



UNSETTLING BUSINESS

Social consequences of the Bujagali hydropower project

Summary

The Bujagali hydropower dam on The River Nile in Uganda was finally commissioned in August 2012 after eighteen years of controversy that delayed the dam construction. The dam faced numerous economic, environmental, social and spiritual challenges that stalled the dam construction while the project underwent investigations over bribery claims and project reviews on the dam design and capacity. The dam cost kept on growing from \$580 million at inception to \$860 million and finally \$902 million (\$3.6million per MW) at completion. Independent investigations by the Ugandan Parliamentary adhoc committee on energy put the dam's actual cost at \$1.3 billion (\$5.2million per MW or more).

The dam project was marketed by The Government of Uganda and the World Bank as the least-cost project. Two different hydropower companies - AES Nile Power and Bujagali Energy Limited – feature in the development of the Bujagali hydropower dam in Uganda. The project was undertaken as a Public Private Partnership between the Government of Uganda and International Financial Corporation (IFCs), the World Bank Group, European Investment Bank, African Development Bank in collaboration with dam construction companies- Industrial Promotions Services (IPS), a holding company of the Aga Khan and Sithe Global Power. The project partners, IPS, Sithe Global Power and the government set up a new company- Bujagali Energy Ltd (BEL) to operate and run the project.

The Bujagali hydropower dam development was marred with controversies that saw the dam take over 18 years to complete. The dam project was investigated four times, twice by the Inspection Panel of The World Bank, by The African Development Bank's Independent Review Mechanism (IRM), and by The European Investment Bank's Compliance Review. A long range of cases have also been opened by the IFCs Compliance Advisor Ombudsman. Citizens groups in Uganda like the National Association of Professional Environmentalists (NAPE), Save Bujagali Crusade, and other international groups like International Rivers Network (IR), and Counter Balance played an important role in raising the potential social, economic and environmental impacts of the project in the public domain and prompted the lenders to investigate and consider policy adherence.

The project financiers – the World Bank (WB), African Development Bank (AfDB), and the European Development Bank (EDB) – investigated the project and found the project to have violated several of their bank policies. The banks wrote reports on their findings and made recommendations, whose implementation would be the basis for the project to receive financial support. The banks, however, went ahead and funded the project ignoring the concerns raised about the project. The Government of Uganda signed an agreement with IPS and BEL to construct the project in 2007 before Parliament approved the government's obligation as required by law. BEL started the project construction in 2007 and expected to finish in three years, but the dam project was completed and commissioned by Government of Uganda in August 2012, five years later. Despite several lender reports recommendations and reiterated effort from the project constructors some of the concerns raised by civil citizen groups are not resolved, and new ones have been raised during the process. These issues include; hydrological and climate change risks, cumulative impact assessment of the cascade of dams, economic and environmental analysis of alternative energy options, cultural and spiritual values, compensations for persons affected by the electricity transmission line as well as persons injured during the dam construction.

Complaints about these unresolved issues have been raised by the concerned citizen groups and the dam-affected persons to the various institutions of the IFC, AfDB and EIB. The offices of the Ombudsmen of the banks –Compliance Advisor Ombudsman (CAO) of the World Bank, the Independent Review Mechanisms of the African Development Bank, and the European Investment Bank's Compliance Review all found the complaints legible and have been working with the proponents of the dam and government, and the dam-affected persons to address this issues. Several cases are still open as it has not been possible to come to a solution through a collaborative process.

Report compiled and written by NAPE of Uganda.

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NAPE – National Association of Professional Environmentalist is an action organization committed to sustainable solutions to Uganda's most challenging environmental and economic growth problems. NAPE monitors government actions, conducts research, provides educational materials, develops science-based strategies, organizes affected communities, makes common cause with other civil society organizations and international organizations, and engages government officials at all levels.

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List of abbreviations

AES/ AESNP	Applied Energy Services/ AES Nile Power
AfDB	African Development Bank
BEL	Bujagali Energy Limited
CAO	Compliance Advisor Ombudsman, of the IFC
CLAI	Centro Legale pro Afrodiscenti ed Indigeni-Onlus
CRMU	Compliance Review and Mediation Unit, of the AfDB
EIB	European Investment Bank
IFC	International Finance Corporation, of the World Bank Group
IPS	Industrial Promotion Services
IRM	Independent Review Mechanisms, of the AfDB
MIGA	The Multilateral Investment Guarantee Agency, of the World Bank Group
MP	Member of Parliament
MW	Mega Watts
NAPE	National Association of Professional Environmentalists
NEMA	National Environment Management Authority
RAP	Resettlement Action Plan
SEA	Social and Environmental Assessments
UETCL	Uganda Electricity Transmission Company

Introduction

A pact to undertake the construction of the Bujagali dam project was first formed in 1996 between the Government of Uganda and AES Nile Power, a US power giant, after two years of preceding debate on economic, social and environmental impacts. The hydropower project is located 8 km downstream of the two Owen falls projects - Kiira and Nalubaale. Civil society organizations in Uganda lead by the National Association of Professional Environmentalists, (NAPE) were concerned about the costs of the project, its affordability, compensation and resettlement processes, community development action plans, impacts of hydrology and climate change on power generation of the dam, and the dam safety considering its proximity to the existing dams, lack of information disclosure by AES, among others. The project company, AES NP, started resettlement in 2001.

The same year, Ugandan civil society organizations and international NGOs submitted a claim to the Inspection Panel (IP) of the World Bank Group about their concerns regarding the Bujagali dam. The Inspection Panel duly investigated civil society concerns and made a recommendation in 2002. The Panels' investigation found AES to have performance shortfalls in the dam implementation in relation to social, economic and environmental aspects, including evidence of corruption and failure of financial disclosure to the World Bank Group. AES pulled out of the project in 2002, and as a result, the dam project stalled for five years.

Government of Uganda revived the dam project in 2007 through a public-private partnership model with a consortium of the Aga Khan Fund for Economic Development and US Blackstone affiliates. This partnership created the single purpose company Bujagali Energy Limited (BEL), which will own the plant for a 30-year concession period before transferring it to The Government of Uganda.



According to the IFC the expected project cost of 874,9 million USD will be covered by an equity of close to 200 million USD as well as the project loans.

Financing the dam

LOANS:

IFC	130 Million USD
AfDB	110 Million USD
EIB	136 Million USD
Other lenders	190 800 000 USD

BEL's contract involved the development, construction, and maintenance of a run-of-the-river power plant with a capacity of up to 250 MW. BEL also managed the construction of approximately 100 kilometers of 132 kV transmission line on behalf of the Uganda Electricity Transmission Company Ltd (UETCL) to evacuate electricity from the plant.

The dam development under BEL was fast-tracked resulting in many shortcuts taken to ensure that the project was approved as fast as possible, ignoring outstanding concerns about the project. The Government of Uganda used the country's spiraling electricity deficit, due to the inability of Nalubaale and Kiira dam to generate enough electricity to meet the country's power demand, as justification to speed up the process. However, the Nalubaale and Kiira extension were producing electricity far below the installed potential. Of the installed capacity of 180 MW and 150 MW respectively, the output averaged only 130 MW in total.

Civil Society and representatives of affected groups have used multiple avenues to address their grievances and resentment to the project. The World Bank's Compliance Advisor Ombudsman (CAO) is one that has proven potent. The first complaint was lodged with the CAO in 2000, and after this five more have followed. Several of the complaints have been resolved through mediation and concessions given to the complainants, however some cases are still unresolved.

Concerns regarding the Bujagali dam

Civil society in Uganda have from the early planning raised a number of concerns on the Bujagali project. The concerns include: The impacts of hydrology and climate change on the water flow from lake Victoria affecting the power generation of Bujagali, the costs of the project, affordability of power generated, commitments on mitigations measures, the Kalagala offset, BEL's community development action plans, compensation and resettlement processes, and dam safety. Although most of these concerns were addressed by the dam proponents and government after a lot of lobby and advocacy from civil society national and internationally, several issues are still under dispute, including unmet commitments alleviating resettled communities.

According to the project documents, the Bujagali dam affected 3,190 households or 13,760 individuals including those affected by the interconnection projects. The people who were directly affected by the dam project are 8,700 individuals or 1,288 households while the rest are affected by the transmission lines in the Bujagali interconnection project. The dam submerged highly productive agricultural land as well as islands that supported valuable natural habitats. The area around the Bujagali Falls supported a substantial number of subsistence and commercial fishermen, who depend on the resource for both food and income. The dam also destroyed a landscape of great scenic beauty, with a deeply rooted cultural value that also were of great importance for Uganda's tourism industry. Tourism is the second foreign exchange earner for Uganda.

Social concerns regarding the Bujagali dam

RESETTLEMENT ACTION PLAN FOR BUJAGALI DAM

In Bujagali 1, the project sponsor, AES Nile Power developed a Social and Environmental Assessment (SEA) document and a resettlement plan that was approved by the Government of Uganda and the World Bank in 2001. AES, however, pulled out of the project in August 2003 before completing implementation of the resettlement plan. AES had committed itself to compensating all the project-affected people and had also promised other development projects and benefits. However AES left the project before promises were fulfilled.



One of the houses constructed by AES at Naminya. This house was also turned into a primary school by the community.

COMPENSATION PACKAGES BY AES TO PROJECT-AFFECTED PEOPLE

The compensations planned included: Household unit, land, running piped water, electricity, health facility, primary school, community center and a market, income generating projects and trainings. At the time of their departure AES had secured land at Naminya and constructed 37 housing units, each on a one acre piece of land, and resettled 35 households. 2 housing units remained vacant. Other project-affected people opted for cash compensation and they bought land on their own.

However, not all the project-affected people had received all the compensation at the time of AES departure. The affected people were concerned that the compensations were not adequate. The complaints from the resettled community included;

- smaller plot of land than previously owned by the riverside,
- infertility of the land at the resettlement area,
- substandard houses with no kitchens & wash rooms,
- absence of land titles deeds given as compensation,
- absence of safe water for domestic use,
- a primary school,
- a road connecting resettlement to the main road,
- community center, a market and a health facility,
- electricity and income generating opportunities.

A NEW CONSORTIUM TAKES ON THE BUJAGALI PROJECT

In 2005 government revived the project under a new developer, Bujagali Energy Limited (BEL). BEL took over the project and inherited all the assets left by AES and promised to address all the unresolved issues. BEL submitted a new SEA document to the project financiers as the previous SEA by AES was null and void. The Bujagali dam Resettlement and Compensation Action Plan, and Community Development Action Plans was criticized by citizen groups locally and internationally for being shallow, shortsighted and focusing only on short-term impacts of the project. The dam was nevertheless approved by The Government of Uganda and the International financial Institutions and construction started, ignoring the outstanding concerns. Faced with unrelenting advocacy, BEL tried to address most of the concerns during project implementation. However, issues like hydrology and climate change risks, cultural and spiritual values, cumulative impacts of a cascade of dams, as well as new concerns that emerged during dam construction like occupational health hazards and cracking of houses due to rock blasts remained unresolved to date. Cases are still ongoing with the CAO, importantly one such is the complaint of over 100 injured workers from the Bujagali project. The workers case is described in section 3.0. Their case has not yet been resolved.

Community Development Projects for Bujagali dam-affected persons

BEL claimed that the dam would bring substantial benefits for Ugandan national economy and local communities near the dam site. That in addition to direct benefits, there will be new jobs; lower electricity costs etc. BEL said the dam would stimulate increased economic activities, producing important macro benefits for the national economy. BEL's Community Development Action Plan and social action plans include:

1. the construction and upgrades of health centers, homes and schools,
2. the extension of water services and drilling of water wells,
3. a rural electrification program,
4. vocational and skills training initiatives, and
5. a microfinance program.

Delivery of promises from community action plan

I. UPGRADING HEALTH CENTERS, HOMES AND SCHOOLS

BEL constructed a 10 class-room block at Naminya resettlement land for the community children. AES promised communities a school but failed to honor their promise. BEL also rehabilitated and upgraded 3 health centers at Naminya and Kikubamutwe, and also the house at Naminya.

II. EXTENSION OF CITY WATER SERVICES AND DRILLING WATER WELLS

BEL extended piped water in the resettlement area; however, only 3 water points were constructed in the compounds of 3 houses that now have to sell the water to the rest of the community. These water points are not enough to serve a community of 35 households. The community is concerned about availability as and when water is required as someone has to be present at the water point to grant access. The people are also concerned that this water is not free as there is a fee of UGX 100 for a 20 liter jerry can for utility maintenance, and on average they need 5 jerry cans a day for their domestic use which totals to UGX 500 or 2 US dollars. By Ugandan standards, this cost is very high, as poor people in Uganda live below 1 dollar a day. Although there are also two boreholes where the community can get water without charge, the available water is not enough to serve the whole community of 35 households.

III. EXTENSION OF ELECTRICITY AND RURAL ELECTRIFICATION

The dam-affected people are concerned of the slow progress of connecting electricity to the resettlement area. Uganda Electricity Transmission Company Limited (UECTL) installed the utility poles and lines in 2012, however the power has not been turned on to-date. The affected people are expected to pay a connection fee of UGX 250.000 (USD 100) which they say they cannot afford. Only 11 households have agreed to pay for connection. The community expected to be provided electricity for free as was promised by AES initially, but this is not likely to be the case. BEL has however, committed to pay for connection in the surrounding community including the 11 households that had agreed. It is not clear when this will happen.



Affected communities at Naminya discussing issues of water availability, February 2014

IV. VOCATIONAL SKILLS DEVELOPMENT

BEL conducted a Community Based Training (CBT) for 42 community members in the construction of portable and permanent energy cook stoves for 310 households in the project-affected villages. BEL also sponsored 140 youth to undertake vocational skills training at Nile Vocational Institutes in Jinja in different disciplines: 16 in block laying and concrete practices, 2 in catering and hotel management, 6 in carpentry and joinery, hair dressing and beauty therapy, 9 in motor vehicle mechanics, 3 in plumbing and sheet metal works.

V. MICROFINANCE

BEL supported the affected-community to access credit from Uganda Finance Trust to carry out local business initiatives. BEL signed a Memorandum of Understand (MoU) with the Uganda Finance Trust to implement the micro-credit program. The affected-people identified local businesses of their choice and funds were given to them to kick-start their ventures. The community was trained in monitoring and managing their businesses.

OTHER PROJECTS: INCOME GENERATION AND CONSTRUCTION OF MARKET

BEL also supported communities in Naminya to start aquaculture and identified qualified agricultural personnel to provide initial advisory services. 3 fish ponds were constructed and BEL provided finances to buy what the community needed to start fish farming. The fish ponds were constructed and are already harvesting fish, however, the community are concerned that the ponds are not fenced for safety to keep away thieves.

BEL has tried to implement some of the community development project, like the community market constructed at Malindi, however, due to lack of participatory consultations, the market is not being utilized. The market is reportedly situated in a place unsuited for trade and market activities have continued elsewhere. The project affected peoples therefore consider the promise to construct a market uncompleted. The community is also awaiting a community center promised to them by AES.

Compliance with World Bank/ AfDB guidelines on resettlement and compensation

The Bujagali project violated the lenders policies on resettlement and compensation. Actually, the financiers have on several instances themselves acknowledged that their borrowers were not in compliance with their requirements. One such report is the 2008 *Compliance Review Report on the Bujagali hydropower and interconnection project* written by an independent review panel for the African development bank.

"The failure to resolve all legacy issues prior to the commencement of project activities, despite the Project sponsor's commitment to resolving these issues, does not comply with the requirement set out in Paragraph 3.3(e) of the Resettlement Policy that "displaced persons should be compensated for their losses at 'full replacement' cost prior to their actual move or ...commencement of project activities, whichever occurs first". In addition, the failure to resolve these outstanding legacy issues in a timely manner does not comply with the requirement of Paragraph 3.1 of the Bank's Resettlement Policy, to ensure that resettlers are treated "equitably" and are receiving a "share of the benefits" of the project. This situation, in which the resettlers, have less cash crops, and less access to revenue generating opportunities than they had prior to their involuntary resettlement, even if they have received some compensation, does not comply with the requirements of OM According to the AfDB politics."

— CRMU Compliance Review Report, p 25

As we can see the review panel found the situation of the affected people to be less well off than before resettlement. They are also reiterating the demand for compensation at full value, something that has been a longstanding issue between the local community and the developer.

The resettled community have also faced new challenges to their already inadequate land: several households are complaining that a neighbor community is pushing them out of the land they have gotten. The land containing the resettlement previously belonged to the other village, and recently they have been laying claims to land used by the resettled households.

The World Bank Compliance Advisory Ombudsman have similarly taken on complaints towards the project and facilitated mediation and compensation. Missing payment for the contested land, problems with the consultative committee and errors in the measuring of compensations are some of the issues raised in the complaint. The CAO sent an Ombudsman team to meet with relevant stakeholders in 2011 with the aim of settling issues through collaborative processes between the stakeholders. While some of the issues were settled, the company have not been willing to meet demands on other issues. The case have now been moved to appraisal in the CAO system.



Affected communities meeting to discuss complaints, December 2011.

CAO Complaints on Bujagali

1. Complaint lodged to CAO on Bujagali by NAPE in 2000 deemed ineligible for assessment by CAO.
2. Consultation, Environmental assessment, compensation, spiritual significance, overall river management plan on the Nile, World Commission on Dams Guidelines and corruption are addressed by the complaint filed in June 2001. In its assessment report the CAO noted several outstanding issues. The case was closed in 2005 as the IFC had not yet reached an investment decision.
3. Burial sites and protection of indigenous culture and tradition are addressed by a complaint filed in July 2001 claiming the project failed to comply with World Bank Group policies. The CAO concluded, in its Assessment Report of September 2001, that the evidence provided to CAO by IFC contradicted the issues raised by the complainant. Complaint closed January 2005.
4. Workers health and safety, and compensation are issues of the complaint raised by former workers in March 2011. The status is that 83 out of 96 cases are resolved. The remaining is under appraisal.
5. Land acquisition and livelihood are among the issues raised in the fifth complaint, filed in May 2011. The complaint is partially solved, several issues are moved to appraisal.
6. Unpaid wages is the reason for the sixth complaint. Lodged by former workers in March 2013 the case has moved to dispute resolution.
7. A seventh complaint has been delivered to CAO after this report was completed.

Compensation of people injured during work at the Bujagali dam



Photo: NAPE

Nape meeting representatives of the people who were injured during their work at the dam construction.

Over 300 people were employed by the dam project but during the course of their work suffered occupational injuries and were discontinued from work with inadequate compensation. A complaint was filed in 2011 to the Compliance Advisor of the World Bank (CAO) by the Chairman of an informal association of former Bujagali construction workers, acting on his own behalf and over 100 other former workers at the dam construction site. The complainants raised concerns on unpaid and poor compensations to the former workers who were discontinued from work upon sustaining serious accidents and injuries during their course of work at the Bujagali dam construction site. The victims were dismissed by Salini, the company contracted by BEL to construct the dam. The victims wrote a petition and sent it by e-mail to the CAO of the World Bank.

INTERVENTION OF THE COMPLIANCE ADVISOR OMBUDSMAN (CAO) OF THE WORLD BANK'S IFC

CAO found the workers complaint eligible for further assessment in April 2013. The assessment concluded in November 2013 with the parties agreeing to engage in a voluntary dispute resolution process facilitated by CAO. During the discussions on the dispute resolution process design, it became apparent that the parties were unable to reach consensus on how to move forward. Given this impasse, CAO brought the dispute resolution process to a close in November 2014. In accordance with CAO's Operational Guidelines, the case has been referred to CAO Compliance for appraisal of IFC's and MIGA's performance with regard to the project. -The fate of the complainants now remains in the balance.

Compensation for people affected by the Bujagali Transmission line



The Inspection Panel team at one of the area affected by the transmission line in Mabira forest.

Photo: NAPE

The Bujagali Electricity Transmission Line was built to evacuate power from the power plant to the Kawanda substation, then to Mutundwe Substation near Kampala where it is then integrated into the main grid. The transmission line covers a distance of 100 kilometres through fragile ecosystems, including wetlands, the Mabira central forest, and as it approaches Kampala city, it crosses high populated urban areas. It thus affects a number of different value properties including homesteads that needed fair and adequate compensation. The compensations given to people affected, however, were far below the current market rates. In 2009 many of the affected-people refused to accept the compensations leading to intimidation, negotiation, legal redress and mediation processes. About 50 affected people from Kiira near Kampala had their complaints settled out of court at the request of UETCL in 2010. There are two categories of affected-people whose concerns are not yet settled, these are; (1) those who opted for legal redress and (2) those who did not trust the court to address their issue.

CATEGORY 1: THOSE WHO WANTED LEGAL REDRESS

In 2008, a total of 557 people affected by transmission line who felt that the compensation given to them by the Uganda Electricity Transmission Company limited (UETCL) was not adequate took their case to court. The project financiers -the World Bank, The African Development Bank and The European Development Bank learnt about these developments and advised government of Uganda to settle the matter outside court with the involvement of the CAO as the mediator. According to the affected people, the case has not been settled to date. Government is dragging its feet and unwilling to act because it feels there is nothing to worry about since the dam is complete and in operation.

CATEGORY 2: THOSE WHO OPTED TO SETTLE THE MATTER OUTSIDE COURT

These are people numbering more than 100, also affected by the transmission line and not previously compensated. At first they did not go to court because they did not trust the court would administer justice because of government influence over it. These categories of people were also identified by the CAO, even before mediating for those who went to court. However when government of Uganda lost interest in their case, CAO abandoned the issue. These people are still helpless and hapless.

Effects of blasting rocks on the river bed during the dam construction

A number of households from both sides of the river banks in the districts of Buyikwe (western bank) and the district of Jinja (Eastern bank) in 2009 raised concerns about damages to their houses due to blasting of rocks at the dam site. People's houses developed cracks as a result of the blasting. In the same year, Salini Constructori –the company contracted by BEL to construct the dam denied responsibility, arguing that houses affected were outside the area specified for the impact. They also said that those buildings affected were not built according to civil engineering standards. However, with the help of the organization Counter Balance, NAPE, Sherpa and Centro Legale pro Afrodescendenti ed Indigeni-Onlus (CLAI) petitioned The European Investment Bank (EIB). The complaint, listing many issues such as water management, economic feasibility and social and cultural matters, was raised to the EIB complaints Mechanism in 2009. However the case was not solved before the EIB ombudsman reopened the case in 2012, reviewing the assessment of damages to houses using the EU civil engineering (seismic) standards. A settlement process was initiated with EIB playing a mediation role between the government and the affected persons. NAPE represented the affected persons and their EU partners in the mediation. This process has addressed many of the concerns and is in the conclusion stages. The dimension of the zone within which repairs should be provided was initially governed by the standards of Ugandan government that identified 0.5 kilometers as the limit for compensation, however, an other 70 households beyond the specified zone complained that their houses too were affected by the blasting and need to be compensated.



Photo showing one of the houses affected by rock blasting in Malindi.

¹ Here: the African Development Bank and the World Bank

²African Development Banks Involuntary resettlement policy of 2003 <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/10000009-EN-BANK-GROUP-IN VOLUNTARY-RESETTLEMENT-POLICY.PDF>, now incorporated in AfDB Integrated Safeguards system.

Unresolved issues about the Bujagali dam

Cultural and Spiritual value

The Bujagali dam affected the Basoga people's cultural and spiritual institution. The spiritual shrine which was constructed adjacent to the Bujagali Falls has been submerged. Negotiations with Jaja Budhagali (the Spiritual leader) started in 2001 when the resettlement process of all project-affected persons commenced. However, the process failed as the government and BEL refused to honor his demands of relocating the shrine. BEL and the government instead fronted an impersonator as Jaja Budhagali, who performed rituals to appease the spirits to move. This was, however, discovered and negotiations resumed with the rightful leader however, this has not been concluded. To date, this issue has not been solved and Jaja Budhagali the spiritual leader and his followers are disgruntled. The Independent Review Mechanism (IRM) of the AfDB have attempted to intervene and their team has noted that there is need to keep the possibility of a conciliatory arrangement between the Jaja Budhagali, the Spiritual leader and BEL for appeasement ceremonies in the future.

COMPLIANCE WITH THE BANKS¹ GUIDELINES

The banks were required to establish in their appraisal of the Bujagali hydropower project that there were meaningful consultations between the sponsor of dam project and Jaja Budhagali (spiritual leader) and his followers. The banks' failure to do so amounts to non-compliance with the policies cited below. This failure is significant since, under bank policies, the Jaja Budhagali and his followers were entitled to particular attention because of the profound importance of the Bujagali Falls as a religious site, the enormity of their potential loss when the Falls are flooded, the impact of this loss on their beliefs and religion, and because of their disadvantaged position in the specific context of this project.

In paragraph 3.3 C of their Involuntary Resettlement Policy² the AfDB states that disadvantaged groups are to be paid particular attention to, including religious minorities. The spiritual leader, Jaja Nabamba Bujagali and his followers are a religious minority in Uganda, and a powerful forces in both Basoga society and in the larger Ugandan society and should have been viewed as a disadvantaged group, within the specific context of the Bujagali project. Further the banks' Environmental and Social Assessment Procedures explicitly states the banks' responsibility to take stakeholders concerns into account and incorporate these into project design and implementation.

While the World Bank does not have a policy that deals specifically with cultural and spiritual matters, there are a number of Bank policies and procedures that refer to this issue. The World Bank in their appendix both on hydropower and on dams and reservoirs identify cultural property as a major issue in dams or hydropower projects.

Hydrological Risk and Climate variability and Lake Victoria water levels

BEL's Social and Environmental Assessment (SEA) does not adequately address the questions about hydrological changes on power generation at the Nalubaale, Kiira and the Bujagali dam, especially now when the country is experiencing variation in climatic conditions that puts it at a risk of the effects of climate change.

Climatic variations have a bearing on the levels of Lake Victoria and the ability of the power plant to generate the projected amount of power. Overdrawing of the water for the cascade of dams will affect the dam operation.

The Project preparation documents (SEA report, PPA Study and Investment Proposal) states that the Bujagali hydropower facility, by using the same waters turbined by existing dams, will ease the pressure on Victoria Lake waters and lead to more sustainable flows from the Lake. The Bank claimed that the economic study "assessed the impacts of both low and high hydrology scenarios, and separately determined that climate change is not predicted to have a negative impact on water availability".

The lack of up-to-date and adequate information on hydrology, climate change, cumulative impacts assessments and commitment on Kalagala "Off Set" in BEL's SEA violates the African Development Bank Policies on Environmental Assessment.



Cumulative Impact of dams and the Kalagala "Offset"

The commitment on Kalagala Falls as an "Offset" by government of Uganda is not binding. It does not completely remove Kalagala as a future dam site. Legal interpretation of the indemnity agreement by the Inspection Panel also confirmed that there was no guarantee for Kalagala as an offset for Bujagali (Ref. Inspection Panel Report, 2002).

The indemnity agreement between The World Bank and The Government of Uganda states that "Government of Uganda undertakes that any future proposal which contemplates a hydro power development at Kalagala will be conditional upon satisfactory EIA being carried out which will meet the World Bank Safeguard Policies as complied with in the Bujagali project. Government and the World Bank will jointly review and jointly clear such an EIA"

Government of Uganda is implementing a number of ambitious hydropower projects along the River Nile. Of particular case is the 183 MW Isimba power plants about 40 kilometers downstream of Bujagali and adjacent to Kalagala falls. With the selection of the third option that maximizes the generation options, it will submerge the Kalagala falls which will automatically be breaking the Government of Uganda Kalagala Offset Indemnity Agreement with the World Bank. Others include the 600 megawatt Karuma power plant at Karuma falls on the White Nile as well. Further downstream, there is Ayago power plant 600 MW downstream of Karuma dam. Ayago power plant will be developed in two simultaneous phases, Ayago North 350 MW and Ayago South 250 MW.

² Promoting Sustainable Energy Development in Uganda: A Guide to Geothermal Development in Uganda: http://www.internationalrivers.org/files/attached-files/geothermal_guide.pdf

Economic, Comprehensive Options Assessment

BEL's Power Purchase Agreement (PPA 2007) economic analysis does not adequately address the economic viability in relation to hydrological risks, social and environmental impacts. The report only highlights the benefits and not the costs associated with change in water flows and disruption of people's livelihoods of lake-side dwellers and businesses. BEL's PPA did not attach figures on the incremental social and environmental costs or damages attributed to Bujagali project, this was by default. Secondly, there was 10% discount rate used in the economic analysis, which is too high underestimates the Bujagali project's damage costs thereby favoring projects that produce short-term benefits against long-term costs.

An analysis of the risks of climate change on Uganda's energy sector and its economy has not been undertaken. Uganda has vast renewable energy resources in the form of solar, geothermal and wind. These are environmentally friendly sources of energy that need to be exploited and promoted. NAPE published a study in 2005 showing that Uganda's geothermal potential stand at 450MW but could be more².

These pro-poor energy options like solar, wind, biomass and geothermal have not been adequately studied to provide evidence that Bujagali dam project is the least-cost option. Although there have been various efforts in the recent past to analyze Uganda's renewable energy potential, the bloated dam project had the effect of stifling development of viable renewable energy options.

Affordability

The cost of Bujagali dam has a direct bearing on citizen's ability to afford its tariffs. The Bujagali dam cost kept on growing from \$580 million at inception to \$860 million and finally \$902 million (\$3.6M per MW) at completion. Yet different from the purported dam capacity (250 MW) to date, the dam has not generated to its expected 250 MW. Recent records so far seen indicate that the dam is producing only between 150–155 MW as opposed to 250 MW. Although the dam is not expected to produce at peak capacity at all times this is not value for money. The changing hydrology and climate variability also pose a risk to the dam generation ability.



A picture taken at the powerhouse showing peak generation at the time the water head was at its best, April 2014

Equally the current tariff of UGX 520.60 (USD Cents 2.01) per unit for domestic consumers is high for an ordinary Ugandan and is a threefold increase since before the onset of the dam construction. This is opposed to a reduction of power cost - a lie that was traded for social acceptance and Banks approval of the dam project. Uganda's electricity tariff is the highest in the East African region.

Bujagali Dam Safety

The Bujagali dam design did not consider the safety of the old Owen Falls (Nalubaale) dam, which is now 60 years old. The Nalubaale dam powerhouse and the bridge have cracks and pose a risk to the Bujagali dam downstream. There are no concrete steps to decommission the old Nalubaale or for disaster preparedness mechanisms and associated costs. Such strategies are very important; especially since there was no EIA done for the adjacent Kiira dam and no post-construction audit done for Nalubaale dam.

Referred project documents

AES Resettlement action plan - see World Bank web I

AES Social and environmental assessment – see World Bank Web I

African development bank,
Independent review panel, 2008,
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(CRMU report) www.afdb.org

Independent review mechanism, 2012,
4th Monitoring report – On the implementation of findings of non compliance
and related actions to be undertaken by the AfDB Management on The Bujagali hy-
dropower and interconnections projects
www.afdb.org

Bujagali Energy Limited Social and Environmental Assesment (SEA) – see World
Bank web II

CAO – List of cases: www.cao-ombudsman.org

CAO – Bujagali case 4: Former workers health and safety compensation

www.cao-ombudsman.org

Ombudsman conclusion report (2013) www.cao-ombudsman.org

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www.cao-ombudsman.org

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CAO - Bujagali case 6: Former Bujagali construction workers

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Ombudsman conclusion report (2014) www.cao-ombudsman.org

EIB Complaints office, Conclusion report – house blasting damage

www.counter-balance.org

World Bank (web I) page on Bujagali 1 www.worldbank.org

- (AES) Social and environmental assessment

- (AES) Resettlement action plan

World Bank, 2002, Inspection panel Investigation Report documents.worldbank.org

World Bank (web II) page on Bujagali 2 www.worldbank.org

-(BEL) Social and environmental assessment, containing

Social and environmental action plan (page 492) ifcext.ifc.org

Further reading

- NAPE report, 2008: Facts about World Bank and African Development Bank in the controversial Bujagali dam: A civil Society perspective – listing all policy violations and pertaining policy. www.wetlands.org
- Bank Watch report: Raising the bar on big dams, 2007, -highliting alternatives and shortcomings to the World Commission on Dams recommendations. www.bankwatch.org
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- International Rivers Hydroloic report, 2006, Connections Between Recent Water Level Drops in Lake Victoria, Dam Operations and Drought. www.internationalrivers.org
- NAPE, 2005, Promoting Sustainable Energy Development in Uganda: A Guide to Geothermal Development in Uganda. www.internationalrivers.org
- World Rainforest Movement, 2003, Dams: Struggle against the modern dinosaurs – rendering the story of the Bujagali project. www.wrm.org.uy
- International Rivers, 2001, Letter to World Bank on unresolved issues. www.internationalrivers.org

Bujagali timeline

1994

Bujagali hydropower project conceived as the least-cost project.

1996

In February, the Government signs a \$450m pact with US power giant AES Corporation to undertake the project. AES was a joint venture with Madhvani International.

In March, the World Bank's inspection panel approves the project and AES submits a draft Environment Impact Study (EIS) report to the National Environmental Management Authority (NEMA).

In November, AES announces that the project will deliver power by 2004. MPs approve the project.

In December, the cost of the project increases to \$520m, which the Government and AES agree upon.

2000

First complaint by civil society delivered to the World Bank CAO Ombudsman.

2001

- Civil Society hands in request for inspection to World Bank Inspection Panel
- Resettlement initiated.

2002

In July, the report from the World Bank inspection panel investigation is published, stating that the project is violating five operational policies.

In July, AES uncovers a bribery scandal. The World Bank associate director Richard Kajjuka director forced to resign after allegedly receiving 10.000 USD to support the project.

In August, MPs begin querying the financial muscle of AES, hence delaying the project.

2003

In June, After demobilizing in September 2002 the two construction firms Veidekke and Skanska pull out due to bribery and environmental controversies. The Government asks AES to lower the project cost.

In August, the World Bank reassures that it is going to fund the project. AES pulls out as the World Bank board is about to end the financial closure. The Government takes over AES' assets.

In September, the Government invites new developers and says the Bujagali project will be developed before the one at Karuma.

2005

In February, The consortium of Industrial Promotion Services (IPS) and Sithe Global wins the bid for the renewed project and forms BEL.

In December, UETCL signs a power purchase agreement and implementation agreement with BEL.

2006

In April, NAPE conducts a public hearing against Uganda's laws in early April. Later in April NEMA conducts a national stakeholders' public hearing at Jinja, where the affected community is located and promises to release a final verdict before the end of April.

In May, The World Bank Board of Directors approves a \$360m loan to cement its support of the construction of the dam.

In June, the Government advances \$90m to BEL to kick start and mobilise the equipment on site.

In August: President Yoweri Museveni and Aga Khan lay the foundation stone for the Bujagali hydropower project.

In September: The left hand side of the Bujagali Dumbell Island is blocked using coffer-dams to provide room for construction of the power house.

2007

In March: NAPE and Ugandan citizens raise complaint with the World Bank inspection panel, on potential violations of World Bank policies.

In May: International NGOs request the EIB to postpone approval of the project awaiting the World Bank inspection panel.

April and May: The World Bank, African Development Bank and European Investment Bank approve the Bujagali project.

2008

557 people affected by the transmission line took demands for compensation to court. In September: World Bank Inspection panel released its report finding instances of non compliance relating to: Environmental issues, Hydrological and climate change risks, Involuntary resettlements, Cultural and spiritual values and Economic and Environmental Analysis of Alternatives.

2009

- People affected by transmission line refusing to take compensation face intimidation.
- Concerns about blasting damage to houses raised.

2010

In November: Right hand side of the Bujagali Dumbell Island blocked, water start passing the power station.

2012

February to June: Units 1 to 5 sequentially tested and commissioned on the national grid. Switching off Kiira thermal power plant, Mutundwe thermal plant, Namanye and Tororo thermal plants, and ultimately ending load shedding.

In August: Commencement of the Commercial Operations Date of the 250MW Bujagali Hydropower Project.

2013

Load shedding continues to-date in all parts of the country, save for Kampala where the load shedding has greatly improved.

