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INSP/R2011-0009

November 30, 2011

FROM: Vice President and Corporate Secretary

INSPECTION PANEL

South Africa - Eskom Investment Support Project

Inspection Panel Investigation Report

1. Attached is a memorandum from the Executive Secretary of the Inspection Panel dated November 21, 2011, transmitting a memorandum to the Executive Directors from the Chairman of the Inspection Panel entitled "Inspection Panel Investigation Report - South Africa - Eskom Investment Support Project (IBRD Loan No. 78620-ZA)".
2. In accordance with paragraph 23 of the Resolutions establishing the Inspection Panel "within six weeks from receiving the Panel's findings, Management will submit to the Executive Directors for their consideration a report indicating its recommendations in response to such findings". Management's report will be circulated in due course.

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA
Inspection Panel

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THE INSPECTION PANEL

OFFICE MEMORANDUM

DATE: November 21, 2011

TO: Mr. Jorge Familiar Calderón, Vice President and Corporate Secretary, SECVP

FROM: Peter L. Lallas, Executive Secretary, IPN 

EXTENSION: 39732

SUBJECT: **Request for Inspection**
SOUTH AFRICA: Eskom Investment Support Project
(IBRD Loan No. 78620-ZA)
Investigation Report

Attached for distribution to the Executive Directors of IBRD, please find a memorandum from the Chairperson of the Inspection Panel entitled "*SOUTH AFRICA: Eskom Investment Support Project (IBRD Loan No. 78620-ZA— Investigation Report)*," dated November 21, 2011.

Enclosures

Roberto Lenton
Chairperson

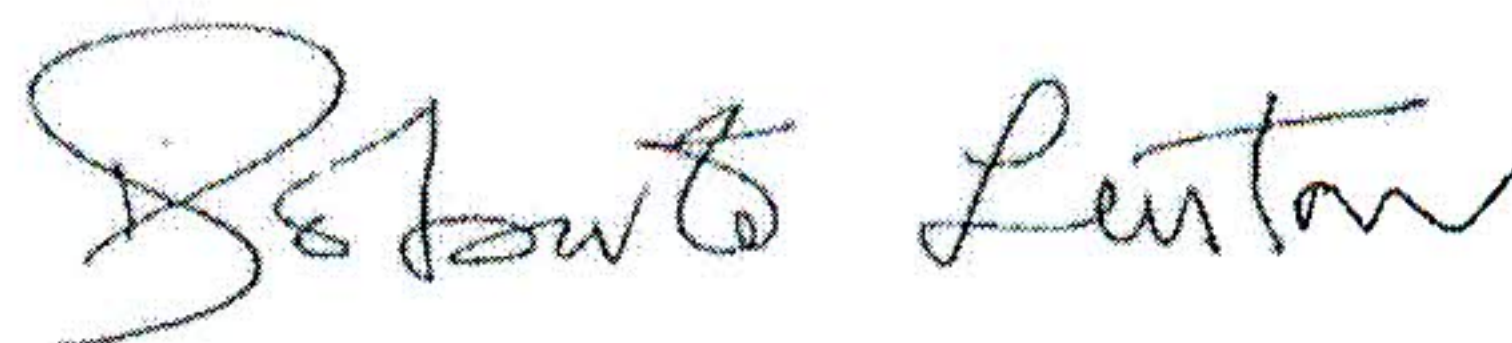
IPN REQUEST RQ 10/03

November 21, 2011

**MEMORANDUM TO THE EXECUTIVE DIRECTORS AND ALTERNATES
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

**Request for Inspection
SOUTH AFRICA: Eskom Investment Support Project (IBRD Loan No. 78620-ZA)
Investigation Report**

Please find attached the Inspection Panel Investigation Report entitled "*SOUTH AFRICA: Eskom Investment Support Project (IBRD Loan No. 78620-ZA)*," dated November 21, 2011.



Attachment

Roberto Lenton
Chairperson

IPN REQUEST RQ 10/03

November 21, 2011

**MEMORANDUM TO THE PRESIDENT
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

**Request for Inspection
SOUTH AFRICA: Eskom Investment Support Project (IBRD Loan No. 78620-ZA)
Investigation Report**

Please find attached the Inspection Panel Investigation Report entitled "*SOUTH AFRICA: Eskom Investment Support Project (IBRD Loan No. 78620-ZA)*," dated November 21, 2011.



Enclosure

Report No. 64977-ZA

The Inspection Panel 

Investigation Report

**South Africa: Eskom Investment
Support Project
(IBRD Loan No. 78620-ZA)**

November 21, 2011

About the Panel

The Inspection Panel was created in September 1993 by the Board of Executive Directors of the World Bank to serve as an independent mechanism to ensure accountability in Bank operations with respect to its policies and procedures. The Inspection Panel is an instrument for groups of two or more private citizens who believe that they or their interests have been or could be harmed by Bank-financed activities to present their concerns through a Request for Inspection. In short, the Panel provides a link between the Bank and the people who are likely to be affected by the projects it finances.

Members of the Panel are selected “*on the basis of their ability to deal thoroughly and fairly with the request brought to them, their integrity and their independence from the Bank’s Management, and their exposure to developmental issues and to living conditions in developing countries.*”¹ The three-member Panel is empowered, subject to Board approval, to investigate problems that are alleged to have arisen as a result of the Bank having failed to comply with its own operating policies and procedures.

The Panel’s work embraces the fundamental principles of independence, integrity, and impartiality. These cornerstone principles enable the Panel to respond to the issues raised and to provide technically sound, independent assessments to the Bank’s Board.

Processing Requests

After the Panel receives a Request for Inspection, it is processed as follows:

- The Panel decides whether the Request is *prima facie* not barred from Panel consideration.
- The Panel registers the Request—a purely administrative procedure.
- The Panel sends the Request to Bank Management, which has 21 working days to respond to the allegations of the Requesters.
- The Panel then conducts a short 21 working-day assessment to determine the eligibility of the Requesters and the Request.
- If the Panel recommends an investigation, and the Board approves it, the Panel undertakes a full investigation, which is not time-bound.
- If the Panel does not recommend an investigation, the Board of Executive Directors may still instruct the Panel to conduct an investigation if warranted.
- Three days after the Board decides on whether or not an investigation should be carried out, the Panel’s Report (including the Request for Inspection and Management’s Response) is publicly available through the Panel’s website and Secretariat, the Bank’s Info Shop and the respective Bank Country Office.

¹ IBRD Resolution No. 93-10; IDA Resolution No. 93-6.

- When the Panel completes an investigation, it sends its findings and conclusions on the matters alleged in the Request for Inspection to the Board as well as to Bank Management.
- The Bank Management then has six weeks to submit its recommendations to the Board on what actions the Bank would take in response to the Panel's findings and conclusions.
- The Board then takes the final decision on what should be done based on the Panel's findings and the Bank Management's recommendations.
- Three days after the Board's decision, the Panel's Report and Management's Recommendation are publicly available through the Panel's website and Secretariat, the Bank's Project website, the Bank's Info Shop and the respective Bank Country Office.

Acknowledgments

The preparation of this Report would not have been possible without the support and valuable contributions of many people.

The Panel wishes to thank the Requesters and the communities who met with the Panel in the Project area. The Panel expresses its appreciation to the national and local government officials in South Africa and representatives of Eskom Holdings Limited with whom the Panel met in South Africa.

The Panel also wishes to thank World Bank Executive Board members for their support, the World Bank Staff in Washington D.C. for their assistance in obtaining documents, providing the Panel with information, and responding promptly to written requests, and in the South Africa Country Office for their assistance.

The Panel also wishes to extend its thanks to the members of civil society organizations working in South Africa who assisted the Panel team during its field visits, and to *The Bateleurs (Flying for the Environment in Africa)* who flew the Panel team over the Medupi project area and enabled it to get an invaluable aerial view of the landscape.

The Panel is grateful for the expert advice provided by its consultants: Susan Frances Brownlie, environmental impact assessment expert; Mark Hodges, air quality expert; Jacob Kijne, water resources expert; Anthony Leiman, energy economics expert; Mohan Munasinghe, climate change expert; and William Ward, economics expert and appreciates the objective judgment and professionalism they exhibited at all times.

The Panel also wishes to thank Jennifer Hatch, Matthew Irish, and Dylan Rebois who provided exemplary research assistance during the preparation of this report.

Finally, the Panel wishes to convey its gratitude and appreciation to the members of its Secretariat for their resourceful handling of this investigation, in particular to the Panel's Executive Secretary Peter Lallas, Operations Officer Mishka Zaman who served as Lead Secretariat Officer for this investigation, Advisor to the Panel Secretariat and Expert Consultant on institutional matters Eduardo Abbott, and other members of the Secretariat for their support during the finalization of the report.

Acronyms and Abbreviations

AMD	Acid Mine Drainage
AQIA	Air Quality Impact Assessment
CSP	Concentrating Solar Power
CSIR	Council for Scientific and Industrial Research
DEA	Department of Environmental Affairs (formerly DEAT)
DEAT	Department of Environmental Affairs and Tourism
DEDET	Department of Economic Development, Environment, and Tourism
DME	Department of Minerals and Energy
DMR	Department of Mineral Resources (formerly DME)
DSM	Demand-Side Management
DWA	Department of Water Affairs (formerly DWAF)
DWAF	Department of Water Affairs and Forestry
EA	Environmental Assessment
ECA	Environment Conservation Act 73 of 1989
EHS	Environment, Health and Safety Guidelines (World Bank Group)
EIA	Environmental Impact Assessment
EIR	Environmental Impact Report
EISP	Eskom Investment Support Project
EMF	Environmental Management Framework
EMPR	Environmental Management Program Report
ENPV	Economic Net Present Value
ERR	Economic Rate of Return
FBE	Free Basic Electricity
FGD	Flue Gas Desulfurization
GEF	Global Environment Fund
GoSA	Government of South Africa
GHG	Greenhouse Gas
IDP	Integrated Development Plan
IPN	Inspection Panel
IRP2	Integrated Resource Plan for Electricity (Revision 2)
Km	Kilometer
kWH	Kilowatt hours
LTMS	Long Term Mitigation Scenarios
Mm ³ /yr	Million cubic meters per year
Mtpa	Million tonnes a year
MCWAP	Mokolo-Crocodile (West) Water Augmentation Project
M&E	Monitoring and Evaluation
MPRDA	Minerals and Petroleum Resources Development Act 28 of 2002
MW	Megawatt
NEM	National Environmental Management (prefix for specific Acts promulgated in terms of the NEMA, e.g. NEM Biodiversity Act)
NERSA	National Energy Regulator of South Africa
NEMA	National Environmental Management Act 107 of 1998
NHRA	National Heritage Resources Act 25 of 1999
NEPAD	New Partnership for Africa's Development
NPA	National Prosecuting Authority

OPCS	Operations Policy and Country Services Department
PAD	Project Appraisal Document
PF	Pulverized Fuel
RoD	Record of Decision
RESA	Regional Environmental and Social Assessment
SDF	Spatial Development Framework
SDR	Safeguards Diagnostic Review
SEA	Strategic Environmental Assessment
SAHRA	South African Heritage Resources Authority
SADC	Southern African Development Community
SPAs	Special Pricing Agreements
UNFCCC	United Nations Framework Convention on Climate Change
UCSP	Upington Concentrating Solar Power Plant
UCS	Use of Borrower/Country Systems