

INFORMATION SUMMARY FOR THE PUBLIC

Host Country:	Uganda
Name of Borrower:	Ndugutu Power Company Uganda Limited, a private limited liability company organized and existing under the laws of the Republic of Uganda.
Project Description:	OPIC will provide a loan to support KMRI LLC, a U.S. small business, to develop, construct and operate a 5.9 MW run-of-river hydro power plant in western Uganda. Uganda has one of the lowest electrification rates in Africa with only 18% of the population having access to power. The project will support the Government of Uganda's goal to increase electricity access through the construction of renewable energy projects in rural areas.
Proposed OPIC Loan:	\$12,390,000 million loan with a 17.75 year repayment period plus a two year grace period.
Total Project Costs:	\$16,639,000
U.S. Sponsor:	KMRI LLC, a limited liability company organized and existing under the laws of Delaware.
Foreign Sponsor:	Lereko Metier Sustainable Capital Fund Trust, a trust organized and existing under the laws of the Republic of South Africa; Frontier Energy II Alpha K/S, a limited partnership organized existing under the laws of Denmark; Frontier Energy II Beta K/S, a limited partnership organized and existing under the laws of Denmark; and WK Power Limited, a company organized and existing under the laws of Mauritius.
Policy Review	
U.S. Economic Impact:	The Project is not expected to have a negative impact on the U.S. economy. U.S. procurement is expected to have a de minimus impact on U.S. employment. The Project is expected to have a negative five-year U.S. of balance of payments impact.
Developmental Effects:	The Project is expected to have a positive developmental impact on Uganda, with the construction and operation of a 5.9 MW hydroelectric power plant. With the demand for electricity growing at more than 10% per year as a result of about 6% GDP growth over the past two decades, the approximate 14% of the urban population with access to electricity experience severe power outages due to load-shedding. The Project will supply power to the national grid, thereby increasing capacity to help reduce Uganda's power deficit. The Project is part of a larger effort by the Government of Uganda to reform the energy sector to increase use of modern renewable energy and permit entry of private investment and international power producers. The energy sector is a vital input for other sectors of the Ugandan economy and a major source of employment. The

	<p>Project will help Uganda achieve UN Sustainable Development Goals number 7 (Affordable and Clean Energy) by increasing renewable energy capacity.</p>
<p>Environment:</p>	<p>SCREENING: The Project has been reviewed against OPIC’s environmental and social policies, including those related to dam projects, and has been determined to be categorically eligible for OPIC support. It is a greenfield hydropower Project that will share some facilities with the Sponsor’s Sindila HPP companion project (OPIC Registration 9000032313).</p> <p>The major environmental and social concerns related to the Projects include potential impacts on aquatic biodiversity; a potential reduction in the water available to nearby communities and people; economic and/or physical displacement of over 70 households; changes to a river reach that may have cultural value to local residents; a potential increase in ethnic tensions among local peoples; and improved access to Rwenzori National Park, which could result in an influx of people to the area and could also increase plant collection and poaching in the Park by local communities. However, Ndugutu’s potential impacts will be site-specific, predictable, and generally well-understood and readily mitigated, in part by virtue of previous studies and analysis conducted for the Sindila project. Accordingly, the Ndugutu HPP project is screened as Category B.</p> <p>APPLICABLE STANDARDS: OPIC’s environmental and social due diligence determined that the Project will have impacts that must be managed in a manner consistent with the following Performance Standards:</p> <ul style="list-style-type: none"> PS1: Assessment and Management of Environmental and Social Risks and Impacts PS2: Labor and Working Conditions PS3: Resource Efficiency and Pollution Prevention PS4: Community Health, Safety and Security PS5: Land Acquisition and Involuntary Resettlement PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources. PS8: Cultural Heritage <p>The Borrower and the ESIA represent there are no Indigenous Peoples in the area of the project. Therefore, PS 7 is not triggered at this time.</p> <p>Additionally, the World Bank Group’s April 30, 2007 Environmental, Health, and Safety General Guidelines are applicable to this Project.</p> <p>Environmental and Social Risks and Mitigation: The Project involves the construction, operation, and management of a small run-of-river hydroelectric power generation project located on the Ndugutu and Sindila rivers about 400 kilometers west of Kampala in Uganda. The Project will supply power directly into the main grid in</p>

	<p>Uganda through a 20-year power purchase agreement with the local utility, the Uganda Electricity Transmission Company Limited.</p> <p>Ndugutu SHPP is located in the middle reaches of the Ndugutu River in the villages of Musili, Kaghughu, and Kagwe (formally known as Local Council I areas) in Bunyamwera Parish in Bundibugyo District.</p> <p>There will be a low (one meter high) weir and surge tank and a small reservoir (200 square meters) and a mostly buried penstock 5,055 meters long. A total of 1.7 cubic meters of water per second (m³/sec) will be diverted from the river at the weir and diverted into the penstock for 5,055 meters to the powerhouse, which is located on the Sindila River and will be shared with the Sindila SHPP. After being used to generate electricity, the water will be discharged to the Sindila River.</p> <p>An Environmental Impact Assessment prepared by the Sponsor in 2012 was approved by the National Environmental Management Authority in March 2013 with 47 conditions. An updated ESIA was prepared and submitted in 2015. Following a number of design changes, a newly updated ESIA was submitted to the National Environmental Management Authority in early 2017. Several other permits issued by Uganda authorities require compliance with the Certificate of Approval, which when issued will provide several other government authorities jurisdiction over the environmental and social conditions.</p> <p>Formal community engagement for the successive national EIAs took place in 2012, 2014, and 2017, and included meetings with national and local authorities and in the local communities. Further consultations were held in December 2014 prior to issuance of the generation license by the Electricity Regulatory Authority (ERA). The meetings in December 2014 and 2017 disclosed information and comments on the revised and updated Environmental and Social Impact Assessment.</p> <p>The ESIA includes an Environmental Monitoring Program whose objective is to verify compliance with environmental and social obligations by the Sponsor and its contractors and subcontractors, and to supervise implementation of prevention, control and mitigation measures. The environmental and social management plan in the most recent ESIA will serve as framework to guide the development of Project-specific management plans by the Borrower and contractors. The Borrower will be required to develop and submit to OPIC a final Environmental and Social Management System that integrates a series of Environmental and Social Management Plans and describes how the plans will be implemented and monitored.</p> <p>The Project will require land acquisition that impacts approximately 80 people. The majority of the land acquisition will involve small percentages of an individual's or household's total land holdings. The Project has developed a draft Resettlement and Compensation Action Plan, and OPIC</p>
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will require this plan be updated as needed to reflect current land requirements, valuation and compensation processes, oversight programs, and grievance redress mechanism. The Borrower will also update and implement the Livelihood Restoration Plan. Monitoring and reporting against both these plans will be required in the Project's reporting requirements and a third-party resettlement completion audit will be required.

The Project lies about 738 meters downhill and downstream from the boundary of the Rwenzori Mountains National Park. Only three species of fish have been found in the river in multiple sampling surveys. No fish have been found near the weir location, and there is relatively little fishing by local people. None of the fish are threatened or endangered. Significant waterfalls near the weir prevent migration, so no fish pass is included in the weir design. Except near the weir, most land that will be affected has been cleared and is used for agriculture, and the only natural habitat remaining is the narrow riparian zone near the weir location. The area is erosion-prone, so strict controls will be placed on all ground-clearing and –disturbing activities, and vegetation will be re-established as soon after disturbance as possible.

The cleared penstock corridor and Project roads will come within about 700 meters of the Park, and this could allow increased access to the Park by both local people and others. This in turn could lead to increased plant collection and poaching in the Park and its buffer zone. The Borrower is being required to develop and implement a Park Protection Plan to monitor Park usage and to work with Park authorities and local communities to increase patrols and provide information to local communities on agricultural crops and practices that would be less damaging to the land than current practices. In addition, a code of conduct is intended to prevent workers from illegal exploitation of Park resources.

OPIC Site Visits: An OPIC social specialist and environmental consultant visited Uganda from February 2-8, 2015, and OPIC social and environmental consultants visited again from April 19-29, 2017. In-country due diligence in 2015 included interviews and discussions with managers and staff from KMRI; Atacama Consulting Ltd. (the primary environmental and social consultant at the time); national authorities for ESIA and environmental protection, wildlife and national parks, and water resources development; a senior official of Rwenzori National Park; local officials of Bundibugyo District; and over 40 people who could potentially be affected by the Sindila and/or Ndugutu projects. In-country due diligence in 2017 included interviews and discussions with managers and staff from KMRI; Aurecon (which will be the Lenders' Independent Engineer for the project), SMEC (the Owner's Engineer); SH Construction (the construction contractor); and over 25 people who could potentially be affected by the Ndugutu Project. Due diligence also

	<p>included visits to some of the Project elements plus observations of the terrain, watersheds, and villages/housing patterns.</p>
<p>Social Assessment:</p>	<p>The Project will be required to operate in a manner consistent with the IFC’s Performance Standards, OPIC’s Environmental and Social Policy Statement, and applicable local laws.</p> <p>OPIC’s statutorily required language will be supplemented with provisions concerning the rights of association, organization and collective bargaining, minimum age of employment, prohibition against the use of forced labor, non-discrimination, hours of work, the timely payment of wages, and hazardous working conditions. Standard and supplemental contract language will be applied to all workers of the Project, including contracted workers.</p> <p>Representations of the Project’s labor management system, including employment policies, grievance mechanism, and employment agreements, have been evaluated against the IFC Performance Standards and OPIC’s Environmental and Social Policy Statement. It is anticipated the Project will operate in a manner that is consistent with local law, IFC Performance Standards, and OPIC’s ESPS.</p> <p>This review covers the commensurate human rights risks associated with small hydropower generation in Uganda.</p>