policies, guidelines and enforcement structures. In such weak institutional conditions, the need (and desire) to safeguard environmental and social safeguards must also come directly from the business, industry and financial investment sectors themselves, perhaps through the realization and valuation of Natural Capital.

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Appendices

Appendix I: Additional stakeholders and institutional information (including financial) for Bujagali Hydropower Project case study

World Bank Group: International Finance Corporation (IFC):	
Type of loan:	Development loan
Country of registration:	USA
Total amount and date of loans:	US\$130m, approved April 26, 2007
Loan constituents and terms:	<ul style="list-style-type: none"> • “A” category, senior loan of US\$100m with maturity of up to 16 years • “C” category, subordinated loan of US\$30m with maturity of up to 20 years

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO):	
Type of loan:	Development loan
Country of registration:	Netherlands
Total amount and date of loan:	US\$83m (initial financing: US\$73m in 2007, additional financing: US\$10m in 2011)
Loan constituents:	<ul style="list-style-type: none"> • US\$55m senior loan • US\$28m subordinated loan

African Development Bank (AfDB):	
Type of loan:	Development loan
Country of registration:	Côte d'Ivoire
Total amount and date of loan:	US\$72.2m, 2008 (approved 2007)
Loan constituents:	<ul style="list-style-type: none"> • Initial request: US\$110m senior loan only

European Investment Bank (EIB):	
Type of loan:	Development “framework” loan
Country of registration:	Luxembourg
Total amount and date of loan:	US\$136m, date unknown
Loan constituents:	<ul style="list-style-type: none"> • US\$136m senior loan only

Agence Francaise de Developement (AFD) Group, including PROPARCO:	
Type of loan:	Concessional loan*
Country of registration:	France
Total amount and date of loan:	US\$72.8m, 2007
Loan constituents:	<ul style="list-style-type: none"> • US\$60m senior loan, granted by PROPARCO to finance BHPP construction • US\$12.8m “soft” loan specifically to finance the promotion of social and environmental responsibilities of BHHP impacts, granted by AFD

* Concessional loans are extended on substantially more generous terms than standard market loans. This concessionality is achieved through interest rates lower than those available on the market with longer grace periods.

Kreditanstalt für Wiederaufbau (KfW) Group, including Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG):	
Type of loan:	Development and private sector loans
Country of registration:	Germany

Total amount and date of loan:	US\$59m, 2007
Loan constituents:	<ul style="list-style-type: none"> US\$15m development loan, granted by KfW Development Bank US\$44m private sector loan, granted by DEG

Standard Chartered Bank (SCB) and Barclays Africa Group/Absa Capital:	
Type of loan:	Commercial loan
Countries of registration:	United Kingdom (SCB) and South Africa (Barclays Africa Group/Absa Capital)
Total amount of loan:	~US\$115m (combined), date unknown

World Bank Group: International Development Association (IDA)	
Type of financing guarantee:	Partial Risk Guarantee (PRG)
Country of registration:	USA
Amount and date of guarantee:	US\$115m (on principle), 2007
Terms:	<ul style="list-style-type: none"> Estimated maturity: 16 Amortization profile: Tailored Grace period: Up to 50 months

World Bank Group: Multilateral Investment Guarantee Agency (MIGA)	
Type of financing guarantee:	Political Risk Insurance (PRI)
Country of registration:	USA
Amount and date of guarantee:	US\$115m, 2007 increased to US\$120.3m, 2012
Terms:	<ul style="list-style-type: none"> Up to 20 years against the risk of "Breach of contract coverage" by UETCL and GoU's obligations under the <i>Power Purchase Agreement</i>. Guarantees 90% of WPH's equity investment, which translates into MIGA's gross exposure of up to US\$115m, net exposure estimated at US\$57.5m after treaty reinsurance.
Amount and date of guarantee:	US\$9.5m, 2014
Terms:	<ul style="list-style-type: none"> Entered to hedge against long-term interest rate risk, as a swap arrangement with BEL, issued against the risk of breach contract for 11 years Guarantees Absa Bank Limited and Standard Chartered

Sithe Global Bujagali Holdings, Ltd (SGBH)	
<p>Sithe Global Bujagali Holdings (SGBH) is a wholly-owned subsidiary of World Power Holdings Luxembourg SarL, an affiliate of Sithe Global Power LLC (U.S.A.), which is indirectly owned and controlled by investment funds managed by Blackstone Group. Energy-focused private equity is managed by Blackstone Capital Partners. Target markets include North America, Europe, Mexico, Africa and the Middle East with management and operations in Canada, Philippines and Uganda. With extensive energy industry experience, project developments and acquisitions, Sithe Global power generation facilities (hydro, gas and coal) have a capacity of 3000 MW and valued at US\$5b total capital investment.</p> <p>Blackstone Group is one of the world's leading investment and advisory firms. Blackstone's assets under management are valued at over US\$330b and include investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets and secondary funds, globally located. Blackstone Group also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services.</p>	

Type of investment:	Equity investment
Country of registration:	Mauritius
Amount of investment:	US\$116m (59% of sponsor equity)
Direct or indirect investor:	Direct

Industrial Promotion Services (IPS)

Industrial Promotion Services (IPS) is the infrastructure and industrial development arm of AKFED. IPS's equity in BHHP is funded by **Aga Khan Fund for Economic Development (AKFED)**, Jubilee Investment Company Limited (another AKFED affiliate) and IPS itself. IPS invests in agribusiness, food and agro-processing, printing and packaging, textiles, leather processing, pharmaceuticals, and infrastructure (including power generation, telecommunications and water supply services) projects across sub-Saharan Africa and South and Central Asia.

AKFED is a member of an international development agency, Aga Khan Development Network (AKDN). AKFED works with governments, international corporations, international financial institutions and donors to create solutions for infrastructure needs in developing countries. This is done through the provision of venture capital, technical assistance and management support to encourage and expand private enterprise in emerging economies.

AKFED has invested in, and manages a network of over 90 project companies, from where it reinvests all profits in further development and supports AKDN's larger social, cultural and development goals. AKFED's total investment portfolio is US\$4.1b as of 2015, across Afghanistan, Bangladesh, Burkina Faso, Burundi, Democratic Republic of the Congo, India, Ivory Coast, Kenya, Kyrgyz Republic, Mali, Mozambique, Pakistan, Rwanda, Senegal, Syria, Tajikistan, Tanzania and Uganda.

Type of investment:	Equity investment
Country of registration:	Kenya
Amount of investment:	US\$60m (30% of sponsor equity)
Direct or indirect investor:	Direct

Appendix II: Additional stakeholders and institutional information (including financial) for Isimba Hydropower Project case study

Export-Import (EXIM) Bank of China	
Type of loan:	Commercial loan*
Country of registration:	China
Amount and date of loan:	US\$485.2m, March 2015 (85% of sponsor equity)
Direct or indirect investor:	Direct
Other information: *Some sources indicate whilst a commercial bank loan, financing was agreed on concessional terms (i.e. lower than market interest rates and longer grace periods)	