



BURNSIDE

Appendix D.1

**Correspondence between World Bank
and Government of Uganda Regarding
Kalagala**

April 25, 2001

Hon. Syda Bbumba
Minister of Energy & Mineral Development
The Republic of Uganda
Dear Honorable Minister

Bujagali Hydropower Project
World Bank Group's Requirement of an Offset at Kalagala Falls

The World Bank Group and AES, the sponsor of the Bujagali hydropower project, have undertaken a comprehensive environmental and social review of Bujagali over the past three years and have arrived at a set of mitigation measures which will form the basis for the World Bank Group's environmental and social clearance of this project. The comprehensive due diligence on Bujagali also includes an assessment of the environmental and social impacts of alternatives to the Bujagali hydropower project, cumulative impacts of such potential projects and an environmental impact assessment (EIA).

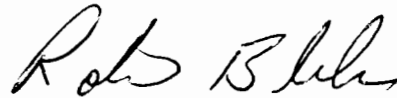
As part of the EIA-process, a number of stakeholder forums have been held including one in Washington, DC in June 2000. At the June forum in Washington, DC, AES distributed copies of the NEMA-approved EIA, the Victoria Nile Strategic Impact Assessment and the Assessment of Generation Alternatives. Soon the World Bank Group plans to release the finalized Bujagali EIA at its Public Information Center and in Uganda. A detailed description of the environmental and social due diligence on Bujagali, the project's impacts and the recommended mitigation measures are outlined in this EIA.

The World Bank Group's Safeguard policies require adequate mitigation measures to be implemented in conjunction with a project which may have significant social and environmental impacts. The environmental due diligence undertaken by the World Bank Group on the Bujagali hydropower project has determined conclusively that both Bujagali Falls and Kalagala Falls are natural habitats and cultural properties of significance to the people of Uganda. Therefore, as the implementation of the Bujagali project will inundate Bujagali Falls, the World Bank Group concluded that Kalagala Falls must be conserved in perpetuity for its spiritual, natural habitat, environmental, tourism and cultural values.

April 25, 2001

Please find attached the agreement that the Government of Uganda and the World Bank Group have arrived at as part of the mitigation measures required by the World Bank Group to proceed with the remainder of the due diligence with the intent to complete the financing of the Bujagali hydropower project. We look forward to working with the Government of Uganda and AES on implementing the letter and spirit of this agreement.

Sincerely

A handwritten signature in black ink, appearing to read "Rob Blake". The signature is fluid and cursive, with the first name "Rob" and the last name "Blake" clearly distinguishable.

Robert Blake
Country Manager, Uganda

Encls: Mitigation for Loss of Bujagali Falls: The Kalagala Offset

Mitigation for Loss of Bujagali Falls: The Kalagala Offset

Item 1

The Government of Uganda undertakes that any future proposals which contemplate a hydropower development at Kalagala will be conditional upon a 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.

Item 2

By July 31, 2001 the Government will: (a) through a multi-stakeholder consultation process (involving government, non-government and other parties like the World Bank Group and African Development Bank), identify potential environmentally sustainable investment programs with appropriate mitigation measures at Kalagala; and (b) undertake to establish a multi-stakeholder task force by January 31, 2002 to identify, review, implement and monitor such investment programs at Kalagala. This task force will continue to operate for the duration of the World Bank Group involvement in the Bujagali Project. The World Bank Group undertakes to consider financing to support such investments that are recommended by the multi-stakeholder task force.

Item 3

The Government of Uganda undertakes to conserve through a sustainable management program/budget, the present ecosystem of the Mabira Forest Reserve and those portions of the Mabira Forest Reserve on both banks of Kalagala Falls that have been de-gazetted.

Item 4

The Government will balance the development of main stream hydropower projects, which are for the purpose of serving the needs of grid-connected customers, with off-grid rural electrification projects using alternative technologies as deemed fit for each setting. The Government will ensure timely implementation of its Rural Electrification Strategy, such as the investments which the World Bank Group supports and is appraising with the intent to providing a long-term financing commitment, in parallel with projects such as Bujagali.

Item 5

The Government will rule out the development of hydropower initiatives at Murchison Falls, in line with its status as a World Heritage Site.

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THE REPUBLIC OF UGANDA

OFFICE OF THE MINISTER

MINISTRY OF ENERGY AND
MINERAL DEVELOPMENT

P. O. BOX 7270,
KAMPALA - UGANDA

IN ANY CORRESPONDENCE ON
THIS SUBJECT PLEASE QUOTE NO.....

UEB 186/01

25 April, 2001

Mr. Robert Blake,
Country Manager Uganda
The World Bank

Dear Mr. Blake,

RE: MITIGATION FOR LOSS OF BUJAGALI FALLS

I refer to your letter dated April 25 2001, regarding the agreement which the Government of Uganda and the World Bank Group have reached with regard to mitigation of the negative environmental impact which may be created on the Upper Nile as a result of the development of the proposed hydroelectric project at Bujagali falls.

In arriving at this agreement, both parties (the World Bank Group and Government) have considered measures, which will meet their respective Policy goals. In particular, the Government of Uganda has taken into consideration its policy objective of developing least cost options for the country's electricity supply. In that regard, I wish to add that government will work with World Bank Group to examine in sufficient detail alternative generation options equivalent to the Kalagala potential which could be a substitute to Kalagala site.

In conclusion, the Government of Uganda concurs with the mitigation measures spelt out in the agreement for the development of Bujagali hydroelectric project.

Yours sincerely,


Syda N. M. Bbumba (Mrs.)

MINISTER FOR ENERGY AND MINERAL DEVELOPMENT



Appendix D.2
Electricity Regulatory Authority Decision
on Virtual Peaks Resources' Application
to Develop the Kalagala Hydro Site



ELECTRICITY REGULATORY AUTHORITY

Promoting Quality and Sustainable Electricity Supply at Equitable Prices

VPRS/006/004

September 15, 2006

Mr. Datto
Virtual Peaks Resource
39-43 Desa, Off
Jalan Kalang Lama
58100 Kuala Lumpur
Malaysia

*FABU to
Minister
to note
me
ps.*



Dear Mr. Datto

Re: KALAGALA HYDRO SITE

Further to earlier communications and your subsequent application for a permit to carry out feasibility studies on the Kalagala hydro site in Kayunga District (formerly part of Mukono District) of Uganda.

After advertising your application in line with section 30 of the Electricity Act 1999 (Cap 145 Laws of Uganda 2000) we received **one written comment**. An investor for a permit to develop Bujagali raised concerns on a previous Government of Uganda commitment to "freeze" the Kalagala hydro site till after a thorough environment impact assessment had been carried out to the satisfaction of stakeholders to the Bujagali project, including the World Bank. ERA was subsequently invited to meetings in government departments at which the Uganda government position was well articulated to ERA.

William

The government position on the site is that "it continues to be "frozen" for development purposes". The Authority at its 100th meeting considered the government position and accepted it. This letter serves to inform you that the Electricity Regulatory Authority will not progress your application for a permit in the circumstances."

Kindly accept our apologies for the delay in communicating this position.

Yours sincerely

-Sebbowa

Eng. Dr. F. B. Sebbowa
CHIEF EXECUTIVE OFFICER

- Copy to:
- (i) The Principal Private Secretary to H.E. The President
 - (ii) The Permanent Secretary, MEMD
 - (iii) The Permanent Secretary/Secretary to the Treasury, Min. of Finance