

Board of Executive Directors, European Investment Bank

Cc: Philippe Maystadt, President European Investment Bank

May 2nd, 2007

Re: Outstanding Concerns on Bujagali Hydropower Project, Uganda – request for postponing of the vote

Dear Executive Director,

As we were informed by the EIB the Bujagali Dam project is currently scheduled to come before the Board for approval in the first half of 2007, which would mean for the session in May or June. We have significant outstanding questions about the cost and selection of the dam, the pending case in the World Bank Inspection Panel, and new information highlighting potential adverse impacts of the dam's construction on the health of Lake Victoria and fisheries. Furthermore, the ongoing chaotic situation in Uganda surrounding the government's pending decision to eliminate protections from the Mabira Forest Reserve not only casts doubt on the government's commitment to environmental protections associated with the Bujagali project, but raises concerns about the security of civil society who speak out on environmental issues in Uganda.

The World Bank's approval on April 26th of \$360 million in loans and guarantees for Uganda's Bujagali Dam was based on a flawed study that downplays critical findings on climate change, hydrology and fisheries, according to a team of independent experts commissioned by Ugandan and US nongovernmental organizations. The dam could be disastrous for Lake Victoria, the world's largest tropical lake, and a drag on Uganda's economy. And its high cost means its electricity will not be affordable to the majority of Ugandans.

We recognize the urgent need for increased energy supply in Uganda. However, the social and environmental risks associated with this project argue against a rushed process. **We propose that you request the EIB Management to postpone the vote on the project until the following issues are satisfactorily addressed:**

Hydrology and climate change: The economic analysis of Bujagali commissioned by the World Bank leaves out or distorts key information, thus skewing its findings in favor of the dam. We assume the EIB is using the WB commissioned study in its assessment of the project and we are not aware of any specific EIB commissioned assessments on the issue.

According to an independent expert review, the study, which the World Bank and European Investment Bank say demonstrates that Bujagali is the least-cost option, is flawed on a number of counts:

- it understates or ignores the social and environmental costs of the dam,
- assumes that climate change will not significantly affect the Nile River flows or level of Lake Victoria despite research to the contrary, and
- bases its analysis on a "constant release scenario" whose social and environmental impacts remain unknown. Expert analysis reveals that it would take many more years for

Lake Victoria to recover from its recent unhealthy low water levels under the Constant Release Scenario as compared to the Agreed Curve, a formula accepted by riparian states for managing Lake Victoria and the Nile River flows as naturally as possible.

There is good reason to believe that Lake Victoria's low levels in recent years may be more the norm than the exception in the future, particularly as climate change is expected to bring warmer temperatures to East Africa. However, the World Bank-commissioned economic analysis of Bujagali uses 100-year historical average lake levels, rather than recent (lower) trends to make predictions for the future, and assumes that climate change has not had and will not have any permanent impact on lake levels or Nile flows during the project's economic lifetime. This assumption leads to optimistic projections about future lake levels that may overstate the output potential of Bujagali and thus make the dam appear more cost-effective than it may prove to be. This could lead to a repeat performance of the over-optimistic hydrological projections used by the World Bank to justify the Kiira Dam's projected capacity – projections which have led to over-releases of water from the dam complex and the dropping levels of Lake Victoria. **Any new hydrological curve should be agreed to by all Lake Victoria nations under a transparent, participative process.**

A hydrological curve that prioritizes protecting the Lake and riverine ecosystems is of increasing importance given the risks that climate change could disrupt the flow of the White Nile. We believe the European Investment Bank should base its economic analysis on the Agreed Curve, or on a new curve that offers equal protections to the ecological health of Lake Victoria and downstream ecosystems upon which millions of people depend.

Fisheries: A fisheries expert with longtime experience studying the Nile has concluded that without additional comprehensive baseline studies, a sustainability plan for the Victoria Nile, and improved mitigation measures, the construction of Bujagali could result in significant impacts on species diversity and ecosystem services, particularly endangered fish species. **We urge the EIB to immediately open up a wider dialogue on fisheries impacts and mitigation measures, and to undertake a thorough survey of species in the Victoria Nile, before proceeding.**

Protected Reserves: The government's plan to give away part of the Mabira Forest Reserve to a sugar company for conversion into a plantation raises serious concerns about

its commitment to protect sensitive areas, and to uphold its promises on the Kalagala Offset (which includes parts of the Mabira Forest) as part of the agreement to mitigate adverse environmental impacts from Bujagali. President Museveni continues to indicate that he is determined to go ahead with the giveaway (and to prosecute those "saboteurs" who get in the way of his plans¹). **This issue must be clarified before the EIB proceeds with the project.**

World Bank Inspection Panel: On March 5, 2007, the National Association of Professional Environmentalists (NAPE) and other citizens and local organizations filed a complaint with the World Bank Inspection Panel, citing concerns about potential violations of World Bank policies in relation to the Bujagali project. The Panel is currently in the field conducting an eligibility visit. The findings of this initial visit will likely contain vital information that may have direct bearing on any decision regarding World Bank financing for the project's development and would be of an extreme importance for the EIB decision making. **For this reason, we believe it is in the interest of the EIB to wait for the outcome of the Panel's Eligibility Visit before considering support for Bujagali.**

Thank you for your attention to these issues. We look forward to your reply.

Sincerely,

Magda Stoczkiewicz, Policy Coordinator, CEE Bankwatch Network, Europe
Lori Pottinger, Africa Program Director, International Rivers Network (USA)
Frank Muramuzi, Executive Director, National Association of Professional Environmentalists (Uganda)
Iola Leal Riesco, FERN (Europe)
Ivan Lesay, Friends of the Earth-CEPA (Slovakia)
Dr. Klaus Schilder, Weltwirtschaft, Ökologie & Entwicklung (WEED) (Germany)
Regine Richter, urgewald (Germany)
Anders Lustgarten, Bretton Woods Project (UK)
Filka Sekulova, A SEED Europe
Natalie Bridgeman, International Human Rights Counsel (USA)
Tom Griffiths, Forest Peoples Programme (UK)
Caterina Amicucci, Campagna per la Riforma della Banca Mondiale (CRBM) (Italy)
Huub Scheele, Both ENDS (Netherlands)
Petko Kovatchev, Green Policy Institute (Bulgaria)

Enclosures:

An Analysis of "Bujagali II – Economic and Financial Evaluation Study – Final Reports" by Pete Tsournos.

¹ "[Media helps saboteurs - Museveni](http://www.newvision.co.ug/D/8/13/560373)," New Vision, 17th April, 2007
<http://www.newvision.co.ug/D/8/13/560373>,
and "[Why I Support Mabira Forest Giveaway to Mehta Group](http://www.newvision.co.ug/D/8/20/560792)," by Yoweri Museveni 19 April 2007
<http://www.newvision.co.ug/D/8/20/560792>.

Concerns About the Impacts of the Bujagali Dam Project On Endangered Fishes and Fisheries in the Victoria Nile by Les Kaufman.

Lake Victoria and The Proposed Hydrological Curve Change by Daniel Kull.

Notice of registration of a Request for Inspection on the Uganda Private Power Generation project (Bujagali II) can be found on:
<http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/NORUgandaFINAL.pdf>