



TURNING FORESTS INTO HOTELS

THE TRUE COST OF BIODIVERSITY
OFFSETTING IN UGANDA



RE:COMMON



1. INTRODUCTION

Increasingly, transnational corporations, along with governments, financial institutions, and nature conservation groups, are making use of a mechanism called *biodiversity offsetting*.

Offsets are particularly attractive to the most environmentally and socially-destructive companies, such as those involved in mining, industrial agriculture, and large-scale infrastructures, because this tool helps them to access the land and capital they require to carry out their projects, and to obtain their Social License to Operate.

The claim behind biodiversity offsetting is that for every hectare of biological diversity which gets destroyed by an industrial project, another hectare will be protected, or even *recreated*, elsewhere¹.

In other words, if a mine is going to destroy a littoral forest in Madagascar, the mining company can look for

another forest (the *offset*) to protect, in exchange for the one it will clear out.

But to be eligible as an offset, the other forest needs to be too under some kind of threat (or to be presented as such) otherwise the offsetting proponents would not be able to justify the need for their *protection*.

Usually, Indigenous Peoples and traditional communities are the ones portrayed as a menace to biodiversity, because of the alleged harm to nature caused by their livelihood activities, such as subsistence agriculture, hunting and fishing activities, and collection of firewood². This narrative is then used to impose harsh land-use restrictions on communities, usurping them of their customary rights, territorial control, traditions, cultures and livelihoods.

The result is that, too often, biodiversity offsets constitute a double land-grab: One carried out in the

¹ https://www.undp.org/content/dam/aplaws/publication/en/publications/environment-energy/www-ee-library/biodiversity/state-of-biodiversity-markets-offset-and-compensation-programs-worldwide/EM_State%20of%20Biodiversity%20Markets.pdf

² <https://wrm.org.uy/wp-content/uploads/2018/11/Compilaci%C3%B3n-CBD-ingl%C3%A9s.pdf>

name of extracting minerals, building a dam, or make room for a monoculture plantation; the other in the name of biodiversity.

Corporations, on the other end, can claim to have achieved “No Net Loss” of biodiversity or even a “Positive Net Value”, going so far as to say that a mine is coming “*at the rescue of biodiversity*”³.

Many biodiversity offset projects are not presented as such, but rather as conservation projects. Therefore, the restrictions imposed upon communities are also justified on grounds of conservation, without any mention of the real motivation behind the offset, which is to allow a corporation to destroy biological diversity elsewhere. This lack of transparency also generates a scarcity of information regarding offset projects, increased by the fact that many of them take place in remote and difficult-to-access areas.

As for the Uganda’s case presented in this report, the story gets even trickier. The Kalagala Biodiversity Offset has not been used to establish a conservation zone, but rather to facilitate the entrance of tourism companies in the area, at the expense of the local community’s access to land.

At their outset, offset projects were mainly voluntary corporate initiatives, framed within Corporate Social Responsibility schemes. In recent years, however, biodiversity offsetting has been deeply institutionalised, thanks to a corporate push spearheaded by the World Bank Group (WBG).

In 2012, the International Finance Corporation (IFC), the private sector arm of the WBG, changed its Performance Standard 6, to allow lending to projects that will destroy what the IFC defines a “critical habitat”. The only requirement for the company receiving the loan is to present a biodiversity offsetting plan, that indicates how it will compensate for the destruction caused by its project⁴. Since then, all the major International Financial Institutions (IFIs), including the Asian Development Bank, the European Investment Bank, and the African Development Bank, have modified their Standards to include the possibility of biodiversity offsetting.

3 https://wrm.org.uy/wp-content/uploads/2016/06/Article_Rio_Tin-to_in_Madagascar.pdf

4 https://www.ifc.org/wps/wcm/connect/bff0a28049a790d6b-835faa8c6a8312a/PS6_English_2012.pdf?MOD=AJPERES

Major international conservation groups such as the International Union for Conservation of Nature (IUCN), Conservation International, the Wildlife Conservation Society (WCS) and BirdLife, have been key actors in mainstreaming biodiversity offsetting, allying themselves to the largest extractive companies, including Rio Tinto, Shell and Total, and offering them their consultancy services on how to design and implement offsetting projects⁵. These partnerships allow conservation groups to significantly expand the network of “protected areas” under their management and control.

Governments too have quickly joined the offsetting frenzy, especially in the Global South, increasingly relaxing environmental policies and legislations with the inclusion of provisions for biodiversity offsetting, often under pressure from IFIs and conservation groups. According to the IUCN, there are currently over 100 countries that have, or are developing, biodiversity offset policies⁶.

Uganda did not have a policy framework on biodiversity offsetting in 2001, when US-based company AES Nile Power was awarded the contract for the construction of the Bujagali Dam. The 250-MW dam, eventually completed in 2012 with financing from the WBG and other major IFIs, is located on the White Nile river, not far from Lake Victoria.

Its construction led to the flooding and loss of Bujagali Falls, formerly a well-known tourist attraction in the country. The Falls, which derived their name from the Budhagaali spirit, were held sacred by the Busoga people living in the area. Over 3000 households, mostly subsistence farmers and fisherfolks, have been greatly affected by the Bujagali Dam⁷.

Due to the massive environmental, social, and cultural destruction caused by the dam, the WBG and the Government of Uganda (GoU) signed an agreement in 2001 – called the Kalagala Agreement⁸ – which provided for the establishment of a biodiversity offset associated to Bujagali, and marked Uganda first experience with this mechanism.

5 https://wrm.org.uy/wp-content/uploads/2019/03/Bolet%C3%ADn-242_EN.pdf

6 <https://www.thebiodiversityconsultancy.com/es/wp-content/uploads/2013/07/Government-policy-2.pdf>

7 https://www.internationalrivers.org/sites/default/files/attached-files/bujagali_unsettlingbusiness_1.pdf

8 <http://documents.worldbank.org/curated/en/307371468760804260/pdf/multi0page.pdf>

BUJAGALI DAM

Uganda has one of the lowest per-capita energy consumption rate in Africa, at 11%. In spite of that, the country has long suffered power supply shortages, mostly due to the impact of droughts on its hydro-electric facilities, over-abstraction of water from Lake Victoria and high distribution losses.

Nevertheless, in 1996, the Ugandan government proposed the construction of a new hydroelectric plant on Bujagali falls, located on the White Nile river flowing from Lake Victoria. At that time, the Ugandan power sector was going through a wave of privatization reforms, and Bujagali was to be the first Public Private Partnership (PPP) in the country.

After years of negotiation, in 2001, the government signed an agreement with US company AES Nile Power, without conducting any competitive bidding process. The World Bank and African Development Bank came forward to finance the dam, whose cost was estimated at \$530 million, while the government was to provide loan and legal guarantees.

The project attracted strong opposition from the start, due to concerns related to environmental impacts, displacements of communities, flawed needs assessments and excessive construction costs. After a series of controversies, the World Bank eventually pulled out from the project in 2002, following allegations of corruption raised by members of the Ugandan parliament. Without financial support from the World Bank, AES was unable to carry on with the construction and pulled out as well.

Nonetheless, the Government had not intention to abandon the project and four years later, in 2007, Bujagali Energy Limited was established as a special-purpose vehicle to develop the dam. Construction started in June, with financial support from the main IFIs, including World Bank, African Development Bank, and European Investment Bank. The Italian engineering company Salini-Impregilo was selected as EPC contractor.

The dam was finally completed in 2012, and by then construction costs

natural value has been lost forever.

With regards to its stated goal, namely to increase supply and cut costs of electricity for Ugandan citizens, Bujagali has also proved to be a failure. In 2016, with Bujagali accounting for about 40% of power generation in the country, the cost per kwh in Uganda was about \$0.15, the highest in East Africa. Due to mounting pressure from the public and the industry, the government entered into talks with Bujagali investors, namely the World Bank and African Development Bank. The



had spiralled from the original \$460 million to more than \$1 billion, due to significant overruns.

More than 3000 households have been affected by the dam, many of which have received inadequate or no compensation at all. Fisherfolks and farmers have seen their main source of livelihood destroyed and a landscape of great cultural and

two institutions agreed to refinance Bujagali debt, with the stated objective of reducing user tariffs, with the condition that Bujagali Energy Limited would be exempted from paying corporate taxes for an additional 15 years.

Examples of biodiversity offsets in Africa

Country	Project	Company	Status	IFI	NGOs involved in the offset
Madagascar (1)	Gold mine	Rio Tinto	Completed	-	IUCN, BirdLife
Madagascar (2)	Nickel mine	Sherrit Int	Completed	-	Wildlife Conservation Society; Forest Trends
Liberia (3)	Nimba mine	Arcelor Mittal		-	Conservation International
Cameroon (4)	Nachtigal Dam	EDF		EIB, IFC	WWF
Cameroon (5)	Lom Pangar dam	CWE	Completed	EIB, AfDB, World Bank	Wildlife Conservation Society
Kenya (6)	Oil	Africa Oil	On-going	IFC	/
Ghana (7)	Akyem mine	Newmont	Completed		The Biodiversity Consultancy
Guinea (8)	Simandou mine	Rio Tinto	Completed	IFC	The Biodiversity Consultancy
Costa Rica (9)	Reventazon Dam	ICE	On-going	IFC	The Biodiversity Consultancy
<p>Sources</p> <p>(1) https://wrm.org.uy/books-and-briefings/rio-tintos-biodiversity-offset-in-madagascar-double-landgrab-in-the-name-of-biodiversity/</p> <p>(2) https://www.cbd.int/financial/doc/wb-offsetguide2016.pdf</p> <p>(3) https://corporate.arcelormittal.com/~media/Files/A/ArcelorMittal/news-and-media/news/2016/Liberia-BCP-Annual-Report-2015.pdf</p> <p>(4) http://documents.worldbank.org/curated/en/677811532921465831/pdf/Nachtigal-PAD-final-clean-mark-up-para-105-002-07242018.pdf</p> <p>(5) http://documents.worldbank.org/curated/pt/103071468012658716/Project0Inform1cument1Concept0Stage.doc</p> <p>(6) https://www.africaoilcorp.com/i/pdf/hsec/2018-04-biodiversity-adv-panel.pdf</p> <p>(7) https://www.thebiodiversityconsultancy.com/map/ngri-akyem-mine-ghana-development-of-a-biodiversity-offset-to-achieve-nnl/</p> <p>(8) https://www.thebiodiversityconsultancy.com/map/simandou/</p> <p>(9) https://www.thebiodiversityconsultancy.com/map/1965/</p>					

The Kalagala Falls, located about 20 kilometers north of Bujagali Falls, were chosen as the location where to establish the offset. The “Kalagala Offset” envisioned that Kalagala Falls and surrounding area should have been “*conserved in perpetuity for its spiritual, natural habitat, environmental, tourism and cultural values*” (ibid), as compensation for the loss of Bujagali Falls caused by the Bujagali dam. In particular, the GoU would have not pursued the construction of another dam in Kalagala, for which there were already some plans.

In addition to the conservation element, the two parties also included a more business-oriented component in the Kalagala Offset, which makes it quite peculiar in this respect. Namely, the offset called for the development of Kalagala Falls area into an eco-tourism site, where to relocate the tourism companies that were operating nearby Bujagali at that time. Therefore, the Kalagala Offset was meant to not only offset the loss of biodiversity, but also the profit losses incurred by private companies as a result of Bujagali dam.

Communities in Kalagala were supposed to benefit as well, by ensuring the “*equitable participation and sharing of benefits from ecotourism*”⁹. A win-win-win, whereby private sector, communities, and biodiversity were all set to gain from the project, at least in theory.

Widely advertised as an example of how large-scale industrial projects can become champions of biodiversity protection and sustainable development, our field visit has unveiled a much bleaker reality than the stories presented in official reports. The Kalagala Offset has resulted in a double landgrab, that risks to soon become a triple one.

⁹ <http://documents.worldbank.org/curated/en/611151468109740770/pdf/E15120V130P0896590Box353825B-01PUBLIC1.pdf>

2. VOICES FROM THE VILLAGE

Life used to go on its routine in Kalagala, a rural village on the west bank of River Nile, in Uganda's Jinja district.

Thanks to the forests surrounding the village and the prosperous River Nile's water that washes its shore, small-scale farming and fishing provided the livelihood of its inhabitants. Additional income was provided by the more intrepid tourists that would venture to the village to enjoy the outstanding beauty of the Kalagala Falls, where the spirits of the Buganda, Busoga and Bunyoro Kingdoms dwells.

Both farming and fishing were mostly carried out on Muyanja Island, a forest-covered natural island on the Nile, located a few meters off Kalagala shores. Yet, things changed in 2008, when a tourism company arrived in the area, with a concession to build an exclusive lodge and other tourist facilities on the island.

The Wildwaters Lodge¹⁰ is jointly owned by Adrift and Lemala, from New Zealand and South Africa respectively, and offers 10 deluxe suites overlooking the Nile, plus a restaurant, swimming pool and SPA. Its prestigious location gained the lodge various awards, as well as visits from Hollywood celebrities and even a feature on the BBC.

Wealthy tourists could now enjoy the luxury and glamor of the new facility, but at the expense of the local community. *"When we could farm on the island life was good for my family",* says a woman from Kalagala, *"We could grow enough food and still sell part of the harvest to pay for our childrens' school fees. But they chased us away from there, because an investor bought the land."* Before the arrival of Adrift, villagers were free to go on the island, whose forest provided the fertile ground to grow maize, banana, sugarcane, millet and other crops. Most of the harvest was kept for self-consumption and the rest sold to the market, in order to earn some income for the family.

But when construction works started, the island was made off-limits to the locals, who can no longer farm and fish there since. District authorities held a



Family in Kalagala village. Photo by Alessandro Runci/Re:Common

community meeting in Kalagala to inform villagers that they could have not accessed the island anymore. As one villager recalls: *"We used to grow millet, rice, matoke. Then the government told us to stop. I tried to explain that we wouldn't have had where to grow food and to get fish, but the government didn't care, because that land had been sold to an investor."*

No compensation was given to individual households, as the island is under government control.

A Memorandum of Understanding (MoU) was signed between Adrift and Kakodef, a community committee that was setup specifically to deal with the company. Villagers were promised jobs and alternative income-generating opportunities, like selling fresh produce and artifacts to the tourists, as well as in-kind donations, such as two cows each year.

Not only farming, but also fishing on the island was outlawed. As one member of the community explains: *"They [the hotel's security guards] told us to not go*

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¹⁰ <http://www.wildwaterslodge.com/>



Aerial picture of the Wildwaters Lodge, Muyanja Island.
Source: Traveller.com

fishing on the island because they are afraid that we may steal the hotel's property, or scare the tourists, as sometimes we like to swim naked. Now, they let us use only a very small area of the river to fish, wash our clothes and take a bath. But it's too small, and if we fail to catch fish there, there's nowhere else to go".

The ban imposed on the island has strongly impacted the community's livelihood, depriving many families of their main farming land and fishing ground. Yet, until recently, villagers could still rely on the Kalagala forest, located on main land, to grow their crops.

The Kalagala forest extends for an area of approximately 90 hectares, gently sloping from the village towards the Nile. Originally managed by the Buganda Kingdom, the forest was established as Central Forest Reserve (CFR) in the 1970s and its control transferred to the state. Nonetheless, a portion of it remains under the Kingdom still nowadays.

However, also the Kalagala CFR was in the investors' crosshairs. In 2015, another meeting was called by authorities in Kalagala, during which officials informed the community that a new tourist facility was going to spring up within the Kalagala CFR.

The facility - currently under construction – belongs to the same two companies that own the island lodge. The Kalagala Falls Tented Camp and Overland Camp will have direct access to the river, and include six overland truck bays, 64 dorm beds, ten safari tents, 14 riverfront en-suite tents and three two-bedroom family units, two restaurants, two swimming pools, a SPA, and a bungee tower¹¹. It's inauguration is scheduled for May 2019.

The constantly expanding construction site is

¹¹ <http://www.tourvest.co.za/2018/10/24/tourvest-east-africa-starts-construction-at-new-kalagala-camp-site/>

completely fenced with barbed-wire, and extends up to the river. The new enclosure has further reduced the community's access to land, making subsistence even harder for many families.

"I was farming on the island before, but they chased me away from there" says a widow and mother of eight, "so we shifted to the forest in the village, but the National Forest Authority told us to stop farming there as well. Now I don't have any land where to grow food and I cannot provide for my family anymore."

David, a villager from Kalagala, used to farm maize and cassava on a 2-hectares plot in the Kalagala CFR *"Three years ago the government told me that I had to stop farming here, because the forest had been given to an investor" he says, "I tried to resist a bit, because that is where we got the food to sustain our family, but how can you fight the government?"*

With no more land to farm on, David's only hope is to be hired as farmhand by landowners. *"Now we are doing just some leja leja [casual work] – you get some rich man and you ask him to work for him in his field, you are digging for them and they give you some little money that you use for school fees. But this is not enough..."*

While the majority of the community stopped farming in the CFR after being told to do so, in some cases villagers have been convinced by force. Judith, 16-years old, was caught farming where she was not supposed to:

"I was working on the field, carrying my six-months baby on my back", she recounts, "At some point, I saw two men coming towards me, one was wearing a uniform and



Crops in Kalagala CFR. Photo by Alessandro Runci/Re:Common



Construction site of the upcoming Kalagala Tented Camp. Photo by Alessandro Runci/Re:Common

carrying a gun, the other one, with no uniform, had a long stick. I tried to run away but the one with the gun made me lay on the ground and the other one started beating me with the stick. I finally managed to run away, but my baby fell from my back. I went back to the village and cried for someone to get my child. A friend of mine went looking for him, and found him in a water pond next to my plot. Thanks God he saved him."

Both Judith and her baby had to go to the hospital afterwards, and she still carries the scars of the beating on her body.

Mark, a 50-years old man, received intimidation from the authorities as well: *"People from NFA [National Forest Authority] came to my house. They were armed, and they threatened us to not go back farming in the forest. We've asked them why they were evicting us from the forest, where our families have always been farming. They just told us to go away from there."*

The food and livelihood security of the community is now severely compromised: *"Before we were able to grow all the food we needed, but now we have to buy it in shops [...] We had to stop sending our children to school because we don't have cash crops to sell in order to pay for the school fees" explains one villager.*

Many in the community are going through the same situation, as Grace, a mother of five *"We used to grow maize, cassava, and sweet potatoes... but not anymore. We could have three meals per day before, but now only one at 4 o'clock, and perhaps a few snacks during the day. We are suffering seriously and I don't know what to do."*

Deprived of the ability to sell crops such as coffee, rice or banana, families have been forced to stop sending their children to school. *"My children cannot longer go*

"I was working on the field, carrying my six-months baby on my back", she recounts, "At some point, I saw two men coming towards me, one was wearing a uniform and carrying a gun, the other one, with no uniform, had a long stick. I tried to run away but the one with the gun made me lay on the ground and the other one started beating me with the stick"



Construction site of the upcoming Kalagala Tented Camp.
Photo by Alessandro Runci/Re:Common

to school, you can see them around here doing nothing. My oldest daughter had to stop right before her last year of lower secondary, and she couldn't take the final exam."

Also other common expenses, such as buying medicines or building materials, are now difficult to afford. "As you can see, my house is broken and can collapse at any moment" continues Grace, "but I don't have money to buy a bag of cement. I don't have a cow to sell, I don't have crops to sell. I am living a bad life."

Villagers have few other ways to cope with the situation than to farm in their home garden (those who have one), or in the portion of the Kalagala forest which is still administered by the Buganda Kingdom. The Kingdom allows villagers to farm seasonal crops in the forest, as long as they do not cut the trees. The area, however, is not large enough and villagers explained that since trees have grown taller, it is far too shady to grow crops there.

In the meantime, more tourism investors are setting shop in Kalagala. Last year, a Ugandan business man obtained a piece of land belonging to two families, in



order to set up a tourist campsite there. As opposed to the Kalagala CFR and Muyanja island, the land in question is not under government control, therefore the new investor had to deal with the concerned families.

Instead of discussing with them directly, he chose to go through Kakodef and negotiate the land price with the Committee. "Kakodef people came to me and told me that I had to sell my land [3 hectares] to the investor for UGX 400,000 [EUR 90]" explains one family member. She is well aware that 30 euro per hectare is a very small rate, but she feels that she was given no choice than to accept the deal.

“All the investors want to do tourism business here now” comments a villager “because Kalagala is becoming famous for its waterfall. But the people are not getting anything in return. They are grabbing our land and making a lot of money, but look at the families around here... We are suffering.”

Many in the village are unhappy about Kakodef behavior. The Committee establishment and appointment process was not led by the community, but rather by the consultants hired by Bujagali Energy Limited in 2006. Indeed, Kakodef has soon become the companies' preferred interlocutor, as one villager explains: “When an investor comes here, he first goes to Kakodef and persuades them to convince us to accept the deal. So, when the investor comes to talk with people, it is easy for him...” Many suspects that the Committee acts more in the investors' and its own interest: “Kakodef has helped the village in the past” says one villager, “but unfortunately it's changed now. You know... it's money.”

The benefits promised by the companies have hardly materialised. Some people have been offered jobs mostly as construction workers, but contracts are on a 3-months basis. Those employed are paid 8,000 UGX (less than 2 euro) per day. Alternative income-generating opportunities have not appeared, except for a tourists-oriented artcraft shop managed by a villager.

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Neither the companies nor the authorities have informed the community about the biodiversity offset established on their land, and the link between such offset and the arrival of tourism companies in their territory. Government officials have just told villagers that the forest and the island were government land, and that they had to stop farming there, as the government awarded it to investors.

They were also told that the influx of tourists would have improved the life of the people in Kalagala. But this has not been the case for many families, who have been excluded from their land and now struggle to put food on their table and send their children to school.



3. TOURISM COMES FIRST

Biodiversity offsets are usually based on a narrative which revolves around concepts of nature conservation and biodiversity protection.

The Kalagala Offset is peculiar in this respect, as it envisages the development of Kalagala into an eco-tourism site, by “harnessing” its cultural and natural features and converting them into tourism “assets”.

Already in the first Bujagali Environmental and Social Impact Assessment (ESIA), prepared in 1998, the consultants analyse at length the dam’s potential impacts on tourism operators¹² with particular regards to two companies – Adrift and Nile River Explorer – which, at the time, were offering white-water rafting trips along the Nile’ stretch between Bujagali Falls and Dumbbel Island.

When first consulted in 1998, the two rafting companies estimated losses in the range of hundreds of thousands of euro, due to the disappearance of some of the rapids they were using, as a result of the dam. Adrift, in particular, estimated losses for US\$ 400,000 in gross revenue (*ibid*).

In order to mitigate the impacts on tourism companies, AES and the GoU advanced the proposal of a Government-led plan that would transform the Kalagala CFR into an ecotourism site, where investors could relocate their businesses.

In the report “*Brief Assessment of the Kalagala Central Forest Reserve for Proposed Tourism Mitigations of the Bujagali Hydropower Project*”, prepared by Chemusto for AES, the author assesses Kalagala’s potential to be converted into a tourists destination¹³.

Throughout the report, Chemusto repeatedly blames local communities for the forest’s deterioration, claiming that small-scale farming “*is causing an unprecedented level of threat*” to biodiversity. Despite proposing a “*collaborative forest management with the local communities [...] of Kalagala*”, he mentions that

¹² <http://documents.worldbank.org/curated/en/816071468308937374/pdf/multi0page.pdf>

¹³ <http://documents.worldbank.org/curated/en/676311468121510118/pdf/multi0page.pdf>

AES’ role in the tourism plan could be that of assisting in “*the resettlement of some of the illegal residents and cultivators*”.

On April 2001, the IFC/IDA and the GoU sign a first agreement, called the *Kalagala Agreement*, which provides for the establishment of the Kalagala Offset¹⁴. The agreement calls as well for the setup of a multi-stakeholder process, with the involvement of the WBG, to identify “sustainable investment programs” to be implemented at Kalagala, which the Bank would then consider financing.

In its original version, the Kalagala Agreement does not explicitly mention tourism development as one of its objectives. In 2002, however, the Agreement text is amended¹⁵, through a letter from the GoU to the WBG, and tourism becomes one of the primary focus:

*“Uganda will set aside the Kalagala Falls Site exclusively to protect its natural habitat and environmental and spiritual values **and to develop tourism** and will not develop the site for power generation without the Agreement with the Association.”*

The following year the Bujagali project collapses under a corruption scandal and the Kalagala Offset is temporarily halted.

In 2006, the Bujagali project is resumed and so is the Kalagala Offset. The WBG and the Government of Uganda sign a new agreement, called the *Indemnity Agreement (IA)*, which formally establishes Kalagala as a biodiversity offset¹⁶.

The idea to develop Kalagala into a tourism hotspot remains at the core of the offsetting strategy.

As the World Bank explains: “*Compensation measures [for tourism operators] were proposed, including [...] assisting the companies in moving their operations [...] to Kalagala Falls.*” According to the Bank management, the proposal was met with satisfaction by tourism companies.

With the legal structure of the offset in place, the next step was to develop the policy and implementation frameworks of the Kalagala project. These are reflected

¹⁴ <http://documents.worldbank.org/curated/en/307371468760804260/pdf/multi0page.pdf>

¹⁵ <http://documents.worldbank.org/curated/en/536001468778157153/pdf/24272sec.pdf>

¹⁶ <http://documents.worldbank.org/curated/en/316361468119086474/pdf/B01301UG11A10CONFORMED.pdf>



Tourists at Kalagala falls. Photo by Alessandro Runci/Re:Common

in the *Kalagala Offset Sustainable Management Plan 2010-19* (KSMP), which represents the overarching document setting out strategies and measures to be carried out in Kalagala¹⁷. The WBG provided funding for the preparation of the KSMP, while the IUCN facilitated and coordinated the 2-year long process, that ended in 2009.

The KSMP second objective is: *“To promote social-economic and environmentally sound eco-tourism activities at the Kalagala Falls and Itanda falls sites [...] ensuring that ecotourism benefits are equitably shared”*.

The report acknowledges that tourism development in Kalagala may reduce communities' access to land, and re-proposes a *“collaborative forest management”* to minimize such risk, as well as the provision of alternative income-generating opportunities for locals, such as employment in the tourism business, tree planting, and horticulture.

A number of measures are recommended to promote tourism around the Kalagala Offset and support Bujagali-affected operators. These include the zoning of Kalagala to designate areas for tourism development, the construction of access roads to Kalagala, the provision of electricity and other services to Kalagala, construction of a leisure park and cultural center, and so on.

¹⁷ <http://documents.worldbank.org/curated/en/611151468109740770/pdf/E15120V130P0896590Box353825B-01PUBLIC1.pdf>

The total budget estimated for the implementation of the tourism plan is close to US\$ 2 million, about one-fifth of the overall budget (US\$ 10 million) for the Kalagala Offset. Almost half of the KOSMP budget has been disbursed by the World Bank through the Uganda Water Management and Development Project, approved by the Management in 2012¹⁸.

The offset weighting toward tourism development rather than conservation measures was pointed out at multiple times by the WBG and African Development Bank (AfDB) Independent Bodies. In describing the findings of a field visit in Kalagala, the WBG Inspection Panel (IP) notes that *“tourism is actively being promoted but the natural habitats at Kalagala are not being maintained”*¹⁹.

The IP also reports that, during an interview with an official from the National Environmental Management Authority (NEMA), the respondent stated that he understood that the Kalagala offset was primarily aimed at accommodating tourism businesses affected by Bujagali. A similar concern is expressed five years later by the AfDB IRM after a field visit in the area²⁰.

¹⁸ <http://projects.worldbank.org/P123204/water-management-development-project?lang=en>

¹⁹ <http://documents.worldbank.org/curated/en/645581468310728117/pdf/449770INVR0P081ONLY10INS-PR200810003.pdf>

²⁰ <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Compliance-Review/4th%20Monitoring%20Report-Uganda%20Bujagali%20Hydropower%20Project%20and%20Bujagali%20Interconnection%20Project.pdf>

ADRIFT UPSURGE

Founded by New Zealander explorer and entrepreneur Cam McLeay, Adrift started its rafting business in Uganda in 1996. In less than five years, the company had doubled its clients reaching a turnover of US\$ 700,000 in 2000²¹.

At that time, Adrift derived almost all of its revenues from its rafting business around Bujagali, and its founder appeared extremely concerned about the impacts that the dam would have had on his company. During meetings held with the ESIA consultants in 1998, he estimated that the loss of river rapids caused by Bujagali dam would have costed Adrift about US\$ 400,000²². From these dire predictions originated the idea of relocating Adrift from Bujagali to Kalagala.

Nevertheless, Adrift business has grown steadily since then. In mid 2003, the company opened the Nile High Club hotel and campsite in Jinja, and two years later it obtained a concession from the National Forest Authority (NFA) to build the exclusive Wildwater Lodge on Muanja Island²³.

As the 2006 EIA consultants describe: *"Adrift as a company has developed from being simply a white water rafting experience provider to a much more broadly based travel company... They have recently been awarded a concession [...] to operate a high quality eco-tourism Lodge on Kalagala Island, within the Kalagala - Itanda Offset area, which will involve an investment of \$1million [...]"*

When Bujagali project was resumed in 2006, Mr. McLeay was asked once again about the dam potential impacts on his business. This time, however, he seemed much less worried. He affirmed that the dam will be of *"little significance"* for his rafting business, and that 99% of its clients would disregard the loss of a few rapids, since the majority of them were not going to be submerged²⁴. It is difficult to explain such a turnaround, since the Bujagali project design was the same as before. The only known change was that Adrift had managed to get a precious concession in Muanja Island from the NFA, and perhaps this made the company feel adequately *compensated*.

21 <http://documents.worldbank.org/curated/en/816071468308937374/pdf/multi0page.pdf>

22 *Ibidem*

23 <http://documents.worldbank.org/curated/en/463781468177544776/pdf/E15120vol-07.pdf>

24 *Ibidem*

Adrift expansion into Kalagala has not been without controversies. Already in 2006, the company was seen putting up structures at main land, inside the Kalagala CFR, even though at that time it had only received permission for its lodge on Muanja Island. As reported in the KSMP *"There is clear evidence of non-compliance to environmental regulations by [...] Adrift, especially at Kalagala Falls CFR."* Furthermore, Adrift was found building a waste water treatment lagoon, in violation of the National Environment Regulations.

When the AfDB IRM consulted the Ministry of Tourism in order to clarify the issue, the officials lamented that *"the Ministry was hardly involved in [Adrift] project"*.

Of concern was also the relationship between Adrift and the Kalagala community: *"The ongoing ecotourism developments tend to suggest inequitable participation and sharing of benefits between communities and ecotourism developers."*

Despite these problems, the NFA expressed full support for Adrift plans. In a letter sent to the Minister of Water and Environment, dated June 2009, the NFA reiterates that *"the right to use the land at Kalagala Falls for ecotourism development lies with Adrift"* adding that local communities were *"fully involved and fully enthusiastic about the proposed project"*²⁵.

Since then, Adrift business in Uganda went through a real bonanza. In addition to its exclusive Wildwater Lodge and the upcoming Kalagala tented camp – for which it eventually got NEMA's approval in 2012 – Adrift currently manages nine other tourist accommodation facilities along the Nile River, all in the Jinja/Kalagala area.

Its growth did not go unnoticed. In 2013 South Africa-based Tourvest – the largest tourist group in Africa – acquired a controlling stake in Adrift, including a majority share in Wildwater Lodge and the upcoming Kalagala Camp²⁶.

In about 20 years, Adrift passed from being a relatively small rafting business with 10 employees to being part of a leading tourism group with operations everywhere in the continent. It is difficult to overstate the role played by the Kalagala Offset in Adrift business success.

25 <http://documents.worldbank.org/curated/en/130221468113974908/pdf/504260INVR0P08101Official0Use0On ly1.pdf>

26 <https://www.businesslive.co.za/bd/companies/transport-and-tourism/2013-09-17-tourvest-buys-controlling-interest-in-adrift/>

4. OFFSETTING THE OFFSET

The original motivation behind the 2001 Kalagala Agreement between the WBG and the GoU was to prevent the development of an hydroelectric project in Kalagala Falls, in order to preserve them, after that Bujagali Falls were going to be lost forever.

In reality, the Agreement text did not exclude such hypothesis, but simply stated that: *“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”*.

Despite formulated differently, the following Indemnity Agreement (IA) signed in 2007 maintains too a degree of flexibility, stating that: *“Uganda also agrees that it will not develop power generation that could adversely affect the ability to maintain the above-stated protection at the Kalagala Falls Site without the prior agreement of the Association.”*

Several NGOs and local civil society organisations protested against the lack of guarantees in the IA, which was also confirmed by the World Bank's Inspection Panel, after commissioning a legal analysis of the text. In response, the WBG downplayed the issue reiterating that the IA included *“cross default provisions that would allow the Bank to suspend its lending program”* if needed²⁷.

Nevertheless, in 2013, the GoU signed a Memorandum of Understanding (MoU) with the Chinese government²⁸, in relation to the construction of the Isimba dam on Isimba falls, located only 15 kilometers north of Kalagala falls. Once completed, the Isimba dam reservoir will submerge, and therefore destroy, a large area of the river and land included in the Kalagala Offset.



Maize crops inside Namavundu forest.
Photo by Alessandro Runci/Re:Common

At first, the WBG issued a public statement expressing its concern about the potential adverse impacts of the proposed Isimba dam on the Kalagala Falls area²⁹.

“The World Bank remains deeply concerned about the potential impact of the Isimba Hydropower Project on the Kalagala Falls Site, and we have shared our concern with the Government of Uganda on a number of occasions.”

Local NGOs filed a complaint to the Inspection Panel in 2016, but the Bank Management rejected the request for investigation, on grounds that Isimba dam was not a World Bank-funded project. The Management went further in saying that *“It is important to note that the IA does not expressly prohibit development of power generation affecting the Kalagala Offset Area”*³⁰.

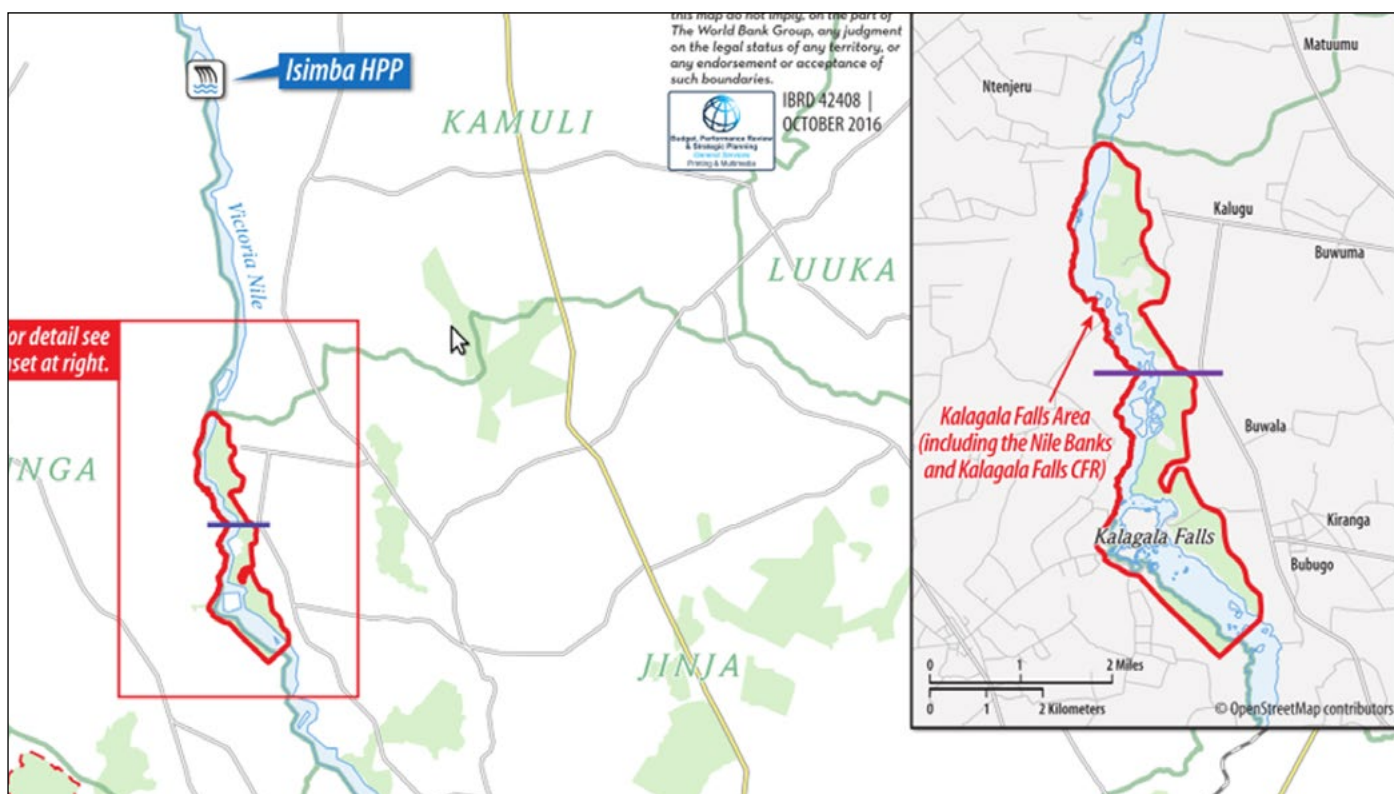
After years of discussions, the WBG eventually approved the construction of Isimba dam and accepted the GoU proposal to simply relocate the offset upstream, in other words, offsetting the offset. The modification of the

27 <http://documents.worldbank.org/curated/en/745841468318297087/pdf/465060INVR0Box1007010IDA1R200810296.pdf>

28 <http://www.monitor.co.ug/News/National/Govt-awards-Chinese-company-Isimba-Hydropower-project/-/688334/1928600/-/nbwqln/-/index.html>

29 <http://www.worldbank.org/en/news/press-release/2016/03/21/statement-by-the-world-bank-group-following-an-advert-by-china-water-and-electric-corporation-on-isimba-dam-in-uganda>

30 <http://documents.worldbank.org/curated/en/895471491530485505/pdf/Uganda-INSP-report-only-12192016.pdf>



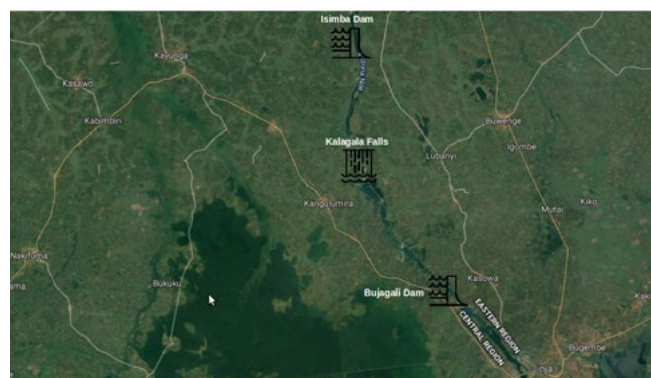
Kalagala Offset area. Source World Bank

Kalagala Offset was then formalised through an (other) amendment to the IA, adopted by the WBG and the GoU in January 2018³¹.

A few month earlier, in July 2017, the WBG approved too the GoU request to refinance more than \$400 million loans of Bujagali Energy Limited (BEL)³². The refinancing practically replaced all private capital in the project with official capital from IFIs. Civil society urged the WB to take this chance to push the GoU in respecting the IA and halt the construction of Isimba dam³³.

Nonetheless, the WBG approved both Isimba dam and the Bujagali refinancing, and demanded only a further 15 years tax exemption for BEL.

Following the WB decision, the US government issued a public statement affirming that: *“offsetting any impacts to an offset area... sets a poor precedent. This situation could have been avoided had IDA engaged early with the*



authorities and used, or threatened to use, some of the available remedies³⁴.”

Last September, the World Bank has eventually approved an Inspection Panel investigation in relation to the Isimba Dam impacts on the Kalagala Offset area³⁵.

31 <http://documents.worldbank.org/curated/en/520961519228498878/pdf/ITK425962-201801211052.pdf>

32 <https://www.miga.org/press-release/ifc-and-miga-boards-support-bujagali-refinancing-package-reduce-ugandan-electricity>

33 <https://bic-europe.org/wp-content/uploads/2018/02/Bujagali-refinance-letter.pdf>

34 <https://www.treasury.gov/resource-center/international/development-banks/Documents/03-08-2018%20U.S.%20position%20on%20IFC%27s%20refinancing%20of%20Bujagali%20Energy%20Limited%20-%20Uganda.pdf>

35 <https://inspectionpanel.org/news/world-bank-board-approves-panel-recommendation-investigate-uganda-kalagala-offset-case>

promotes market-based instruments for environmental protection in countries from the Global South. In the country report published in May 2017, biodiversity offsetting is presented as an innovative instrument for “financing biodiversity”, and Uganda is praised by the authors for its intention to pursue biodiversity offsetting in the tourism and energy sectors³⁹.

In April 2016, the UK-based Interdisciplinary Centre for Conservation Science (ICCS) started a project funded by the UK government, to provide guidance to the Ugandan government on how to design and implement biodiversity offsets⁴⁰. Among the contributors there are the US-based conservation group Wildlife Conservation Society (WCS), and Nature Uganda, the Ugandan partner of the UK-based conservation group BirdLife. Both WCF and BirdLife are among the most active organisations in the field of biodiversity offsetting.

Then was the time of the Conservation, Impact Mitigation and Biodiversity Offsets in Africa (COMBO) Project⁴¹, launched by WCS, Forest Trends and Biotope, and financed by the French Global Environmental Facility, among others, with the stated goal of “*reconciling economic development in Africa with conservation of biodiversity and ecosystem services*”. The primary objective of COMBO is to expand the use of biodiversity offsetting in Uganda, Guinea, Madagascar and Mozambique.

COMBO inauguration workshop was held in Kampala on June 2016, and attended by several representatives from the French oil company, **Total**, and UK-based **Tullow Oil**⁴². The two are among the main players in the Ugandan oil sector, which is concentrated around the Albertine Rift, a global biodiversity hotspot.

Additionally, the WCS and USAID have launched the Uganda Biodiversity Fund in 2017, to “*serve as a catalyst for mobilizing, managing and channeling financial resources for biodiversity conservation*”⁴³. According

to its proponents, the Fund will serve a crucial role for the extractive industry in Uganda, as it will help companies to save “*enormous time and reputational risk by providing a transparent and cost effective fund transfer and management mechanism to meet their commitments*.”⁴⁴

There is no doubt that the inclusion of biodiversity offsetting into legislation, and the proliferation of other market-friendly conservation mechanisms, will contribute to expedite the approval and implementation of socially and environmentally harmful projects and benefit large corporations, such as the European oil companies active in Uganda.

[articles/2015/08/05/biodiversity-finance-initiative-biofin-towards-better-resource-mobilisation-for-conservation-in-uganda.html](https://www.biodiversityfinance.net/sites/default/files/content/knowledge_products/Policy%20and%20Institutional%20Review%20Report%20-%20May%202017.pdf)

39 https://www.biodiversityfinance.net/sites/default/files/content/knowledge_products/Policy%20and%20Institutional%20Review%20Report%20-%20May%202017.pdf

40 <https://www.iccs.org.uk/project/achieving-no-net-loss-communities-and-biodiversity-uganda>

41 <http://combo-africa.org/uganda/>

42 <http://combo-africa.org/wp-content/uploads/2016/07/COMBO-Project-Launch-Training-Uganda-main-report.pdf>

43 <https://ugandabiodiversityfund.org/>

44 <https://ugandabiodiversityfund.org/partnerships/#1538662120845-b563457c-bd25>

OIL INDUSTRY AND CONSERVATION IN UGANDA

The oil industry, dominated by French multinational company Total, is set to gain the most from the legislative change that introduced biodiversity offsetting in the environmental act.

The oil deposits are located underneath the Ugandan portion of the Albertine Rift, one of the most biologically diverse region in the continent, that hosts seven legally Protected Areas. In 2012, Total acquired interests in three exploration blocks in the Albertine Region from the British company Tullow Oil. Four years later, the company was granted eight production licenses and became the operator Exploration Areas 1 and 1A⁴⁵, which fall inside Murchinson Falls Protected Area (MFPA), the oldest and largest in Uganda.

The MFPA is home to almost 150 species of mammals and over 550 species of birds, including the endangered Rothschild Giraffe that counts only 1700 individuals in the wild, and the rare African White-backed vulture⁴⁶.

Despite the clear threats posed by extractive operations to this fragile ecosystem, some conservation groups have not advocated for a stop to the oil activities inside the protected area. Instead, the WCS quickly positioned itself saying: *"Conservationists are not opposed to oil drilling as long as oil exploitation benefits conservation of the environment and the communities in the vicinity of the parks"*⁴⁷. In WCS view, the oil industry can be even beneficial for the environment and communities, but only if companies make use of biodiversity offsetting.

After giving its green light to oil extraction inside the MFPA, WCS has begun to team up with Total and Tullow Oil, that it refers to as its *"Conservation Partners"*.

Understably, the two oil companies have rushed to check in on the legitimacy provided by their green ally, and soon after Total was proud to announce that, in



Photo by Nansubuga Angella, CC BY-SA 4.0, Wikimedia Commons

partnership with the WCS, it attached satellite collars on eight elephants in MFPA, to track the animals' movements around the oil rigs⁴⁸. The french company funded two other conservation organisations – the Giraffe Conservation Foundation Trust (GCFT) and Biodiversity Solution Limited (BSL) – to carry on a similar project on fourty animals⁴⁹.

In that same spirit, Tullow Oil advertised that it contracted WCS to conduct a biodiversity assessment study of the Albertine region, which resulted in drafting Uganda's first official Red List of threatened species. *"Good new for lions in Uganda"*, concludes the company's press release⁵⁰. Both Total and Tullow affirms that these initiatives are instrumental for them in order to meet the IFC Performance Standard 6.

Yet, Total and the WCS are also focusing their attention on what they present as a much bigger threat to biodiversity in the Albertine than the oil industry: poaching.

*"Poaching of wildlife by snaring is relatively common in Murchison Falls National Park and has maimed and killed many large mammals there"*⁵¹ says the WCS, which believes that the most important threat posed by the oil industry is that it may lead to *"an increased risk of poaching"* inside the protected area.

48 <https://www.oilnuganda.org/features/environment/we-have-the-expertise-to-pull-it-off-total.html>

49 <http://earthfinds.co.ug/index.php/oil-and-gas/item/1498-total-e-p-commissions-wildlife-conservation-in-tilenga-area>

50 <https://www.tullowoil.com/media/case-studies/tullow-and-government-of-uganda-collaborate-on-historic-conservation-initiative>

51 <https://uganda.wcs.org/wild-places/murchison-semliki.aspx>

45 https://ug.total.com/sites/shared/ougandacotoben/files/atoms/files/uganda_v5_sept_2017.pdf

46 WCS, Biodiversity surveys of Murchison Falls Protected Area

47 <https://allafrica.com/stories/200908121006.html>



Lion and Ugandan Kob in Murchison Falls National Park. Photo by Daryona, CC BY-SA 3.0, Wikimedia Commons

The WCS view is echoed in the Environmental and Social Impact Assessment of the oil project, which affirms that the main impacts on biodiversity are “*due to likely human population changes in the region induced by the Project that could create pressures on habitats, increases in poaching and other human-wildlife conflict issues.*”⁵²

It did not take much for Total to launch an “anti-poaching” campaign in the MFPA, as part of which the company claims to have removed about 120 snares while conducting its operations in the park⁵³. Others report that oil companies are also financially supporting the Uganda Wildlife Authority in hiring more staff dedicated to fight poaching⁵⁴.

Total claims to be also developing a biodiversity offset to achieve a “*Net gain in biodiversity*” in the MFPA. Detailed information on the nature of the offset are not provided by the company, but the short description

available suggests that local communities will once again be the target of the project: “*Due to poaching and other pressure from humans, the ecosystem has been degrading. In response, we identified actions to be carried out in partnership with specialized local and international organizations.*”⁵⁵

Through the joint production and circulation of a narrative that portrays others, like *poachers* or non-better specified *humans*, as the enemy of biodiversity, oil companies and their conservation allies are effectively shifting the attention away from the negative impacts of the oil industry. Once the blame-shifting exercise is completed, their next step will likely be to launch projects aimed at stopping the newly fabricated threat. The experience of other biodiversity offsets in Uganda and elsewhere tell us that, if left unchallenged, such projects will almost inevitably result in the imposition of land and other livelihood restrictions upon local communities.

52 https://nema.go.ug/sites/all/themes/nema/docs/ESIA_NTS_Tilen-ga_ESIA_13-09-18.pdf

53 <https://chowoo.wordpress.com/2014/02/05/total-ep-uganda-launches-anti-poaching-campaign-in-murchison-falls-national-game-park/>

54 Mackenzie, C.A. (2017), *Drilling through Conservation Policy: Oil Exploration in Murchison Falls Protected Area, Uganda*

55 https://www.total.com/sites/default/files/atoms/files/biodiver-site_180710_va.pdf

REFLECTIONS: WHO WILL OFFSET THE OFFSETTING INJUSTICE?

The Kalagala Offset shows the paradoxes and injustices enshrined in the concept of offsetting. Marketed as a tool to protect the Kalagala Falls, and to bring development to local communities, it served to open up new territories to private actors.

This is resulting in further displacements, and in pushing families into a severe food insecurity, similarly to what happened to other biodiversity offsets elsewhere in the Global South.

Not only land and water in Kalagala were sold out to businesses, the construction of the Isimba dam will also result in the partial destruction of that territory, thanks to the deliberate flexibility contained in the agreement signed by the WBG and the GoU.

Biodiversity offsets are indeed meant to be flexible instruments, through which any project can be carried out anywhere in the world, including in the most ecologically sensitive areas, which might have earlier enjoyed a certain degree of legal protection. When even offsets can be offset, everything becomes possible for corporations and their financiers.

The World Bank's full support for the project is also highly questionable. Lately, the Bank has tried to distance itself from the tourism-oriented component of the offset. Yet, trying to dissociate itself from a project that it contributed to setup, and for which it has provided half of the budget, makes little sense. It would be nothing but logical for the Bank to take responsibility for the outcomes of the projects it supported.

And the same goes for the IUCN, who has supervised the project design and coordinated the entire process which led to the establishment of the Kalagala Offset.

Adrift and Lemala are aggressively selling their clients the notion that their lodges are more than just tourists accommodations. They market them as tools for biodiversity protection, which are also bringing development to local communities.



Under this green facade, however, there is a bitter reality made of enclosures and loss of livelihood. Their so-called eco-tourism business appears just as extractive as any other top-down projects imposed upon local communities around the world.

There is nothing inherently wrong in consulting with companies affected by the construction of a dam. We do wonder, however, where is justice when a government-led compensation program, funded with money from the World Bank, ends up making the fortune of a few private companies, and pushing families into food insecurity. Even more so, when the people whose livelihood has been destroyed by the very same dam are still waiting for their rightful *compensation*.

We also cannot help but questioning what is the meaning of transparency, when neither the Government, nor the World Bank or the IUCN have felt the need to inform communities that their land had been given to investors as compensation for an alleged loss of revenues which, incidentally, appears to have been highly overestimated. Shouldn't it be the right of those communities to be aware of the real reasons why they are being evicted from their land?

If the current government intention is to open up new areas for tourism, as it seems the case for the Namavundu Forest, what will happen to the communities who now rely on that forest for their livelihood? Will they be informed by the government, the World Bank or conservation organisations about the plans which are being drawn up for their territory? Will the Kalagala Offset be one of the first known example of a triple land-grab?

Next year, the brand new Kalagala hotel will be inaugurated. More tourists from around the world will flock in to enjoy the astonishing beauty of the Kalagala Falls and the surrounding landscape. Will they know at what cost?

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ABOUT US

Re:Common

Re: Common is an independent and not-for-profit “association of social promotion” under the Italian law that conducts investigations and promotes campaigns against the dodgy economy and the devastation of the territories in the North and in the South of the World caused by the indiscriminate exploitation of natural resources and major public and private infrastructure projects.

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Photo by Alessandro Runci/Re:Common

