

The Request

(identity of requesters removed)

28 September 2010

Mr Peter Eldar Sovik

The Director

Compliance Review and Mediation Unit (CRMU)

African Development Bank

B.P. 323, 1002 Tunis Belvédère, Tunisia

Dear Sir

**Re: Medupi/Eskom African Development Bank (AfDB) Loan:
Request to investigate possible violations of AfDB's policies and procedures**

In light of the public interest and recent media reports on the Medupi/Eskom coal-fired plant, the granting of the World Bank (WB) Loan to finance this project, the latest investigation by the WB Inspection Panel in Lephalale, and the investment of the ANC's Chancellor House into Hitachi Africa, we'll like to raise our concerns about the implications of your granted loan.

WE, two South Africans would request that our names are kept confidential. We would like to request that the Compliance Review Mechanism investigates whether the AfDB's policies, including but not limiting to the social and environmental policies and procedures, the climate risk and management adaptation strategies, the consultation policy, the good governance policies, the poverty reduction policy, and the procurement rules, had not been violated, when the AfDB approved an Eskom loan of ZAR125,63 billion on the Medupi Power Project, during 2009.

We feel strongly that the AfDB had not complied with their own rules and policies in terms of promoting clean sustainable energy projects, developing a low carbon economy and its responsibility to assist in long term mitigation measures on climate change.

The decision made by the AfDB Loan will have damaging impacts on the health, environment, human rights and livelihoods of millions of South Africans.

While we appreciate the AfDB's role to support our 'macro-economic footprint' to secure generation electricity capacity, we have serious concerns about the impact your loan will have on South Africa's carbon reduction commitments, scaling up of investment into renewable energy technologies, and our efforts to deal effectively with the threats of climate change. A loan-request on renewable energy projects would be most appropriate and beneficial, instead of supporting dirty, polluting coal-fired plants which will increase SA's already high carbon emissions per capita.

While the project's proponents claim it will provide energy access for the poor, in reality, the project would largely benefit major industries that consume electricity below cost, and whose apartheid-era secret agreements prevent them from sharing the costs associated with construction of the project and repayment of the loan.

Communities living near the Medupi plant would be the ones to bear the burden of hidden costs in terms of health impacts from air pollution, elevated SO₂ levels, and mercury residues in their water, air and land; constrained access to water; and the livelihood impacts from degradation of land and water in this largely agrarian area.

Not only will industries benefit, but the ruling party, the African National Congress, is set to reap major profits from the loan through its investment in Hitachi Power Africa, which was awarded a dubious contract, an obvious conflict of interest.

An extract from a newspaper article has reference ...

Business Day (Johannesburg), Paul Hoffman, 26 April 2010
Hitachi is quick to point out that the tender process it won has been certified 'fair' by accountants. What is not revealed is that Hitachi has directors in common with Chancellor House, deployed cadres of the ANC, and that the Eskom tender committee was chaired by another deployed cadre, Valli Moosa (Eskom chair?), who at the time was on the national executive committee of the ANC.

The AfDB loan will help further entrench the ANC off the backs of the poor. Kindly also carry out an independent investigation on our procurement complain or refer it to your relevant dept within the AfDB group.

Who really benefits?

The fundamentals of the project are being questioned. This project is to secure uninterrupted electricity for large corporations, such as smelters and mining houses under secretive special pricing agreements. It is not for the millions of poor people who cannot afford or do not have access to electricity. Poor people are subjected to pre-paid electricity metering system which denies the majority of poor people the right to access of affordable electricity since most are unemployed and the tariffs are too high.

We believe that the AfDB failed to consider communities consultations and participation processes in their assessment of the project. Local communities, who live close to the power plant were subjected to removals and the desecration of ancestral graves occurred, which demonstrated a gross violation of their cultural and human rights.

You failed to seriously consider the economics of our already fragile environment. It appears that the AfDB ignores its own rules to '*promote a low carbon economy' and 'clean energy' 'by encouraging countries to mainstream clean energy options into national development plans and energy planning'*.

The AfDB Loan will affect us personally in the following manner;

1. We will be forced to pay more on electricity tariffs
2. We will be inhaling more dirty and unhealthy air which will make us sick.
3. We will be exposed to more extreme frequent storms & droughts, as a result of the increased carbon emissions and other pollutants
4. We will be forced to pay more tax to subsidise the ANC's Hitachi project
5. We will be influenced by a political party who gets funding in an unsavoury manner and unethical manner.

In addition, these harms will largely be borne by ordinary poor South Africans, where about 2 million live in energy poverty subjected to poor service deliveries on a daily basis. If this loan is meant to improve the quality of all South Africans, we fail to see any real benefits your loan could offer to the majority of SA, especially the low income citizens. Your Bank is also mandated 'to help reduce poverty, improve living conditions for Africans' as stated in your policy papers.

Should you decide to probe this matter, we would kindly advise you to engage meaningfully with the relevant stakeholders, particularly the ones most affected, and the ones who are at the centre of development, but often ignored in inadequate public participation processes.

If you require further information about this matter, please feel free to contact us.

Yours sincerely
XX YY