

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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December 4, 2006

Frank Muramuzi
Executive Director
National Association of Professional Environmentalists (NAPE)
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Lori Pottinger
Africa Program Director
International Rivers Network (IRN)
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Berkeley, CA 94703

Nikki Reisch
African Program Manager
Bank Information Center (BIC)
1100 H Street, NW, Suite 650
Washington, DC 20005

Dear Mr. Muramuzi, Ms. Pottinger, Ms. Reisch,

RE: Your November 2, 2006 Letter on the Bujagali Hydropower Project

We refer to your correspondence of November 2, 2006 regarding the Bujagali hydropower project. From your letter, it seems that we have broad areas of agreement on the fundamentals: Uganda's severe energy shortage requires urgent action, while at the same time the health of Lake Victoria and the Nile - invaluable regional resources - must also be maintained. Together with the regional governments, including Uganda, the Bank Group is supporting achievement of both of these goals.

In addition, I would like to reassure you that both the Government and the Bank Group are very aware of the importance of transparency in this transaction, and are supporting both the Government and project sponsor to follow a transparent and open process. For example, Government undertook a competitive process for selection of project sponsors, and the Project Sponsor is utilizing an International Competitive Bidding process for selection of the Engineering, Procurement, and Construction ('EPC') contractor. These are critically important actions to maximize economy and efficiency in the overall development process. In addition, the project sponsor is conducting a series of local stakeholder consultations in accordance with Bank Group policies, and has posted details on these, along with other information, on the project web site (<http://www.bujagali-energy.com/default.htm>). We expect the project to fully comply with Bank Group disclosure requirements. We are also encouraging the Government and Project Sponsor to disclose *information on the Power Purchase Agreement*.

As for your specific concerns regarding the preparation and disclosure of additional studies related to the project, please note that key project specific analyses, notably the Environmental Impact Assessment, and the Resettlement Action Plan, including an assessment of cumulative impacts, are under preparation and will be disclosed shortly after their completion. A Strategic/Sectoral Social and Environmental Assessment (SSEA), which takes a broader view of the Nile equatorial lakes region and involves regional experts and civil society, is also nearing completion and is expected to be disclosed thereafter. Interim information on the SSEA is provided on the following web site:
<http://www.ssea.snclavalin.com/reports.htm>.

Also, we concur that hydrology is a key factor in project analysis, including for assessment of least cost power development options. For this reason, the Project Sponsors, the Government and the Bank Group have taken special efforts to analyze the hydrology utilizing the existing records. Information on the hydrological analysis, as well as on the economic analysis including a least-cost assessment of power generation options, is also in progress and will be disclosed upon completion.

With regard to power generation alternatives, the Bank Group recognizes their importance to the Ugandan economy, and is supporting their exploration and development through other projects in the sector. For example, the Bank Group is assisting the Government in determining their geothermal energy resources through support from the Fourth Power Project. Moreover, Uganda is part of the proposed GEF African Rift Valley Geothermal Project. Uganda also is an integral part of the planned East Africa Power Pool, which will ultimately provide a regional power market, allowing participants to sell excess power when available, or purchase lower cost power from neighbors.

In addition, the Energy for Rural Transformation Project is supporting development of small and medium-scale renewable energy options including both grid-connected and off-grid mini and micro-hydropower, bagasse cogeneration, and biomass gasification. The Bank's Carbon Finance unit is exploring options for supporting landfill gas methane extraction for power production. Finally, you should also be aware that Government has embarked on an aggressive thermal power program which explicitly provides a near-term complement to Nalubaale/ Kiira hydropower, reducing the pressure for over abstraction of Lake Victoria water. The Thermal Power Generation Project, proposed for Bank support, will provide critical funding for this initiative.

I trust that the above addresses your concerns.

Sincerely,



Judy M. O'Connor
Country Director for Tanzania and Uganda
Africa Region