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Operations Policy & Country Services

Setting Standards for Sustainable Development

Update and Review of the World Bank's Safeguard Policies

South Africa Case Study

Eskom Investment Support Project

*Phase 3 Consultation in South Africa
November 30-December 1, 2015*

Content

- **Objective: Testing the proposed Framework for operational implications**
- **Approach and methodology**
- **Projects for discussion**
- **Discussion**



Objective

Testing the proposed Framework for Operational Implications

- Identify implementation challenges and opportunities
- Identify aspects that require additional clarification / need of additional operational guidance

Methodology

- Comparison of current safeguard policies as applied to existing projects with provisions of proposed Framework. **Incremental changes to the scope of work for Bank and Borrowers** are specified as below:

Incremental Level of Effort	Incremental Staff Time	Scope of Work	Staff Requirement
NO CHANGE / COST SAVINGS	--	--	--
LOW	Hours	Limited work, building on existing analysis already done for the project with fine tuning	Environmental and social qualified staff
MODERATE	Days	Minor additional works, also based on existing analysis already done for the project.	Environmental and social qualified staff supplemented by credible external staff
HIGH	Weeks	New analytical work, not considered before, based on collecting secondary data and synthesizing existing information or generating new and specific knowledge	External subject matter expert on specific issues

Project for discussion: Eskom Investment Support Project

PROJECT OVERVIEW

- **Objectives:** To enable Eskom to enhance power supply and energy security in an efficient and sustainable manner that supports economic growth objectives and the long-term carbon mitigation strategy of South Africa.

Financing (US\$): World Bank US\$3.75; Total Project Costs: 19.46 (USD billion)

- **Environmental Category:** A
- **Safeguards Triggered:** Use of Borrower's System (OP 4.00)
- **Safeguards Instruments:** Safeguards Diagnostic review
- **Approved:** 2008

PROJECT COMPONENTS

- **Medupi Coal-Fired Power Plant** (4,800 MW), efficient, dry cooled, supercritical technology with a Flue Gas Desulphurization System (FGD) to control SO₂ emissions.
- **Transmission lines** (>1,000 km) to connect the Medupi to the grid.
- **Sere Wind Farm** (100 MW), with 46 turbine towers and associated transmission lines along with a substation.
- **Concentrating Solar Power Plant** (100 MW) with 13 hour energy storage making it a base load plant.
- **Majuba Railway**, construction of a 68-km railway for coal transportation to help lower Eskom's carbon intensity and coal transportation costs.
- **Technical assistance** for improving coal plant efficiency, enhancing demand side management and preparing cross-border projects.

Environment and Social Safeguard Approach Used in South Africa

- Bank management agreed to use South African country systems in lieu of corresponding World Bank safeguard policies: **“Use of Country Systems” (UCS)**.
- The Bank assessed and approved the environmental and social impacts of the project in accordance with the borrower’s own policies and legal requirements.
- Rationale for the UCS
 - South Africa’s environmental laws and policies are widely recognized as being of high standard and spearheading good practices in Africa;
 - Use of Country Systems provided a vehicle to build on the strengths of South Africa’s environmental safeguard systems while identifying measures to further enhance national and corporate environmental and social systems.

Relevant World Bank Environmental Standards and Corresponding South African Legal Framework

World Bank	South Africa
ESS 1, 2, 3 and 4	<p>National Environmental Management Act, 1998 as amended</p> <p>NEMA EIA Regulations, 2006</p>
ESS 6	<p>Environmental Conservation Act of 1989, as amended</p> <p>NEMA Biodiversity Act</p> <p>NEMA Protected Areas Act</p>
ESS8	National Heritage Resources Act, 1999
ESS 5	Expropriation Act, 1975 as amended and other land-related laws and regulations

ESS 1: Assessment and Management of Environmental and Social Risks and Impacts

- Safeguards instruments (EIA, SIA and RAP) were prepared for all Eskom project components.
- The requirement of a social impact assessment becomes more focused, and includes specific reference to vulnerable groups. However, this is currently done as best practice.
- The preparation of the ESCP will entail minor effort as this is basically a procedural aspect, and it specifies/refers to other documents/instruments such as EIA, SIA, and RAP. That is, this is a process of formalizing in a different manner elements/documents that we already produce.
- South Africa has a major advantage as the Bank has established full equivalence and acceptability of South African policies, regulations, procedures and institutional capacity with the Bank's existing safeguards policies.
- Management of contractors is currently being done by the Borrower in terms of assessing E&S risks associated with them.
- The expected additional level of effort is low to moderate



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ESS 1: Assessment and Management of Environmental and Social Risks and Impacts

- For the Medupi Thermal Power Plant and Other EISP components (wind, concentrated solar, transmission lines): Environmental Impact Reports and Management Plans undertaken consistent with applicable EIA Regulations and reflected principles of EIA Regulations as well as best practice per South African guidelines on Integrated Environmental Management
- Independent review (SE Solutions) found EIRs consistent with the requirements of Equator Principles subscribed by major international financial institutions and based on Performance Standards of the International Finance Corporation (World Bank, 2006)
- South Africa includes several provisions in the law to safeguards involuntary resettlement, such as an Expropriation Act, 1975, as amended to date; Housing Act, 107 of 1997; Extension of Security of Tenure Act (ESTA), 1997; Land and Assistance Act, 1993; Land Reform (Labor Tenants) Act 30 of 1998; and Restitution of Land Rights Act 22 of 1994



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ESS 2: Labor and Working Conditions

- South African laws are very strong with respect to labor conditions, including remuneration, working conditions, prohibition on use of child labor, ability to form union and negotiate for both permanent workers and contractors.
- Eskom provided regular feedback and a progress report as part of its safeguards approach, including on Occupational Health and safety (OHS).
- Eskom has an excellent system in place but will be expected to provide additional information to the bank and assist with the Bank due diligence process.
- A grievance redress mechanism for all project workers and, where relevant, their organizations is required to be established.
- The borrower will be responsible of having procedures for monitoring this ESS.
- The expected additional level of effort is low



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ESS 3: Resource Efficiency and Pollution Prevention and Management

- No additional effort is required for applying technically and financially feasible pollution control measures. The EMP prepared for the project includes measures for pollution control at work sites.
- The requirement for implementing technically and financially feasible measures for the consumption of efficiency energy, water, and raw materials is already mostly met since Eskom undertakes regular energy efficiency studies for all its program, including an energy efficiency program to partially offset environmental footprints.
- South Africa's Interim Ambient Air Quality Standards are consistent with World Bank ambient air quality guidelines per WBG General Environment, Health and Safety Guidelines and WHO.
- South Africa's proposed maximum emissions limits for new and existing coal-fired thermal power plants are comparable to WBG EHSGs for Thermal Power Plants (December 2008). Medupi plant will comply with stringent emissions standards for "existing plants" under AQA as stipulated in National Framework for Air Quality
- The expected additional level of effort is low to moderate.



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ESS 4: Community Health and Safety

- South Africa has strong regulations to protect community health and safety. Eskom closely monitors all risks and hazards related to construction and the operation of its project site.
- The EIA already contains a number of the requirements related to project risks and impacts.
- The site is completely fenced and movement of unauthorized persons is restricted. Grade-separated junctions have been adopted to avoid the need for level crossings where pedestrians and all local vehicles must cross tracks.
- Communities exposure to water borne, water based, communicable & non-communicable disease that could result from project activities is covered in the EIA.
- Emergency preparedness and Response Plan (ERP) is prepared for the project.
- The expected additional level of effort is low to moderate.



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ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The Eskom project meets all the requirements of the standard as South Africa's legal system is *fully equivalent* to the Bank's requirements with respect to:

- Assessment of all viable alternative project designs to avoid, where feasible, or minimize involuntary resettlement.
- Identify and address impacts when they result from activities that are (a) directly and significantly related to the proposed project, (b) necessary to achieve its objectives, and (c) carried out or planned to be carried out contemporaneously with the project;
- Consult project-affected persons, host communities and local nongovernmental organizations, as appropriate, and inform displaced persons of their rights, consult them on resettlement alternatives and needed assistance;
- For those without formal legal rights to lands or claims to such land that could be recognized under the laws of the country, provide resettlement assistance in lieu of compensation for land to help improve or at least restore their livelihoods;
- No additional effort is required for this ESS.



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ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

South Africa's EA legal system is *fully equivalent* to the Bank's requirements with respect to:

- Precautionary approach; avoiding significant conversion or degradation of “critical habitats”; Impact non-critical habitats only if viable alternatives are not available and with appropriate conservation and mitigation measures, including offsets
- Give preference to siting projects on lands already converted
- Consulting key stakeholders including NGOs and local communities in design, implementation, monitoring and evaluation of projects
- Provide for use of appropriate expertise for design and implementation of mitigation and monitoring plans
- Disclose draft mitigation plan prior to appraisal in an accessible place, form, and language accessible to stakeholders.
- No additional effort is required for this ESS.

ESS 7: Indigenous Peoples

ESS 8: Cultural Heritage

ESS 9: Financial Intermediaries

ESS7

- No incremental cost as the SIA established that the Eskom project will not impact any tribal groups in the project area.
- The assessment found that there are no tribal specific habitations in the project area.
- There is no incremental effort from the application of this ESS to this project.
- No additional effort is required for this ESS.

ESS8

- South Africa's EA legal system has adequate provision of chance find procedures including a pre-approved management and conservation approach for materials that may be discovered during project implementation
- Expected incremental level of effort is low to none.

ESS9

- Presently there are no FIs in the project and hence no incremental efforts would be required.
- No additional effort is required for this ESS.

ESS 10: Stakeholder Engagement and Information Disclosure

- The efforts towards this standard needs to be considered in conjunction with the work done for all the other ESSs, particularly ESS 1, 5, and 7.
- The current approach is instrument-based and consultations have been held for the preparation of the safeguards instruments for this project (EIA, SIA, and RAP)
- Under ESS 10, stakeholder engagement for the E&S impacts and their mitigation is an ongoing activity over the life of the project. The additional efforts in this context would be to include it in the project cycle particularly in implementation, M&E, etc.
- Currently the project has a Environmental Management Committee as a GRM to respond to complaints. Some minor effort would be required to disclose information about the status and resolution of all grievances.
- Other relevant activities also help in this regards (e.g. citizens' engagement)
- The expected additional level of effort is moderate to high.





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THANK YOU

More information available at:

<http://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies>

Discussion

1. *Feasibility and resources for implementation?*

- What are the implementation and resource implications for Borrowers?
- What can the Bank do to mitigate additional burden and cost?
- How can the implementation of projects be made more efficient?

2. *Borrower capacity building and support for implementation?*

- How can the Bank support capacity building?
- Are there specific areas of focus, and approaches?
- Approach to implementing the ES Framework in situations with capacity constraints?