

---

## **CLIMATE FINANCE FACILITY (CFF): ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK**

---

### **1. Introduction**

The Development Bank of Southern Africa (DBSA) is an infrastructure development finance institution (DFI) that supports financing of infrastructure in the energy, water, transport and ICT sectors in sub-Saharan Africa. As an Accredited Agency (AE) of the Green Climate Fund (GCF) the DBSA has noted its responsibility to ensure compliance with the GCF interim Environmental and Social Safeguards (ESS), and has designed its own ESS that will ensure compliance with the GCF policies and standards and South African National legislation. Projects that are supported by the DBSA will be carefully designed to benefit local communities, with a particular focus on women and vulnerable groups, and the environment in their focal areas, with no anticipated adverse social or environmental impacts.

The DBSA's new Climate Finance Facility (CFF) will address market constraints, playing a catalytic role with a blended finance approach, to increase climate related investment in the Southern African region. The CFF will be a first-of-its-kind application based on the Green Bank model, adapted for emerging market conditions. It offers globally significant proof-of-concept value to middle and lower income nations seeking to address market barriers and quickly scale up the high levels of private investment required by Paris climate commitments. The CFF will use its capital to fill market gaps and crowd-in private investment, targeting commercially viable technologies that cannot currently attract market-rate capital at scale. It will focus on infrastructure projects that mitigate or adapt to climate change and utilize two main instruments: subordinated debt / first-loss and credit enhancements such as tenor extension to projects that are commercially viable but not currently being financed by the private sector banks. Apart from South Africa, the CFF will also serve ZAR based countries in Southern Africa namely Namibia, Lesotho and Swaziland. The CFF will focus on specific climate investment opportunities based on the country needs and sectorial priorities identified in the Intended Nationally Determined Contributions (INDCs) for each CFF targeted country.

It should be noted that CFF will not fund category A projects and will be restricted to category B and C only. Projects will be required to demonstrate that they are focused on technically and economically feasible transactions where there is market interest but limited capital availability due to specific financing gaps and barriers. Developers will also be required to show that the project cannot be funded solely by commercial banks. However, projects will be required to show that they involve financial participation by one or more private sector financial parties and that it will have some transformative effect on markets in terms of scale, improved

private sector participation, confidence in clean energy investments, or other aspects. The activities of the CFF are expected to result in reduction or avoidance of 29,727,942 tonnes of carbon dioxide equivalent (t CO<sub>2</sub> eq ) during the lifetime of the programme.

## **2. Typology of Potential Subprojects to be supported by CFF**

The focus of the CFF (using GCF funding) will be to demonstrate the commercial viability of climate mitigation/adaptation technologies and solutions, resulting in full commercial viability and corresponding private sector funding. The technologies are also all selected to align with South Africa's development plans and strategy, addressing key sustainability concerns.

### **Solar PV and Energy Efficiency:**

This is one of the most exciting focus areas of the GCF application. The technology is economically viable, as both technologies offer fairly attractive returns over their lifespans from avoided energy costs. The key limiting factor to the uptake of PV is the mismatch between finance tenors and project lifespan. Both the EE and PV market opportunities are far larger than the current uptake suggests. These technologies are likely to be the best option for the initial rounds of CFF. Rooftop Solar PV is also a particularly attractive option in terms of job creation, with a high number jobs created per MW installed. The local lamination of PV panels also represents a significant opportunity for gender-sensitive job creation, with an expectation of ~80% female employment.

### **Waste to Energy**

The incomes streams are typically diverse, the technology operation risks are high/unknown and feed stock risk is difficult to price. In effect this leads to messy, complex project that become extremely hard to finance. Currently these projects are being held back by the difficulty of creating a business case for a technology that not only requires an income stream from its primary product but also from ancillary income streams in order to become commercially viable. Development of financing options specifically designed to match the market conditions in South Africa are vital to unlock these markets.

### **Water Efficiency and Treatment**

This is a complex market with a range of inherent subsidies and incentives. Primary among these are the non-cost reflective nature of the current water prices. The current water prices do not adequately reflect the availability and cost of supply, and do not provide a particularly attractive business case for private investment in water infrastructure. Predictions of future water demand however; show a gap in predicted water availability and predicted demand that indicates that there is a need for private investment in water infrastructure. While water tariffs are trending upwards, it is likely that investment in private water infrastructure projects will be required before the tariffs reach a point where there is a bankable business case for commercially financed projects.

### **Hypothetical Examples of Projects in early CFF pipeline**

While it is difficult to provide specific examples of pipeline projects at this point in the development of the CFF, we offer the following illustrative project sketches across the key sectors as noted in this proposal including off-grid, industrial and commercial IPPs, urban solar farm, and local water treatment plants. Each example represents multiple projects. More detail

on deal flow and project pipeline will come early in 2018, based on input from major commercial bank partners and project developers through the next stage planned outreach. Each of the project sketches below would result in leveraging commercial funding anywhere between 4 and 10 times depending on the amount of equity invested by the sponsor/developer.

#### Off-Grid

A South African based company with a four year track record in the small scale energy generation sector has prepared a business plan to roll out, initially, 18,000 off-grid systems to identified rural and under-provided municipal areas in South Africa. These affordable “kits” will be installed and maintained by the company or their appointed agents. The systems will be either single or hub systems (the latter serving several homes) with an average cost per installed systems of R11,500 (USD 900). The business plan provides for a 5 year roll out to install 300,000 systems in South Africa and Southern Africa with a particular focus on Botswana, Mozambique and Namibia. The total funding required to complete the entire program is R3.4 billion. They are venture capital in nature and would in principle be ideal for CFF funding alongside a commercial bank. They would be looking for an initial R80-100 million.

#### Industrial and Commercial Solar

A South African based company that has been operating for about three years that is currently funded by shareholders and a highly conditional and uncommitted bank facility has been installing and maintaining roof top solar PV systems primarily on supermarkets. They have vertically integrated and now have a contracting division, but are constrained by shareholder funding and commercial banks will not provide funding at this stage that is sustainable. The CFF could provide needed financing to open up this market segment which includes opportunities in certain Southern African countries where their customers own shopping centers and supermarkets. They have orders on their books in excess of R500million and would be looking for about R100 million.

#### Urban Solar Farm

The South African operation of an international group that was established to participate in the South African RE-IPP Program is now embroiled in South African/Eskom politics. In order to keep the South African operation going they are shifting focus to the private sector. With the support of USTDA, the company has completed a feasibility study on the roll out of two urban solar farms with a total initial capacity of 10-15MW. The total cost of the initial project is between R200 million and R300 million, with the potential to grow into hundreds of MWs and billions of Rand. Commercial banks that were part of the feasibility study indicated that they would need credit enhancement to provide funding due to the nature of the proposed off-take structure which involves a diversified group of companies with varying financial strengths. The project would be looking for an initial R75 million from the CFF in the form of subordinated debt with low-cost, risk-adjusted return requirements to help the projects cover their debt service coverage ratio without raising PPA prices beyond what potential offtakers will bear.

#### Local Water Treatment Plants

DBSA has been approached by a Dutch company that has designed container based water treatment plants that were developed and used for the Rio Olympics. They have secured very limited grant money from the Dutch Government to produce only one or two containers which, fully installed and operational, cost approximately USD 5 million per unit. Each container can

treat about 350,000 litres per day. The company would like to develop a PPP structure to create these containers for several smaller and more rural municipalities that are struggling to properly treat grey-water before it is released back into the watershed and re-enters municipal water systems. The CFF would be ideal to support a project of this nature for example with subordinated debt to lower the risk profile for private co-investors, or other potential offerings (for example, generated out of the Climate Lab) such as a Loan Loss Reserve product to protect against risks perceived by private investors.

### Energy Efficiency in Commercial Buildings

A South African based company that provides energy savings performance contracting (ESPC) through an ESCO model has been operating for two years. They have completed 7 small projects (average R1 million) and have recently met all requirements and received certification as a “Tier 2 provider” under South Africa’s new ESCO registration program. Commercial banks view them as ‘business as usual’ finance applications, and do not apply credit assessment criteria specifically designed for the ESCO industry. Limited collateral associated with energy efficiency projects, unfamiliarity with the ESPC model and uncertain cash flows, and small project size make it hard for the company to access additional finance to do larger projects or bundle multiple projects. To date the company has relied on expensive equity, grant funding and small and uncertain loans from one bank, which cannot increase its position. The CFF could provide needed co-financing to open up this market segment, and give added certainty to additional commercial banks investing alongside the CFF in the deal. This financing would allow the company to reach larger scale, develop larger projects, helping them achieve “tier 1” status and eventually accessing more commercial finance from South African banks.

## **3. Environment and Social Legal Framework**

Although the ESS framework below is based on the South African context and legislative environment, the approach would be applicable for all the CFF targeted countries in Southern Africa which includes Namibia, Swaziland and Lesotho.

The key legislative instruments that govern activities that are likely to have an impact on the environment and human wellbeing in South Africa include the following, to which all projects seeking funding from the CFF will be subjected:

### The National Development Plan (2030)

The National Development Plan (NDP) of South Africa provides an important blue print for an array of interventions to support the socio-economic development of the country. Most sectors have developed strategies that support the NDP by internalizing their contributions to supporting development, deepening democracy and building a more inclusive society.

The NDP advocates a transition to an environmentally sustainable, climate change resilient, low-carbon economy and just society, which will be enabled by:

- Coordinated planning and investment in infrastructure and services that take account of climate change and other environmental pressures;
- Implemented adaptation and national development strategies;
- Focus on becoming a zero-waste society;

- Growth in the renewable energy sector;
- Domestic manufacturing of renewable energy technologies coupled with job creation;
- Reducing the country's carbon emissions;
- Conservation and restoration of protected areas through policy and regulatory frameworks for land use; and
- Public investment in new agricultural technologies and the development of resilient and environmentally sustainable strategies

#### Constitution of the Republic of South Africa (1996)

Section 24 of the Constitution of the Republic of South Africa (1996) provides the overarching legislative foundation for environmental management in South Africa:

*Section 24 of the Constitution of the Republic of South Africa (1996): Everyone has the right to an environment that is not harmful to their health or well-being; and to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that -*

- i. prevent pollution and ecological degradation;*
- ii. promote conservation; and*
- iii. secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.*

#### National Environmental Management Act (107 of 1998) (NEMA)

NEMA is the primary environmental framework Act in South Africa which provides for the following:

- Co-operative environmental governance based on the principles that everyone has the right to an environment that is not harmful to his or her health or well-being, and enabling the administration and enforcement of other environmental management laws.
- A framework within which other environmental legislation must be interpreted and within which all decision-making regarding the protection of the environment must take place.
- Lays down principles (Section 2 of NEMA) that all organs of state must adhere to when making decisions affecting the environment
- Through Chapter 5, requires that the Integrated Environmental Management approach must be followed to manage the environmental impacts of activities.
- Requires (Section 23(2)(c)) that the effects of activities on the environment should receive attention before actions are taken in connection with them and Section 24(1) requires that the environmental impact of any activity that needs authorization by an organ of state, must be considered, investigated, and assessed prior to the implementation of that activity.
- Through Section 23(2)(c) imposes a duty of care and remediation of environmental damage on all persons whose activities may have caused, may be causing and may yet cause significant degradation of the environment to take reasonable steps

(including an assessment of environmental impact) to prevent such damage from occurring or continuing to occur.

Projects which will benefit from the CFF programme will further be required to align with the following legislative instruments, the Specific Environmental Management Acts (SEMA), which were promulgated under the NEMA:

National Environmental Management: Biodiversity Act (10 of 2004): supports conservation of plant and animal biodiversity, including the soil and water upon which it depends.

National Environmental Management: Protected Areas Act (57 of 2003, amended No. 31 of 2004): supports conservation of soil, water and biodiversity.

National Environmental Management: Integrated Coastal Management Bill (2008) (and amendments): supports integrated coastal and estuarine management system to promote conservation of the coastal environment, maintain natural coastal landscape and seascape attributes, and ensure that development and use of natural resources within the coastal zone is socially and economically justifiable and ecologically sustainable.

National Environmental Management: Air Quality Act (39 of 2004) Air Quality Act (39 of 2004) : replaces the Atmospheric Pollution Prevention Act (No. 45 of 1965). Aims to prevent and air pollution and regulate emissions that are made.

National Environmental Management: Waste Act (59 of 2008): aims to prevent pollution and ecological degradation, thus protecting the environment and our health.

Other national legislative and policy requirements which will guide projects under CFF include:

National Water Act (36 of 1998) - enforced by Department of Water Affairs: promotes the protection, use, development, conservation, management, and control of water resources in a sustainable and equitable manner.

National Climate Change Adaptation Strategy (NAS), which begun in 2016, will be used as the country's National Adaptation Plan (NAP). This strategy includes plans to improve:

- Improve water and energy efficiency
- Improve waste management
- Increase agricultural resilience
- Increase uptake of renewable distributed generation

#### Regulatory and legislative environment in other ZAR based countries targeted by CFF

Namibia has strong environmental policies which are included in the country's constitution. The constitution states that it is essential to maintain the ecosystems, ecological processes and biological diversity of Namibia in a sustainable way for the people of Namibia. The Environmental Management Act promotes the concept of Strategic Environmental Assessments and also requires EAs for projects that are likely to have significant impacts on the environment. The National Biodiversity Strategy and Action Plan aims to preserve and

better the biodiversity in Namibia by encouraging the use of incentives in order to make the sustainable management of natural resources profitable. A Climate Change and Strategy covers the risks of climate change for Namibia, as well as globally, and proposes strategies of mitigation and adaptation as responses to climate change. The Strategic Action Plan for the Implementation of Renewable Energy Policies aims to increase energy efficiency by providing rural and economically challenged areas with more sustainable solutions. In the future the action plan will expand its impact assessment to emissions from all sources from a national, sub-regional and global perspective. The Forestry Strategic Plan aims to improve and increase forest management in Namibia.

Environmental issues in Namibia include limited natural fresh water sources, desertification, wildlife poaching, habitat fragmentation and land degradation. Prolonged periods of drought are the main concern in Namibia environmentally. Namibia has signed and ratified international environmental agreements for Antarctic-Marine Living Resources, Biodiversity, Climate Change, Climate Change-Kyoto Protocol, Desertification, Endangered Species, and Hazardous Wastes, Law of the Sea, Ozone Layer Protection and Wetlands. As a country Namibia is exceptionally vulnerable to climate change and the effects of such change in Namibia would be manifold. There would be an increase in the already hot temperatures, which would in turn lead to severe droughts. Water scarcity would lead to reduced subsistence crop production, while rising temperatures and humidity would lead to increased malaria.

With regards to Swaziland & Lesotho, the local environmental policies and procedures will be applied in the same manner to South Africa and Namibia, subject to the overall compliance with the ESSS systems of the DBSA which is discussed in the following sections.

#### **4. DBSA Environmental and Social Safeguards Standards (ESSS)**

The DBSA undertakes a rigorous investment appraisal for all programmes and projects which it considers for financing. In its commitment to sustainable and equitable development, the DBSA has developed its Environmental and Social Safeguards Standards (ESSS) that enable the DBSA to mainstream environmental considerations and principles to investment projects within its mandate. The ESSS is in line with the IFC's (consequently GCF's interim) Performance Standards on Environmental and Social Sustainability (ESS). All projects funded by the DBSA must, therefore, comply with the DBSA's ESSS and the IFC's ESS.

The DBSA classifies all projects into one of four classifications: High/Substantial Risk (Category A); Medium/Moderate Risk (Category B); Low Risk (Category C) and Financial Intermediary (FI). The environmental impacts generated by Category 1 projects are likely to be significant, broad and diverse. They may be irreversible and could lead to significant impacts on the social, physical and biological environment, and changes in land use. Category B programmes and projects may have adverse environmental and social impacts which are likely to be less severe than those associated with Category B. In the low risk category programmes and project are unlikely to have significant adverse environmental and social impacts and are, therefore, readily appraised with limited environmental information. Category 4 (FI) projects involve DBSA lending to financial intermediaries that on-lend or invest in subprojects that may result in adverse environmental and social impacts.

The Environmental and social risk assessment process will be implemented in line with the documented Environmental and Social Safeguard Standards (ESS) described below:

**Safeguard 1: Project Screening: Environmental and Social Risks, Impacts and Opportunities**

– The safeguard sets out the Client's responsibilities to assess, manage and monitor environmental and social risks and impacts associated with each stage of a project for which the DBSA provides financing to achieve environmental and social outcomes consistent with the ESSS.

**Safeguard 2: Stakeholder Engagement and Information Disclosure** – Effective, open and transparent engagement between the Client and project stakeholders is an essential element of any transaction, leading to improved environmental and social project sustainability, enhanced project acceptance, and contributing to successful project design and implementation.

**Safeguard 3: Gender Mainstreaming** – This safeguard helps ensure that the development process respects the dignity, human rights, economies, and cultures of all individuals, regardless of their gender, sexual orientation, or gender identity.

**Safeguard 4: Indigenous Peoples** – As an infrastructure development financial institution (DFI), the DBSA has a Constitutional obligation to ensure that in any project it finances which impacts on Indigenous Peoples, their needs are addressed. The safeguard assists the Client ensure that the development process respects Indigenous Peoples human rights, dignity, aspirations, culture, and natural-based livelihoods.

**Safeguard 5: Land Acquisition, Land Use Restrictions and Involuntary Resettlement** – This safeguard addresses instances where a Client acquires land or restricts access to land to aid project implementation, resulting in project-affected communities losing ownership or access to land, housing and related assets, and natural resources essential for their livelihoods and income-earning capacity. It addresses the Client's responsibility to mitigate the impacts of such losses to project-affected communities.

**Safeguard 6: Labour and Working Conditions** – The Safeguard recognises the importance of employment creation and income generation in pursuit of poverty reduction and inclusive economic growth. Clients should promote sound worker-management relationship and enhance the development benefits of a project by treating workers in the project fairly, and provide safe and healthy working conditions.

**Safeguard 7: Community Health and Safety** – The Safeguard recognises that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. The Standard, therefore, addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of Clients to avoid or minimise such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.

**Safeguard 8: Cultural Heritage** - ESSS8 sets out measures to protect cultural heritage throughout the project life-cycle. The Standard applies to cultural heritage regardless of whether or not it has been legally protected or previously identified or disturbed. Standard 8 was prepared in compliance with the legal requirements as set out in the National Heritage Resources Act (NHRA) and the NEMA of South Africa.



Safeguard 9: Biodiversity Conservation and Sustainable Living Natural Resources Management – The safeguard adopts a precautionary approach to conserve, manage and use biodiversity in a sustainable manner in line with the Rio Declaration and the Convention on Biological Diversity.

Safeguard 10: Resource Efficiency, Pollution Prevention and Management - This Standard draws on and aligns DBSA operations to international pollution, hazardous materials and waste, pest/vector control conventions and standards. It outlines DBSA client requirements to address resource equity, efficiency and pollution prevention over the life of a programme/project.

Safeguard 11: Safety of Dams - This Safeguard addresses Dam Safety measures applicable to projects involving new and existing small, medium and large size dams.

The implementation of the actions necessary to meet the requirements of DBSA Safeguards will be managed through the client's Environmental and Social Management System (ESMS), the elements of which are outlined in the DBSA Environmental Appraisal Framework (EA Framework). The principles underpinning the development of the EA Framework are set out of the National Environmental Management Act, Act 107 of 1998, (NEMA). The purpose of the EA Framework is to ensure that the DBSA's environmental appraisals are applied in consistent manner that supports and enhances the DBSA's decision-making processes for sustainable socio-economic development in the region.

The purpose and scope of the EA Framework is therefore to:

- Give effect to DBSA's environmental policy;
- Ensure a transparent, uncomplicated and consistent application of the environmental appraisal module in all DBSA-supported programmes and projects;
- Identify potential sources of environmental risk during project and programme appraisal, relating to, among others, climate change, natural and built environmental impact, legal compliance, institutional capacity, and public and political concerns;
- Facilitate the allocation of a quantitative risk rating for project environmental risks thereby enabling environmental risk pricing;
- Direct appraisal of all programmes and projects supported directly by the DBSA, as well as those supported by the DBSA through Financial Intermediaries; and
- Assist with decision-making and serve as an impact and risk management tool that supports the DBSA business with respect to environmental sustainability.

In addition, the EA Framework document provides the DBSA's employees, particularly the Environmental Specialists, with a common reference document which details the requirements and frameworks to be followed when undertaking an environmental appraisal as a precursor to funding a particular project or programme. The two documents (The ESSS and the EA Framework), therefore, work in tandem and demand of potential clients to develop their own ESMS which is outlined in the section which follows.

## **5. Requirements for Clients' Environmental and Social Management Systems (ESMS)**

For each project a Client is required to devise an environmental and social management system (ESMS) in accordance with the Environmental and Social Safeguards Standards of the DBSA, as a GCF-accredited entity, and consistent with the GCF Environmental and Social Safeguards (ESS) standards. The main purpose of the ESMS will be to ensure that the environmental and social risks and impacts will be continually screened and assessed and that the environmental and social management plan (ESMP) describing how the adverse environmental and social risks and impacts will be avoided, mitigated, and managed by the implementing entity.

The ESMS will consist of processes that clients put in place to ensure that they adequately assess, manage and monitor environmental and social risks, and respond to problems that arise. Similar to IFC's Performance Standard 1, the DBSA's Safeguard 1 requires the ESMS to include the following elements:

1. Environmental and Social policy;
2. Process for Identifying Risks and Impacts;
3. Environmental and social management plan (ESMP); (see Appendix B)
4. Organizational capacity and competency;
5. Emergency Preparedness and Response;
6. Stakeholder Engagement;
7. External communication and Grievance Mechanism;
8. Ongoing Reporting To Affected Communities; and
9. Monitoring and Review.

An ESMS needs to be reviewed periodically to ensure that it remains relevant and effective over time and incorporates an institution's evolving needs. This involves identifying potential difficult with operational aspects of ESMS implementation and making changes as necessary; reviewing the scope of ESMS procedures to ensure that emerging environmental and social risks of projects are detected and identified due the due diligence process; and updating ESMS to reflect revisions in applicable national laws on environment, health, and safety. The requirements and processes outlined in ESMS will be institutionalised in programmes and/or projects and enforced through implementation underpinned by the contractual provisions agreed with the programme/project proponents.

Under the DBSA's EA Framework each project will be subject to full project and sponsor-specific environmental and social due diligence with the support of an independent consultant. A similar approach is supported by the IFC's Environmental and Social (E&S) Policy and associated Performance Standards and therefore GCF's requirements. The DBSA anticipates that all projects under the Climate Finance Facility will fall under Category B, C and FI. On the basis of this, each project will be individually reviewed and categorised and due diligence will be undertaken accordingly.

As noted earlier, no projects under high risk category, Category A, (where the environmental risks and impacts may be significant, unprecedented, and irreversible) will be considered. Appendix C shows a full list of exclusion criteria in screening subprojects for CFF approval.

None of the projects will be located in protected and/or critical habitats or culturally or socially sensitive areas and require massive displacement of communities including vulnerable population. The projects to be considered will fall under Categories B, C and FI. For Category B projects, the DBSA will require the proponents to carry out a focus Environmental and Social Impact Assessment (ESIA) or other appropriate environmental and social assessment that would also include environmental and social management plans (ESMP) to avoid and mitigate the potential negative environmental and social impacts (see Appendix B).

## **6. Environmental and Social Assessment Procedures**

The DBSA's Environmental and Social Appraisal Procedures (ESAPs) details the specific procedures that the Bank and its borrowers or clients should follow to ensure that the Bank's operations meet the requirements of the environmental and social safeguards standards (ESSS) at each of the Bank's project cycle. Its adaptation and implementation enhance the environmental and social performance of the Bank's operations and improve project outcomes. The ESAPs will help to improve decision-making and project results by ensuring that Bank-financed operations conform to the requirements laid out in the ESSS. The ESAPs describes how the Bank and its clients should work together to ensure that environmental, climate change and social considerations are integrated into the project cycle from country programming to post completion. It represents a coordination mechanism between the Bank, relevant government agencies and private sector and plays an important role in building the environmental, social and climate change management capacity of the project's executing agency. The ESAPs apply during the entire project cycle, with differentiated tasks to be performed, roles and responsibilities for the Bank and its clients.

At the project identification phase, the screening exercise focuses on the environmental and social dimensions of a project to categorise it into one out of four categories based on the potential adverse environmental and social impacts of the project. These tasks will be carried out by the clients in collaboration with the Bank. During project preparation, the scoping exercise helps to define the scope of the environmental and social impact assessment (ESIA) to be completed by the Borrower based on the project category. The preparation of these assessments including the development of management plans and systems require consultations with all stakeholders. Once ESIs are finalised, the review process allows the Bank's Environmental Specialists to ensure that the Bank's vision, policies, and guidelines were adequately taken into account in project design and implementation. At the project implementation phase, the Borrowers shall ensure the implementation of environmental and social management plans developed to address adverse impacts, while monitoring the project impacts and results. The Bank's Environmental Specialists shall monitor the Borrower's work and verify compliance through monitoring and evaluation site visits and/or social audits, whenever necessary. Audits are undertaken during the completion phase, and post evaluations shall also aim to assess the environmental and social sustainability of the results.

## **7. Roles and responsibilities for managing environmental and social requirements**

### **Clients' roles and responsibilities**

The Bank expects its clients to manage the environmental and social issues associated with the projects to meet the Bank's ESSS over a reasonable period of time. Projects involving new facilities or business activities will be designed to meet the ESSS from the outset. It is also the

client's responsibility to ensure that adequate information is provided so that the Bank can undertake an environmental and social assessment in accordance with the Bank's ESAPs. The client may be required to commission appropriate environmental and social studies and conduct stakeholder engagement and cover the costs of these. The client is also expected to allow DBSA representatives and independent consultants to access project facilities and records.

#### DBSA's role and responsibilities

DBSA's responsibilities are consistent with its role as a DFI providing bank financing for projects through the use of DBSA's resources approved by its management and Board of Directors or any other decision-making body. With respect to any particular investment or technical co-operation project, the level of DBSA's engagement is determined by the nature and scope of the project, availability of donor funding, as well as specific circumstances of the collaboration and relationship with the client. The DBSA will be responsible for the overall oversight of the program implementation and will report to GCF as per the terms to be agreed under the overarching framework of the Accreditation Master Agreement.

### **8. Environmental and Social Risks Appraisal of CFF Subprojects**

The environmental and social (E&S) risks and impacts associated with CFF subprojects in an area of low environmental and social sensitivity are likely to be readily identified, assessed and mitigated through the adoption of the good E&S practice. The subprojects that will be considered within CFF will be subjected to the full project- and sponsor-specific environmental and social due diligence with the support of an independent consultant. The DBSA envisages that only category B and C projects will be considered under the framework and accordingly, each project will be individually reviewed and categorised and due diligence will be undertaken.

Table 1 shows the list of DBSA safeguards which are most likely or unlikely to be triggered based on the nature of projects supported by CFF.

**Table 1: DBSA Safeguards and relevance to CFF**

<b>DBSA Safeguard policies</b>	<b>Triggered</b>
Project Screening: Environmental and Social Risks, Impacts and Opportunities	YES
Stakeholder Engagement and Information Disclosure	YES
Gender Mainstreaming	YES

Indigenous Peoples	UNLIKELY
Labour and Working Conditions	YES
Community Health and Safety	NO
Land Acquisition, Land Use Restrictions and Involuntary Resettlement	UNLIKELY
Cultural heritage	NO
Biodiversity	NO
Resource Efficiency, Pollution Prevention and Management	YES
Safety of dams	NO

Since the subprojects and actual impact have not been defined yet, the analysis of impacts will be based on a generic environmental baseline of Southern Africa and the prescribed nature of the proposed pipeline of the subprojects such as Renewable Energy, energy Efficiency and water projects. The potential impacts are summarised below:

i. Air Quality

During the construction phase of all types of the renewable energy projects, there may be an impact on local air quality from construction vehicle exhaust and dust generation. However, these effects will be localised and temporary and could be mitigated by implementing best practice for construction such as dust control.

ii. Surface water and groundwater

The envisaged projects may lead to the degradation of surface water quality and change in availability of surface water resources due to erosion runoff and sedimentation during construction and operation.

iii. Geology and soils

Renewable energy projects are likely to lead to loss of high value soils, change in soil characteristics, and increased potential of occurrence of mudflow hazard. Solar PV projects need to be continually washed during operations resulting in wash water and chemicals percolating into the soil and affecting its structure and condition. It should be noted that Renewable Energy subprojects funded through CFF will be below 5MW

iv. Effects on community and socio-economics

There is no potential for dislocation of communities and households as a result of the projects to be supported by CFF.

v. Cultural heritage

The proposed project would not have the potential to damage cultural heritage due the site specific location of the projects which will not trigger this safeguard of physical structures and the construction

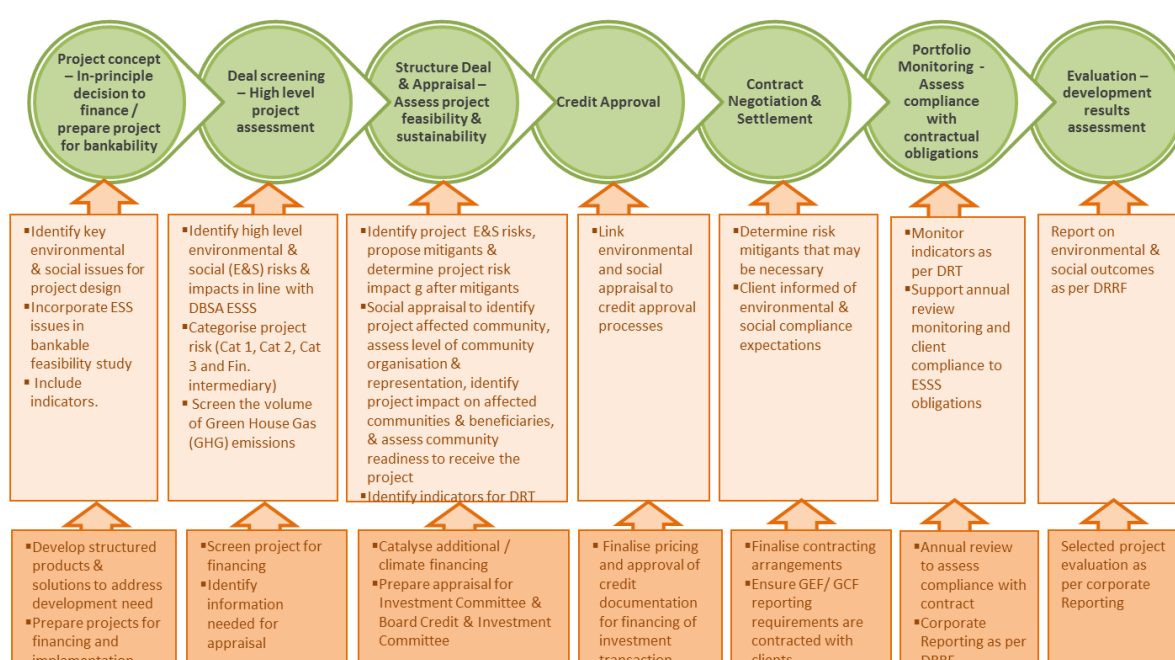
The following assumptions have been made in identifying the potential Environmental and Social Risks associated with CFF subprojects:

- none of the interventions will require the displacement of people;
- none of the interventions will be conducted in sensitive locations;
- the building of the water harvesting and erosion control structures will be undertaken during the dry season to reduce erosional impacts;
- appropriate erosion and sediment control will be undertaken during all stages of the projects; and there will be no release of pollution and/or chemicals as a result of the projects.

ESS1 is applicable to all projects financed by the CFF. The project scope will determine the applicability of any other Safeguard Standard. The fund requires that all projects financed by the facility meet relevant country Social and Environmental and Social legislation as noted earlier. The DBSA ESSS will provide potential applicants to the facility with a comprehensive description of their responsibilities in meeting these standards when applying for financing by the facility.

The CFF will seek to provide innovative and structured financing solutions to meet the needs of projects which comply with the financing mandate of the facility. A key consideration will be matching environmental and social safeguards principles with financial solutions to address development challenges. The CFF will adopt an integrated approach to assess the environmental, social, economic, financial and sector considerations of each proposed investment project. This will allow ESSS principles to be embedded into every step of the investment value chain and to test the ESSS against other appraisal criteria. This will enable the CFF to engage effectively with the client to progressively realize ESSS principles as a project is prepared for investment and executed.

This process is illustrated in the diagram below:



The appraisal principles that will be utilised for all projects considered by the CFF are outlined in the DBSA ESSS. ESSS 1, Environmental and Social Impact Assessment, informs project applicants:

- Which projects are subject to an ESIA or Basic Assessment
- The criteria for categorizing and assessing projects;
- The requirements for category I, II & III Environmental and Social Assessment
- The process for the ESIA or Basic Assessment review;
- The roles and responsibilities of DBSA, the Ministry of Environmental Affairs, the Licensing Authority (LA) and the Project Sponsor
- The grievance and redressing mechanism and Relevant resource materials for implementing applicable ESS to projects. ESS 1 is an essential resource framework informing clients of their overarching E&S responsibilities.

The Client is responsible for providing the CFF Manager with relevant information to enable the CFF to undertake a comprehensive environmental and social due diligence. The CFF recognizes that Clients may have different levels of information regarding environmental and social risks and impacts available at the time the CFF, supported by the DBSA, carries out its due diligence. The CFF supported by the DBSA will assess the proposed projects risk and impacts based on the project type, context and information available to the CFF, as well as the Clients capacity to develop and implement the project in accordance with the ESSS. The CFF management will assess the significance of any information gaps, and the potential risk this may present to meeting the ESSS objectives. Where the CFF is approached to finance a project that is under construction, or where the project has met the necessary national legislative requirements, the CFF, supported by the DBSA, will in the due diligence include a gap analysis and mitigation measures required to meet the ESSSs. Depending on the potential significance of environmental and social risks and impacts, the CFF will determine whether the Client will be required to retain independent third party specialists to assess project environmental and social impacts.

## **8. Client Responsibility to implement Environmental and Social Frameworks**

As noted in the previous section, in order to ensure that qualifying projects for the facility are selected and appraised in a manner that provide the required climate impact to support both the DBSA investment and corporate decisions and the financing partners such as GCF, it will be a requirement that every project passes the following minimum measures:

- Project compliance with Local Legislation, Country Systems and standards & DBSA ESSS, stating specifically WHICH safeguards standards are triggered by a particular project.
- Project screening of social & environmental impacts and risks – providing project risk rating and outlining mitigating actions.
- Effectiveness of management plan the client has put in place to control and monitor environmental risks, including supporting documentation as per project scope (e.g. Emission Reduction Plan). Assessment to provide a clear indication of the borrower's institutional capacity to implement environmental management to mitigate risks identified.

- Project related greenhouse gas reduction and climate change adaptation, address specifically the CFF contribution by providing a clear breakdown of the contribution of the project financing to climate mitigation activities and to adaptation activities.
- Project design achieving efficiency of resource use, addressing as a minimum (as applicable) :
  - GHG savings (ton CO2 equivalent p.a.)
  - Waste to landfill avoided (ton p.a.)
  - Waste to landfill recycled (ton p.a.)
  - Waste to landfill reused (ton p.a.)
  - Improved ecosystem service value (total) (R)
  - Improved ecosystem service value (water) (R)
  - Improved ecosystem service value (biodiversity) (R)

The remaining sections of this document discusses specific frameworks which will be adopted in respect of key DBSA safeguards should those safeguards be triggered as a result of implementing some of the subprojects supported by CFF.

## **9. Stakeholder Engagement**

The DBSA's Environmental & Social Safeguard Standard 2 (ESSS2) deals with stakeholder engagement and information disclosure. For the purpose of this ESSS, the term "stakeholder" is used to refer to:

- Project beneficiaries - those who will benefit directly from the project
- Project-affected parties- those who are affected or likely to be affected but not project beneficiaries
- Other interested parties – those who may have an interest(s) in the project

As an Infrastructure DFI, and organ of the South African state, the DBSA has a Constitutional obligation to engage with all parties and stakeholders impacted by the Banks developmental and financing mandate. Effective, open and transparent engagement between the Client and project stakeholders is an essential element of any transaction, leading to improved environmental and social project sustainability, enhanced project acceptance, and contributing to successful project design and implementation.

In the South African context, the Constitution (Act No.108 of 1996) and other relevant legislation including the Local Government: Municipal Systems Act No. 32 of 2000 and Municipal Finance Management Act No. 58 of 2003 emphasize stakeholder engagement. The Constitution defines local government objectives and its development mandate on the principle of active community consultation and meaningful participation in development planning and implementation processes. Local government legislation gives emphasis to the rights of citizens to contribute and participate through participatory democratic processes and places a duty on municipalities to encourage and facilitate public participation in municipal decision-making processes. In this regard, the Integrated Development Plan is a legislated process which firmly provides for community consultation and meaningful engagement to identify and prioritise development projects to improve communities' quality of life.



This ESSS2 applies to all projects that the DBSA supports. The main objective of the standard is to:

- Assist the Client establish a systematic and inclusive approach to stakeholder engagement to build and maintain a constructive relationship with project beneficiaries and project affected parties throughout the project life-cycle;
- Assist the Client create an enabling environment that allows project beneficiaries and project-affected parties to exercise their rights about the project, and to influence project design and environmental and social performance;
- Provide key stakeholders with appropriate project information on environmental and social risks and impacts in an understandable, transparent, and appropriate manner which enables stakeholders to make informed choices; and
- Provide project beneficiaries and project-affected parties with accessible and inclusive means to raise their grievances, and allow the Client to effectively respond to concerns raised in a comprehensive manner.

ESSS2 outlines the Client's responsibility to engage stakeholders throughout the project life-cycle. The nature, scope and frequency of stakeholder engagement will be commensurate with the projects nature, scale, potential risks and impacts. Depending on the project nature and scope, significance of potential environmental and social risks and impacts, the Client may need to retain independent third party specialists to assist identify stakeholders, undertake stakeholder analysis, design an inclusive engagement process, and assist with community mobilization and consultation.

## **10. Indigenous Peoples Framework**

As an Infrastructure DFI, the DBSA has a Constitutional obligation to ensure that in any project it finances which impacts on Indigenous Peoples, Indigenous Peoples' needs are addressed. The ESSS recognizes that Indigenous Peoples in South Africa comprise social groups distinct from mainstream society, who can include the most marginalized and economically, socially, and legally vulnerable community segments in which they reside. Indigenous Peoples are particularly vulnerable when investment transforms, encroaches upon, or significantly degrades their lands and resources. Indigenous peoples vulnerable status can limit their capacity to defend their rights to, and interests in lands and natural and cultural resources, and restrict their ability to participate in and benefit from development and thereby place their languages, cultures, religions, spiritual beliefs, and institutions under threat.

ESSS4 applies to any project the DBSA supports which impacts on Indigenous Peoples. The project environmental and social risks and impacts identification process will determine the applicability of this ESSSs. The Client's Environmental and Social Management System, detailed in ESSS1, will outline the implementation actions necessary to meet and manage the Indigenous Peoples Standard.

The DBSA recognises that there is no universally accepted definition of "Indigenous Peoples," and has for the purpose of this ESSS, adopted the international definition of Indigenous Peoples as comprising a distinct social and cultural group with common characteristics of self-identification to a particular cultural group, collective attachment to geographically distinct habitats, adherence to customary institutions, and practising a distinct dialect or language.

In South Africa, the Constitution of the Republic of South Africa (1996 as amended) enshrines the rights of 'vulnerable groups' which includes Indigenous Peoples, vulnerable indigenous communities and vulnerable ethnic groups. The legislation refers to the Constitutional Founding Values of human dignity, achieving equality, and advancing human rights and freedoms. Also, the African Commission's Working Group of Experts on Indigenous Populations / Communities recognizes the Khoi and San ethnic groups in South Africa as Indigenous Peoples. These groups comprise a small percentage of South Africa's population and are located primarily in the Northern Cape. The Khoi and San comprise the Khomani San (approximately 1000 people), the Khwe San (approximately 1100 people), the Xun San (4500 people), the Nama (Khoe) (approximately 10000 people) and the Griquas (approximately 300 000 people). The Traditional & Khoi-San Leadership Bill (B23-2015), currently under consideration by the National Assembly, defines the "Khoi-San" as referring to any person who lives in accordance with the Cape-Khoi, Griqua, Koranna, Nama or San people, or any subgrouping thereof, customs and customary law and is consequentially a member of a particular Khoi-San community.

This ESSS recognises that Indigenous Peoples situation varies from region to region and from country to country. The project environmental and social assessment must consider the Indigenous Peoples distinct historical and cultural backgrounds, and national and regional context.

Where a project may impact on Indigenous Peoples, the Client will undertake the following measures:

- Identify Indigenous Peoples communities within the project area through the environmental and social risks and impacts assessment process, who may be directly or indirectly affected by the project. In certain circumstances, the Client may source advice from competent professionals to ascertain whether a group is considered as Indigenous Peoples for the purpose of this ESSS.
- Develop an understanding of the project social demographic context by analysing the key community characteristics, the project social and political environment, and local socio-economic factors that impact on the project.
- Identify the nature and degree of the potential direct and indirect economic, social, cultural (including cultural heritage), and environmental project impacts on the identified communities of Indigenous Peoples.
- Mobilise the affected Indigenous Peoples communities to inform them of the proposed project, and enable them to respond meaningfully. The level of community mobilization will depend on the existence of structures that oversee their livelihoods, historic community involvement in development activities and with project development agencies, and will be commensurate with the project nature and scale.
- Depending on the project nature and scope, engage consulting services and /or government agencies to assist in mobilizing the communities and to prepare them to participate in project planning where necessary.
- Consult with Indigenous Peoples present in or having collective attachment to the project area regarding the proposed project, the project design and project implementation arrangements.

- Prepare a consultation strategy outlining how affected Indigenous Peoples will be consulted and participate in the project cycle.
- Detail the proposed consultation strategy in a time-bound plan such as an Indigenous Peoples Plan, (or a broader Community Development Plan containing separate Indigenous Peoples components). The scope and scale of this plan will be commensurate with the potential project risks and impacts.

Indigenous Peoples are often closely attached to their lands on which they depend and related natural resources which are traditionally owned or under customary use. While the affected Indigenous Peoples may not possess legal title to these lands as defined by national law, their use of these lands including seasonal or cyclical use for their livelihoods, ceremonial, and spiritual purposes that define their identity and community, can be substantiated and documented.

Indigenous Peoples are particularly vulnerable if their land and resources are transformed, encroached upon, or significantly degraded. Projects may undermine Indigenous Peoples language use, cultural practices, institutional arrangements, and religious or spiritual beliefs. If the Client proposes to locate a project on commercially developed natural resources or lands traditionally owned by, or under customary use of Indigenous Peoples, and adverse impacts can be expected, the Client will take the following steps:

- Identify and review all property interests and traditional resource uses before purchasing or leasing land
- Document efforts undertaken to consider alternative project land areas and affected natural resources and minimise land and natural resources impacts
- Ensure that affected communities are informed of their land rights under national law including any national law recognising customary use rights and in a culturally appropriate manner
- Undertake a gender inclusive assessment which documents affected Indigenous Peoples' communities resource use and management without prejudicing any Indigenous Peoples' land claims
- Offer the affected Indigenous Peoples communities compensation, and/or offer culturally appropriate and sustainable development opportunities and follow due process where their land and natural resources may be commercially developed. The Client will:
- Consider feasible alternative project designs to avoid relocating Indigenous Peoples from communally held lands and natural resources subject to traditional ownership or under customary use. If relocation is unavoidable, the Client will not proceed with the project unless it obtains FPIC (free, prior and informed consent) from the affected Indigenous Peoples.
- Include relocation agreements and compensation timeframes in the Relocation / Resettlement Action Plan (RAP). Should the cause for relocating affected Indigenous Peoples communities cease to exist, the Client will return the relocated Indigenous Peoples to their traditional or customary lands and normalise their livelihoods practices.
- Avoid undertaking project activities which may impact significantly on critical cultural heritage essential to Indigenous Peoples' identity and/or cultural, ceremonial, or

spiritual lives. If this is unavoidable obtain affected Indigenous Peoples communities FPIC.

- Where the project may involve use of Indigenous Peoples cultural heritage (knowledge, innovations, or practices) for commercial purposes, inform the affected Indigenous Peoples communities of:
  - Their rights under national laws and utilise an interpreter to thoroughly explain any associated legal and contractual documents in a language understood by the Indigenous Peoples;
  - The scope and nature of the proposed commercial development;
  - The potential consequences (positive and negative impacts) of such development;
  - Obtain their FPIC (for purposes of this ESS, FPIC is establishing conditions under which project-affected stakeholders negotiate the terms of investment and development policies, programs, and activities that directly affect their livelihoods or wellbeing);
  - Align the fair and equitable benefit sharing arrangements arising from commercialisation of such knowledge, innovation, or practice consistent with the customs and traditions of affected Indigenous Peoples communities.

## **11. Resettlement Framework**

As an infrastructure DFI accountable to the South African government, the DBSA investment decision making framework is informed by the South African governments land acquisition, use and resettlement policy and legislation. Community resettlement in South Africa was a feature of South Africa's apartheid past. For this reason, the DBSA is reluctant to support projects involving resettlement, and has in its thirty year history, very rarely provided financing for projects involving involuntary community displacement. The DBSA Resettlement Policy Framework is based on the following policy considerations:

- To avoid involuntary resettlement or forced removals and when unavoidable, minimize involuntary resettlement by exploring project design alternatives
- To support the financing of projects involving resettlement only where developers can provide a clear and compelling development case that community resettlement is the only appropriate solution that must be adopted to ensure project implementation
- To assess the associated resettlement (socio-economic, environmental and financial) costs against the benefits of implementing the project
- Developers to provide a strong developmental case for implementing a project where resettlement is involved

The DBSA Resettlement Framework (ESS 5) requires project developers to consider the interests of directly affected community members and any community members which have an interest in the outcome of any potential relocation process. This framework provides guidance to project applicants seeking DBSA financing to implement projects located in areas which may require community resettlement or displacement. The resettlement magnitude and complexity will determine the resettlement plan scope, requirements and detail. The resettlement plan will provide reliable project information detailing the potential impacts on all project affected people and other adversely affected groups, appropriate and feasible mitigation measures, and the legal and institutional arrangements necessary to effect resettlement measures. The DBSA Resettlement Policy Framework applies to the following:

- Projects which may result in permanent or temporary social and economic impacts
- Projects implemented through the acquisition of land or other fixed assets
- Where land usage is changed or restrictions apply due to project operations
- Where community members standard of living is adversely affected due to project implementation
- Where project implementation may adversely impact community members property or resource rights, titles or interest

The South African Constitutional framework, relevant legislation and judicial decisions regarding resettlement provide developers with clear guidelines and frameworks in respect of community resettlement. This ESSS provides for developers to use different “resettlement plan” tools to address community physical and/or economic displacement including a Resettlement Action Plan (RAP), resettlement framework or process framework

## **12. Grievance Mechanism**

The scope, scale and type of grievance mechanism required will be proportionate to the nature and scale of the potential project risks and impacts.

The grievance mechanism may include the following:

- Different ways in which individuals and groups can submit their grievances which may include submissions in person, by phone, text message, mail, email or via a web site;
- A log where grievances are registered in writing and maintained as a database;
- Publicly advertised procedures, setting out the length of time users can expect to wait for acknowledgement, response and grievance resolution;
- Transparency about the grievance procedure, governing structure and decision makers;
- An appeals process to which grievances may be referred when their resolution has not been achieved.
- The Client may provide mediation as an option where individuals or groups are not satisfied with the proposed resolution.

For all Category 1 projects (Not applicable to CFF) and some category B projects, the client will:

- Establish a credible, independent, transparent, effective and empowered local grievance and redress mechanism to receive, facilitate and follow up on the resolution of affected people’s grievances and concerns about the project environmental and social performance, and inform the Affected Communities about the mechanism during stakeholder engagement;
- Ensure that the mechanism functions well to receive, respond timeously to Affected Parties complaints regarding Project implementation and seek to resolve such complaints. Complaint measures will not substitute country dispute resolution and redress mechanisms and do not impede Affected Parties access to judicial or administrative remedies;
- The grievance mechanism should:
  - Be appropriate in scale to the project risks and adverse impacts
  - Have Affected Communities as its primary user

- Use an understandable and transparent consultative process that is culturally appropriate and readily accessible, and at no cost and without retribution to the party that originated the issue or concern
- Accessible to the stakeholders at all times during the project cycle
- Record all responses to grievances and include findings in project supervision reports, relevant monitoring and review reports
- Ensure affected communities are informed of DBSA contact details. The DBSA will:
  - Designate a Sector Analyst to work with Clients to receive and respond to complaints or disputes when required or deemed necessary by any affected parties. Due regard will be given to confidentiality;
  - Specify the complaint mechanism on the DBSA website;
  - Ensure affected parties have information on DBSA's Accountability and Grievance Systems in a way that is applicable to their language and needs. DBSA does not have an ombudsman, but Management responds to complaints and DBSA Fraud Hotline is independently serviced and the contact details are on DBSA's website;
- Provide DBSA contact details to interested and affected parties.

## APPENDIX A: Example of potential pipeline of projects for CFF

Offtaker	Technology	Project Description
Healthcare Group	Water filtration	Rollout of waste water treatment and water filtration projects across 50 healthcare facilities in South Africa. Project funding will be provided at COD on each individual project with three drawdowns over a 24 month period. Once completely drawdown the facility will be consolidated into a single portfolio loan with financial covenants measured at the portfolio level and individual projects providing cross collateral for each other.
Healthcare Group	Solar PV	Rollout of solar PV projects across 50 healthcare facilities in South Africa. Project funding will be provided at COD on each individual project with three drawdowns over a 24 month period. Once completely drawdown the facility will be consolidated into a single portfolio loan with financial covenants measured at the portfolio level and individual projects providing cross collateral for each other.
Hospital Group	Water Treatment and PV Off-grid Project	Hospital Group Water Treatment and Solar PV Off-grid Project
Mining Company	Solar PV	Three projects (totalling 22MWp) with a South African mining group as offtaker. Project funding will be provided at COD on each individual project with three drawdowns over a 12 month period. Once completely drawdown the facility will be consolidated into a single portfolio loan with financial covenants measured at the portfolio level and individual projects providing cross collateral for each other.
National C&I Group	Solar PV	Up to 50 projects with individual offtakers from within a South African Industrial Group. Portfolio requires a total facility of R350m over 12 years, with the overall facility having an effective tenor of up to 14 years. Project funding will be provided at COD on each individual project with monthly drawdowns over a 18 month period. Once completely drawdown the facility will be consolidated into a single portfolio loan with financial covenants measured at the portfolio level and individual projects providing cross collateral for each other.
Various C&I Companies	Solar PV	Up to 50 projects with individual offtakers from within various Multi-Nationals and South African Corporate and Industrial Groupings. Portfolio requires a total facility of R350m with project tenors ranging from 12 - 15 years, with the overall facility having an effective tenor of up to 17 years. Project funding will be provided at COD on each individual project with monthly drawdowns over a 18 month period. Once completely drawdown the facility will be consolidated into a single portfolio loan with financial covenants measured at the portfolio level and individual projects providing cross collateral for each other.
Various Homeowners Associations	Solar PV	Upto 20 Sectional Title properties. Portfolio requires a total facility of R100m with project tenors of 10 years, with the overall facility having an effective tenor of up to 12 years. Project funding will be provided at COD on each individual project with monthly drawdowns over a 18 month period. Once completely drawdown the facility will be consolidated into a single portfolio loan with financial covenants measured at the portfolio level and individual projects providing cross collateral for each other.
Mining Company	Solar PV	Single 6MW solar PV facility for installation at a mining concern in SA. Funding to be provided at COD over a 12 year period
Various C&I Companies	Solar PV	Upto 25 projects with individual offtakers from within various Multi-Nationals and South African Corporate and Industrial Groupings. Portfolio requires a total facility of R350m with project tenors of 12, with the overall facility having an effective tenor of up to 14 years. Project funding will be provided at COD on each individual project with monthly drawdowns over a 18 month period. Once completely drawdown the facility will be consolidated into a single portfolio loan with financial covenants measured at the portfolio level and individual projects providing cross collateral for each other.
National Telecoms Group & Various C&I	Solar PV	Corporate facility to a Zimbabwean developer (with Parent Company Guarantee) for rollout of project across telecoms Group and other C&I companies. Loan tenor is for 5 years with drawdown for individual projects at COD.
Various C&I and SME's	Solar PV	Developer will equity finance projects to the value of N\$60m after which Nedbank will back leverage the projects with expected loan tenor of 7 years. Single loan for all projects and with individual projects providing cross collateral to the broader portfolio
Fuel Station Franchisees	Solar PV	Rollout of average 50kWp projects across 1000 fuel stations across South Africa on a non-recourse basis with (depending on the ownership structure) either the fuel retailer or the individual franchisee being the offtaker. Single facility will be made available to developer with drawdown on a per project basis. Expected project loan tenors of 10 years, with effective Portfolio loan tenor of 12 years
Multinational Fast-moving consumer goods (FMCG) group	Solar PV	Solar rooftop installations (11 x <1MW sites) to substitute grid power, on the rooftops of FMCG facilities in RSA.
Operating shopping malls	Solar PV	Project at two operating shopping malls in South Africa. Would require tenor extension, ability to take longer-term credit outlook on offtaker. 12-13 years required (vs PPA of 15yrs), whereas the bank credit tenor appetite is typically limited to 5 years due to nature of the offtaker (a non-public entity).
Waste-to-power at various facilities	Biomass, waste-to-power	There are some W2P opportunities, and banks are aware of one which is still in preliminary stages and which we may potentially be interesting in due course.

## APPENDIX B: TERMS OF REFERENCE FOR AN ESMP

For all projects under this mechanism, an Environmental and Social Management Plan (ESMP) will be required. The ESMP should be easy to use. References within the plan should be clearly and readily identifiable. The main text of the ESMP needs to be kept as clear as possible, with detailed information relegated to annexes. The ESMP should identify linkages to other relevant plans relating to the project, such as plans dealing with waste management.

The following aspects should typically be addressed within ESMPs:

1. *Summary of Impacts:* The predicted adverse environmental and social impacts for which mitigation is required should be identified and briefly summarized. Cross referencing to the Environmental and Social Impact Assessment (ESIA) report or other documentation is recommended so that additional details can be readily referenced.
2. *Description of mitigation measures:* The ESMP identifies feasible and cost-effective measures to reduce potentially significant adverse environmental and social impacts to acceptable levels. Each mitigation measure should be briefly described with reference to the impact to which it relates and conditions under which it is required (e.g., continuously or in the event of contingencies). These should be accompanied by, or referenced to, designs, equipment descriptions, and operating procedures that elaborate on the technical aspects of implementing the various measures. Where mitigation measures may result in secondary impacts, their significance should be evaluated.
3. *Description of monitoring program:* Environmental performance monitoring should be designed to ensure mitigation measures are implemented and have the intended results, and that remedial measures are undertaken if mitigation measures are inadequate or the impacts were underestimated within the ESIA report. It should also assess compliance with national standards and DBSA requirements or guidelines.

The monitoring program should clearly indicate linkages between impacts identified in the ESIA report, indicators to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions.

4. *Institutional Arrangements:* Responsibilities for mitigation and monitoring should be clearly defined. The ESMP should identify arrangements for coordination between the various actors responsible for mitigation.



## APPENDIX C: DBSA CFF EXCLUSION LIST

### PROJECTS THAT WILL NOT BE CONSIDERED FOR CFF FUNDING

The following types of projects **will not** be financed:

- Category 1 Projects – Projects with the potential for diverse, unique, irreversible or otherwise significant adverse environmental or social impacts.
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or trade in ozone depleting substances subject to international phase out.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale use of hazardous chemicals.
- Projects that require extensive multi-stakeholder participation in design and implementation.
- Projects that require fundamental changes in social arrangements in order for benefits to be realized.
- Projects that negatively affect specific socio-economic groups such as ethnic groups, women, minorities, etc., *their basic needs (e.g. reducing income and food supply) and strategic needs (e.g. limiting agency and decision-making power)*.
- Projects that lead to the dislocation or resettlement of households or economic activities.
- Projects that are likely to intensify discriminatory practices particularly against women, including gender-based violence.
- Projects that involve harmful or exploitive forms of forced and/or child labour.
- All projects not free from liens and encumbrances, no displacement of vulnerable population may occur.

## APPENDIX D

### Responsibilities for Environmental and Social Assessment

The Table below will apply to Category 1 Projects and where applicable to Category 2, 3 and 4 projects. Where it cannot apply, the Client to provide written reasons and to propose a forward in the Environmental and Social Commitment Plan to the satisfaction of DBSA.

INSTITUTION		ROLE AND RESPONSIBILITIES Category 1 Projects				
	ELEMENT	SCREENING	PROJECT APPRAISAL	AGREEMENT	IMPLEMENTATION	CLOSURE
DBSA	Actions	<ul style="list-style-type: none"> <li>Screen project according to DBSA Environmental Appraisal Framework and Social and Institutional Guidelines and ESS's</li> <li>Categorize Project as per above</li> </ul>	<ul style="list-style-type: none"> <li>Scope and prepare project appraisal ensuring it aligns with DBSA policy, procedures and ESS's</li> <li>Prepare a TOR for involvement of specialists if required and commission work</li> </ul>	<ul style="list-style-type: none"> <li>Ensure terms and conditions comply with DBSA Policy, procedures and address the ESS requirements</li> <li>Include the ESIA/ESMP or SESA / ESMF and project documents in loan or grant agreement</li> </ul>	<ul style="list-style-type: none"> <li>Surveillance</li> <li>Monitor the Agreement &amp; ESMP or ESMF</li> <li>In the event that client comply, review documents with stakeholders</li> <li>Include relevant sector analysts in site visits</li> </ul>	<ul style="list-style-type: none"> <li>Include relevant analysts in the completion monitoring team and prepare completion report</li> <li>Undertake desktop audits for select projects</li> <li>Evaluate select projects</li> </ul>
	Outputs	<ul style="list-style-type: none"> <li>Screening Report to identify project scope &amp; appraisal &amp; information client needs to provide to DBSA</li> <li>DBSA &amp; Client agree on Disclosure Document (indicate DBSA intent to engage in appraisal) and place on the internet or other</li> </ul>	<ul style="list-style-type: none"> <li>Appraise Project</li> <li>Incorporate Environmental &amp; social report into DBSA Appraisal Report, monitoring plans, budget &amp; loan conditions</li> <li>Confirm categorisation</li> <li>Disclose relevant document - ESIA / ESMP / SESA / ESMF on</li> </ul>	<ul style="list-style-type: none"> <li>Final loan and grant agreement to satisfaction of Client and DBSA</li> </ul>	<ul style="list-style-type: none"> <li>Site visit Report for DBSA management</li> <li>Agreed summary report between DBSA and Client for disclosure as per loan/grant agreement and ESMP/ESMF requirements</li> <li>Reports on payment drawdown for DBSA management</li> </ul>	<ul style="list-style-type: none"> <li>Completion Report</li> <li>Desk Audit Reports for select projects</li> <li>Commission External Independent Evaluation Report for select projects</li> </ul>

		suitable platform.	client / DBSA web or other platform.			
	Estimated Timeframe	DBSA sector analysts 5 days depending on information available	DBSA sector analysts 10 days depending on information available	DBSA sector analysts 2 days depending on information available	DBSA sector analysts 2 days depending on information available	DBSA sector analysts 5 days depending on information available
	Actions	<ul style="list-style-type: none"> <li>Identify and prepare project</li> <li>Seek finances</li> <li>Utilise integrated environmental management tools and methods such as a SESA, Cumulative Assessment, certification,</li> <li>Ensure sound public authority</li> <li>Engage independent environmental and social specialists</li> <li>Prepare Terms of Reference (TOR) and commission work</li> </ul>	<ul style="list-style-type: none"> <li>Provide project information (e.g. SESA, ESIA, ESMP, FRAP, ARAP).</li> <li>Follow relevant legal process to obtain authorisation / permits and licenses.</li> <li>Provide DBSA with information including Basic Assessment, Environmental Integrated Report and ESMP.</li> <li>Update interested &amp; affected party &amp; authorities' inputs.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure Grant / Loan Agreement drafted by DBSA satisfies all legal requirements, Client needs and Authority requirements</li> </ul>	<ul style="list-style-type: none"> <li>Monitor Project as per contract documentation.</li> <li>Timeously inform all relevant parties if project documents are insufficient to meet arising needs</li> </ul>	
Client	Output	<ul style="list-style-type: none"> <li>Provide DBSA with baseline information as per ESS's requirements</li> <li>Prepare Summary Reports for external interested and affected parties and</li> </ul>	<ul style="list-style-type: none"> <li>ESIA / ESMP / SESA/ ESMF &amp; summary as agreed with DBSA project team</li> <li>Submit relevant reports required by legislation such as EIA Procedures,</li> </ul>	Loan or Grant Agreement signed	<ul style="list-style-type: none"> <li>Monitoring Reports at regular intervals and annually Audit reports as per contract documentation</li> </ul>	<ul style="list-style-type: none"> <li>Undertake final Closure report</li> <li>Client Project Closure Report submitted to DBSA</li> </ul>

		<p>authorities (such as EIA related reports such as Basic Assessment or Scoping Report if a full EIA is required)</p> <ul style="list-style-type: none"> <li>• Copy of Organizational EMS submitted to DBSA</li> </ul>	<p>Environmental Impact, Basic Assessment, Scoping Report, or Environmental Management Plan</p> <ul style="list-style-type: none"> <li>• Confirm with DBSA that client meets legislative requirements (authorisations, permits and licenses)</li> </ul>			
Interested and affected parties	Actions	<ul style="list-style-type: none"> <li>• Input into project concept via relevant meetings</li> <li>• Provide project input through legislation, public engagement processes, Environmental Impact Assessment (EIA) procedures,</li> </ul>	<ul style="list-style-type: none"> <li>• Engage with client on project concept</li> <li>• Participate in project public engagement processes such as SESAs / ESIA,</li> </ul>	<ul style="list-style-type: none"> <li>• Inputs into project plans via ESIA</li> <li>• Participate in project client liaison structures such as Steering Committees, task teams and Forums</li> </ul>	<ul style="list-style-type: none"> <li>• Input into project client liaison structures such as the Client: Project Steering Committee, Monitoring Committee, Stakeholder Forum</li> </ul>	<ul style="list-style-type: none"> <li>• Respond to project report via Project Steering Committee, Stakeholder Forum and Monitoring Committee</li> </ul>
	Outputs	<ul style="list-style-type: none"> <li>• Participate, on Client invitation, in project engagement, conceptual design &amp; planning</li> <li>• Engage in strategic environmental processes</li> </ul>	<ul style="list-style-type: none"> <li>• Comments via Client invitation on strategic level</li> <li>• Provide inputs on legal procedures such as ESIA regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Comment on project process and substance as per legislation governing public participation and as per Client engagement mechanisms such as Steering Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Comment on project process and or substance as per legislation governing public participation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>• Comment on project process and or substance as per legislation governing public participation and as per Client invitation to engage</li> </ul>

		<ul style="list-style-type: none"> <li>National Frameworks, Policy, Legislation and Standards</li> <li>Establish Incentive mechanisms such as green and blue drop systems, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Authorisation / permits and licenses</li> <li>Provide inputs to project via Steering Committee, Forums or task teams</li> </ul>	<ul style="list-style-type: none"> <li>Discuss with Client a staged / milestone / developmental approach to achieving required permits / licenses and authorisations</li> </ul>	<ul style="list-style-type: none"> <li>Permitting/ licensing and authorisations</li> <li>Monitoring and enforcement</li> </ul>	<ul style="list-style-type: none"> <li>Comment on project impact and lessons learnt</li> <li>Ongoing Permitting/ licensing and authorisations</li> <li>Monitoring and enforcement</li> </ul>
Authority National	Actions	<ul style="list-style-type: none"> <li>Monitor and enforce law</li> <li>Ensure project promotes Environmental and social policy</li> </ul>	Guide project on applicable legislation & comment on project as per legislation and as per Client invitation to engage	<ul style="list-style-type: none"> <li>Comment on project as per legislation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>Comment on project as per legislation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>Comment on as per legislation and as per Client invitation to engage</li> </ul>
	Output	<ul style="list-style-type: none"> <li>Comment on project as per legislation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>Integrate project into government priority action plans</li> </ul>	<ul style="list-style-type: none"> <li>Agree on phasing and developmental approach with key interested &amp; affected parties</li> </ul>		
Regional and Local Authorities	Activities	<ul style="list-style-type: none"> <li>Ensure local Bylaws and standards Integrated Development and Sector Plans</li> </ul>	<ul style="list-style-type: none"> <li>As above but on a local scale</li> </ul>	<ul style="list-style-type: none"> <li>As above but on a local scale</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and participate in Steering Committee, forums and task teams as necessary</li> </ul>	<ul style="list-style-type: none"> <li>Comment on project impact and quality of process and lessons learnt</li> <li>Ongoing monitoring and reporting</li> </ul>
	Output	<ul style="list-style-type: none"> <li>Comment on project as per legislation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>Comment on as per legislation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>Comments on project process and or substance as per legislation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>Comment on as per legislation and as per Client invitation to engage</li> </ul>	<ul style="list-style-type: none"> <li>Comment on as per legislation and as per Client invitation to engage</li> </ul>

## Documentation Required from the Client

### Screening report

Categorises the project as a category 1, 2, 3 or 4 project

***Category 1 Projects***

- Environmental and Social Screening or Scoping Report,
- Strategic Environmental Assessment for projects with high strategic and or cumulative risk
- ESIA report
- ESMP
- Any sector documentation and sector guidelines that apply to the project

***Category 2 Projects***

- Environmental and Social Screening or Scoping Report,
- A basic ESIA containing the following as a guideline:
  - An executive summary in English and, if necessary, a local language applicable to the project area
  - Project description
  - Institutional and legal framework
  - Analysis of technical alternatives
  - Identify Key Environmental and Social Risks
  - Environment and social impact analysis
- An ESMP appropriate to risk the level, dependency or impact
- Minutes of Public Consultation and meeting attendance registers (where applicable).

## APPENDIX E

### ENVIRONMENTAL AND SOCIAL APPRAISAL PROCEDURES

The DBSA undertakes a rigorous investment appraisal for all programmes and projects which it considers for financing. As evidence of DBSA's commitment to sustainable and equitable development, the environmental and social appraisal forms a component of the overall investment appraisal and enables the DBSA to mainstream environmental and principles to investment projects within DBSA's mandate. The DBSA procedures are aligned with good international industry practice (GIIP) for environmental and social assessment and are implemented by the DBSA's environmental and social analysts. The Environmental and Social Appraisal Procedure describes how the DBSA conducts a due diligence for any project considered for DBSA financing.

#### Environmental Appraisal Procedure

The following describes the environmental appraisal procedure:

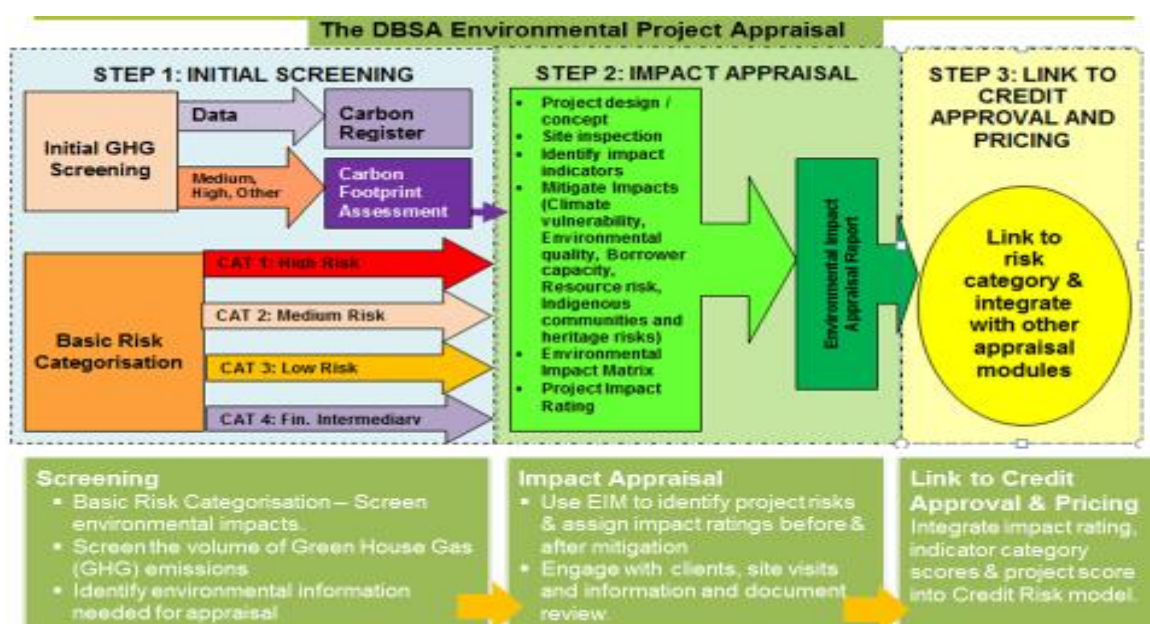
Step one – *Initial Screening* is undertaken during Early Review Stage and results in an initial project categorization into high, medium and low risk. The analyst assesses if any ESSs are triggered.

Step two – The Screening process project risk categorisation guides *Impact Appraisal* and the level of due diligence required to apply the environmental appraisal framework. It involves the detailed ESSs assessment.

Step three – The *Link to Credit Approval and Pricing* step ensures that the environmental findings are integrated into the budget and relevant project credit risk rating.

The appraisal report guides project negotiations, implementation, monitoring and review over its life cycle.

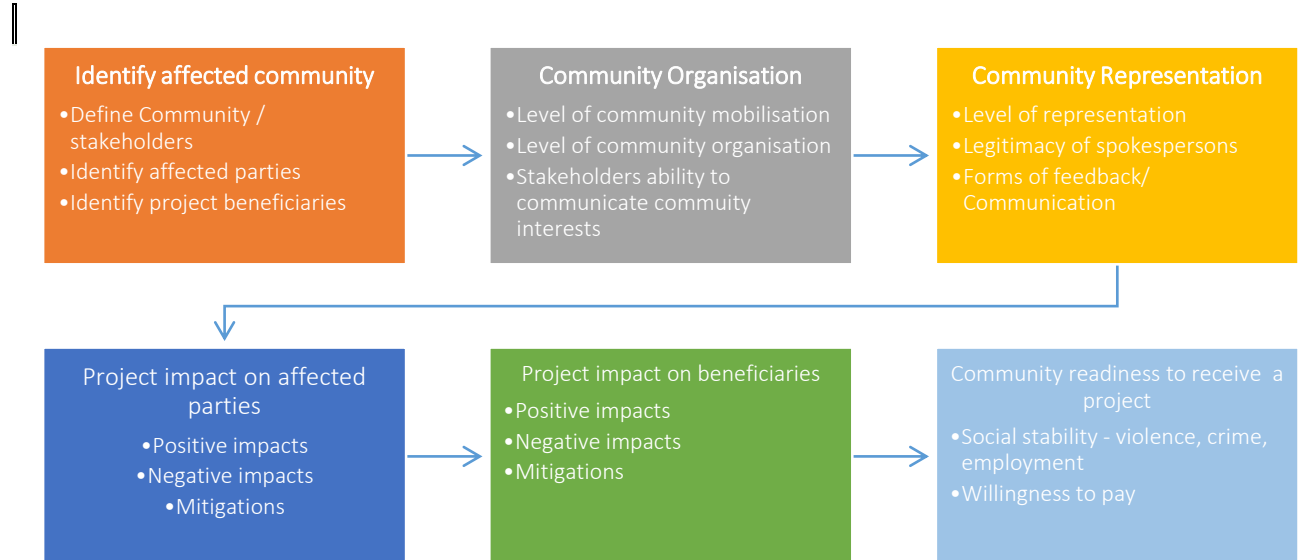
**Diagram 1: The Environmental Appraisal Process**



## Social and Institutional Impact Assessment

The DBSA social and institutional analysts/specialists follow the DBSA Social and Institutional Guidelines, ensuring close integration with the environmental process described above. The social assessment is described in Diagram 2 below:

*Diagram 2: Social Appraisal Process*



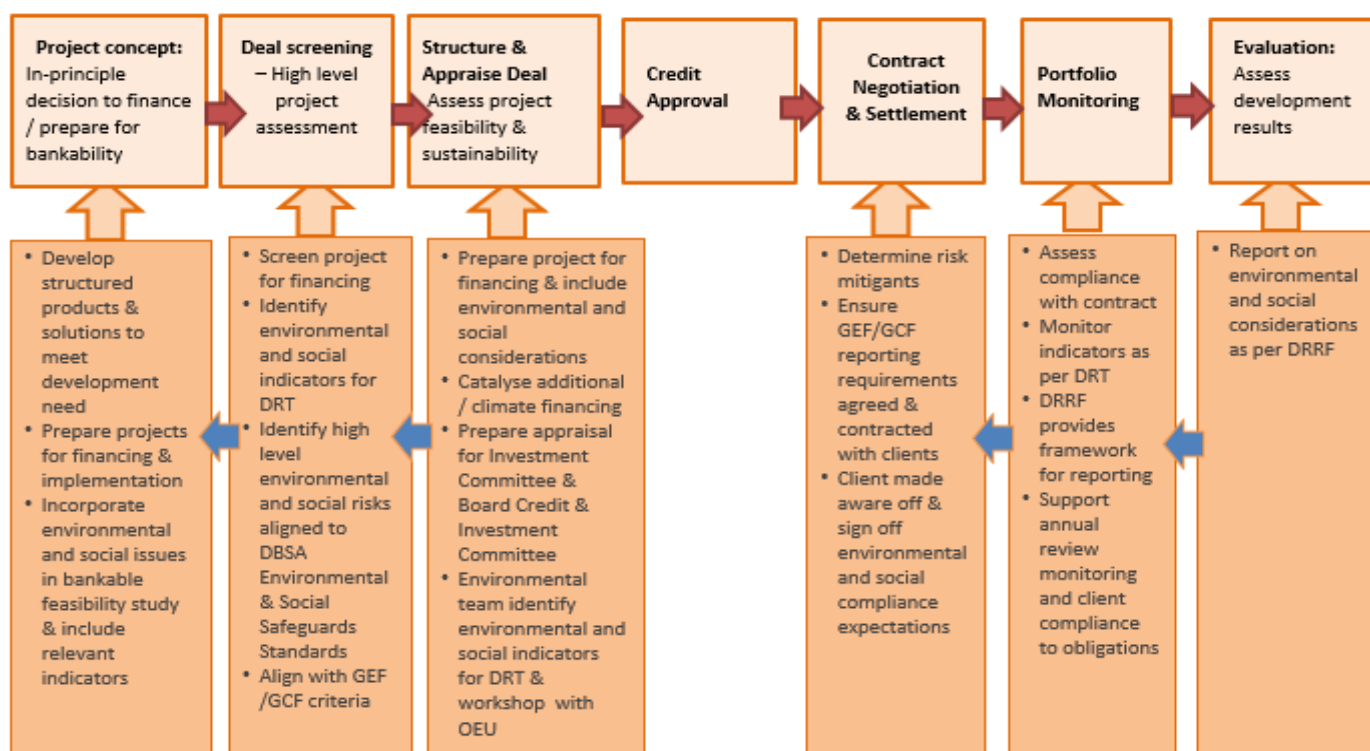
### The DBSA Project Cycle contains the following typical stages:

- Business Development - In principle decision to consider project concept
- Project structuring for financing
- Early Review/Deal Screening – High level assessment of DBSA appetite to invest in project concept
- Appraisal and investment review– Detailed appraisal to consider project feasibility, profitability and sustainability
- Board Review and credit approval
- Contract Negotiation and settlement
- Portfolio monitoring and funds disbursement – Assess project compliance with contractual obligations
- Project evaluation - development outcome tracking and assessment
- Project Close



The DBSA level three credit policy outlines the DBSA approach to environmental, social and institutional appraisal as a component of the integrated infrastructure investment appraisal. The diagramme below outlines the DBSA approach to environmental, social and institutional appraisal of all proposed infrastructure investments.

### DBSA: Environmental and social and institutional appraisal modules: Application across the investment



The DBSA's environmental and social due diligence process is appropriate to the project nature and scale, and proportionate to the environmental and social risks and impacts, and the mitigation hierarchy. The due diligence will assess whether the project is capable of being developed and implemented in accordance with the ESSS's.

### Project Information

The Client is responsible for providing the DBSA with relevant information to enable the DBSA to undertake a comprehensive environmental and social due diligence. The DBSA recognizes that Clients may have different levels of information regarding environmental and social risks and impacts available at the time the DBSA carries out its due diligence. The DBSA will assess the proposed projects risk and impacts based on the project type, context and information available to the DBSA, and the Clients capacity to develop and implement the project in accordance with the ESSS's. The DBSA will assess the significance of any information gaps, and the potential risk this may present to meeting the ESSS objectives. Where the DBSA is approached to finance a project that is under construction, or where the project has met the

necessary national legislative requirements, the DBSA's due diligence will include a gap analysis and mitigation measures required to meet the ESS's. Depending on the potential significance of environmental and social risks and impacts, the DBSA will determine whether the Client will be required to retain independent third party specialists to assess project environmental and social impacts.

### **National Legislation**

The legislation cited in the DBSA ESS is South African. Where a project is implemented outside of South Africa, the project will apply relevant applicable national legislation, or the ESS principles. When a host country requirements differ from the DBSA ESS's, the client must achieve or implement the more stringent. Only where the client is able to justify the use of less stringent measures due to the project circumstances will the DBSA consider alternative environmental and social standards. This justification must demonstrate to the DBSA's satisfaction that the alternative performance level chosen is consistent with the objectives of the ESS's, and is unlikely to result in significant environmental or social harm.

### **Access to Information**

As an organ of State the DBSA aligns to relevant national policy and legislation and applies this to all countries it invests in. In South Africa this refers to the Promotion of Access to Information Act. The DBSA annual report discloses DBSA investment portfolio and which is available on the web.

<http://www.dbsa.org/EN/InvestorRelations/Pages/Sustainability.aspx>

### **Grievance Mechanism and Accountability**

The DBSA requires that the Client provide a grievance mechanism, process, or procedure to receive and assist resolve project-affected parties concerns and grievances arising from the project. The grievance mechanism should be proportionate to the project risks and impacts.

When interested and affected parties are unable to obtain an adequate response from a Client, then the party can resort to following DBSA grievance procedures. After bringing their concerns directly to the DBSA's attention and giving DBSA Management a reasonable opportunity to respond, project-affected parties may follow the procedures outlined on the web: <http://www.dbsa.org/EN/InvestorRelations/Pages/Sustainability.aspx>. The Promotion of Access to Information Act 2000 provides the legislative framework for project disclosure for the DBSA.

## **APPENDIX F: Grievance mechanisms**

The Client will:

- Respond to project beneficiaries and affected parties expressed concerns and grievances related to the project environmental and social performance;
- In consultation with stakeholders, develop an appropriate grievance mechanism (proportionate to the identified potential project risks and impacts) to receive and assist resolve such concerns and grievances;
- Where feasible and suitable, project grievance mechanisms to utilise existing formal or informal grievance mechanisms, supported by project arrangements where necessary.

The grievance mechanism will:

- Address concerns promptly and effectively at no cost and without retribution,
- Not prevent access to judicial or administrative remedies where necessary,
- Handle project beneficiaries and project affected parties' grievances in a culturally appropriate, discreet, objective, transparent, sensitive and responsive manner, and
- Allow for anonymous complaints to be raised and addressed.

The Client will explain the grievance process during community engagement activities and publicise a record of concerns raised, the responses to all grievances received, and the status of reported grievances

## **APPENDIX G: Terms of reference (tor) FOR an INDIGENOUS PEOPLES PLAN (IPP)**

### *Purpose*

To ensure that development projects that impact directly or indirectly on Indigenous Peoples lives, respect their rights.

### *IPP: Key elements*

The IPP should contain the following key elements:

- Summarise project information;
- Summarise the social assessment highlighting the projects positive and negative aspects;
- Summarise the FPIC (free, prior and informed consent) results with affected Indigenous Peoples' communities that led them to support the project;
- A framework for ensuring FPIC with the affected Indigenous People's communities during project implementation;
- An action plan of appropriate measures to ensure that the affected Indigenous Peoples receive social and economic benefits that are culturally appropriate;
- Where appropriate, include measures to enhance the Client capacity to cater for Indigenous People's needs;
- Where adverse effects have been identified, clear measures (adopted in consultation with the Indigenous Peoples) to avoid, minimize, mitigate or compensate for these effects;
- Appropriate grievance procedures drafted and adopted in consultation with the affected Indigenous Peoples;
- The cost estimates and financing plan for the IPP;
- Mechanisms and benchmarks for project monitoring, evaluation, and reporting on the IPP implementation; and
- Undertake IPP appraisal whose depth will depend on the project nature, complexity and project components.

### **The DBSA's Exclusion List**

The DBSA should not finance the following projects:

- Projects that contravene the Constitutional Rights of South Africans and in particular Indigenous Peoples rights;
- Projects that undermine Indigenous Peoples' communities rights to land, natural resources, language and indigenous knowledge; and
- Projects that contravene applicable national and international laws.

## **APPENDIX H: Stakeholder Engagement Plan (SEP)**

The Client will:

- Develop a Draft SEP proportionate to the project nature and scale and potential environmental and social risks and impacts, and afford stakeholders the opportunity to engage and agree on the SEP to be adopted during the project implementation stage;
- Ensure that the SEP provides the rules of engagement during project preparation and implementation stages; includes the range and timing of information to be communicated to stakeholders and the type of information to be sought from them; describes measures to address potential and identified obstacles to effective community consultation and meaningful participation; and details how the views of differently affected and vulnerable groupings will be responded to.
- In consultation with the DBSA, implement the Final SEP as agreed upon with the stakeholders;
- Disclose project information to allow stakeholders to understand all project implications, any potential risks and impacts, and any anticipated development opportunities to accrue from it;
- Disseminate information to stakeholders in a transparent, relevant, understandable and accessible format;
- Disclose project information in relevant local languages and in an accessible and culturally appropriate manner;
- Provide information responses addressing specific stakeholder interests that may be differently or disproportionately affected by the project including people living with disabilities, illiterate, gender, mobility, differences in languages, and the Indigenous Peoples; and
- Provide stakeholders with access to the following information before the DBSA proceeds to project appraisal:
  - The purpose, nature, scale, and duration of proposed project activities,
  - The potential project risks, stakeholder impacts, and proposed mitigation measures to avoid and minimize any adverse impacts,
  - The proposed stakeholder engagement process as defined in the SEP,
  - The time and venue of any proposed public consultation meetings; the process to notify stakeholders of such meetings; how the meetings will be conducted, and how meeting will be disseminated to stakeholders, and
  - The process and channels to communicate any grievances and the turnaround time to address these.

### *Community Participation and Representation*

South African legislation (National Environmental Management Act (NEMA) No. 107 of 1998 and the Environmental Impact Assessment Regulations (2006)), requires any proposed development with social and/or environmental risks to undertake public consultation as part of any exemption/authorisation. The Client will:

- Comply with NEMA consultation requirements;

- Adopt appropriate mechanisms to transmit project communication through relevant public meetings and the local media to enable maximum participation in the development process;
- Engage with the local community throughout the project life-cycle in a manner appropriate to their interests and in accordance with potential environmental and social risks and impacts;
- Conduct stakeholder engagement in accordance with the SEP utilizing the established stakeholder engagement process communication channels;
- If there are significant project changes that result in additional risks and impacts to project beneficiaries and affected parties, divulge such information as early as possible to the stakeholders in a transparent manner and seek their views on how such new risks and impacts can be mitigated. Thereafter, the Client will disclose an updated ESMP setting out any additional mitigation measures as agreed to with the stakeholders;
- The client will report to Affected Communities on a timescale proportionate to the concerns of Affected Communities but at least annually;
- Depending on the project scale, utilise community representatives that are identified in consultation with the community to represent broader community views on the project. In such instances, the Client will ensure that communication measures are appropriate to provide regular feedback to the broader community;
- The Client will ensure that community consultation and participation is sufficient to implement the project successfully and that adequate processes are in place to sustain consultation and active participation throughout the project life-cycle;
- When undertaking investments outside South Africa, ascertain whether applicable legislation promoting community participation meets the ESSS standards; and
- Where the host government is responsible for stakeholder engagement, collaborate with the responsible government agency, to achieve outcomes that are consistent with this ESSSs.

The DBSA aims to achieve the optimum development impact in any proposed project investment. In assessing the project, the Client will consider:

- The direct and indirect impacts on project beneficiaries' quality of life e.g. through job creation, improved access to infrastructure, improved health standards; improved safety and wellbeing for women; affordability and financial implications on the community if the project will result in the community paying for services rendered; social stability as a result of influx of people into the area due to increased job opportunities arising from the project;
- The project ability to provide employees and project participants (disaggregated by gender and age) with training opportunities; enable community trusts; provide small local contractors and entrepreneurs opportunities and for Broad-based Black Economic Empowerment (in South Africa) and women-led and owned businesses;
- The ability of the investment to contribute to meaningful corporate social responsibility by impacting positively on the project social and natural environment. The assessment will focus on the Clients ability to:
  - Instil good corporate citizenship as an integral part of the business culture,
  - Improve local livelihoods by implementing Corporate Social Responsibility policy and programmes, and

- Implement strategies to treat and share economic, social and environmental resources responsibly.

Based on the nature and extent of the identified projects risks and adverse impacts, the Client will engage stakeholders to develop appropriate mitigation measures to address identified areas of potential risks and negative impacts.

#### *Community readiness to receive the project*

The Client will assess community readiness to receive the project prior to the DBSA disbursing project finances. This will take into account the following:

- The social soundness of the project which refers to the 'fit' between the project and the social environment under which it will operate;
- The degree to which the project is compatible to the local socio-cultural and political environment, and links to local development needs;
- The nature and extent of agreed upon community consultation and participation arrangements with the project beneficiaries and affected parties;
- The extent to which project beneficiaries and affected parties agreed with the identified proposed and potential environmental and social risks, impacts and mitigation measures;
- The extent to which the stakeholders actively participated in developing the project grievance mechanisms and implementation arrangements including the Grievance Plan;
- The Client's ability to manage stakeholders' commitments.

#### *Reporting and monitoring arrangements*

The Client will:

- Define roles, responsibilities and personnel responsible for implementing and monitoring stakeholder engagement and disseminating information to stakeholders; and
- In consultation with stakeholders agree on representatives to participate in the Project Steering Committee to oversee project implementation. The Project Steering Committee will represent stakeholder interests in key decision-making processes, and disseminate accurate project information to the broader community.

DBSA Social Analysts will monitor Clients commitment to comply with stakeholder consultation arrangements, implement the SEP, Vulnerable Group Plan, apply Grievance Mechanisms, allocate project benefits equitably, and address project mitigation measures during project implementation.

#### *Documentation Required from the Client*

- Socio-economic Assessment
- Stakeholder Engagement Plan
- Vulnerable Group Plan
- Grievance Mechanism

## APPENDIX I

### Checklist for projects at appraisal stage

Stage	Appraisal
Purpose	Can women and men <b>equally access</b> project resources and services, <b>equally participate</b> in project activities and decision-making processes? Do they <b>equally benefit</b> from training or other capacity building activities offered by the project?
Key Activities	<p><b>If the project is considered gender relevant</b>, conduct a more comprehensive gender analysis in the field and establish a baseline.</p> <p><b>Ensure women and men</b> can equally access project resources and services.</p> <p><b>Make sure women and men</b> can equally participate in project activities such as training or capacity building activities.</p> <p><b>Recruit gender expert</b> or ensure at least one project management team member has gender mainstreaming expertise.</p> <p><b>Engage with gender focal points</b> (women's groups, associations, NGOs) as project counterparts and/or as gender advisors.</p> <p><b>Build capacity</b> within the project team and among stakeholders to ensure gender-responsive implementation and the continued integration of a gender perspective within the sector/area of intervention after the project ends.</p>



## Checklist for projects at monitoring and evaluation stage

Stage	Monitoring and Evaluation
<b>Purpose</b>	<b>Have women and men participated equally</b> in each project phase (including M&E) and all decision-making processes? Has data been collected on women and men so that gender impacts are tracked to assess the project <b>benefits</b> for women and men?
<b>Key Activities</b>	<p><b>Collect sex disaggregated data</b> to track gender equality results and assess gender impacts.</p> <p><b>Monitor access</b>, participation, and benefits among women and men and incorporate remedial action that redresses any gender inequalities in project implementation.</p> <p><b>Report</b> on how gender is mainstreamed and ensure that all project reports such as mid-term reviews, assessments, audits, include gender as a criteria/component.</p> <p><b>Ensure gender balance in evaluation</b> team. Make sure at least one evaluation team member has relevant gender mainstreaming knowledge and experience.</p> <p><b>Ensure women and men are able to participate</b> in monitoring and/or evaluation processes.</p> <p><b>Integrate gender evaluation questions</b> and components in the Evaluation TORs</p> <p><b>Identify good practices</b> and lessons learned on project outcomes/outputs or activities that promote gender equality and/or women's empowerment.</p> <p><b>Incorporate a gender dimension in project staff's performance</b> appraisals (e.g. by incorporating gender-related tasks in project staff's job descriptions).</p> <p><b>Consider</b> and integrate <b>lessons learned from previous projects</b> with gender dimensions into project formulation where relevant.</p>

## Gender Mainstreaming

Gender mainstreaming analysis examines the different roles, rights, needs, and opportunities of women and men, boys and girls and minorities and relations between them in a project context. It is a tool used to inform and identify opportunities and entry points to promote gender equality and women's economic empowerment in projects that the DBSA supports. The tool can be applied by the project sponsor and the social / institutional specialist.

<b>Project context</b>		<p>Does the project background/context analysis examine:</p> <ul style="list-style-type: none"> <li>• What is the legal status of women in the project context (local and national)?</li> <li>• What are the gender norms and values, commonly held beliefs, perceptions, and stereotypes related to women's and men's role and position in society?</li> <li>• What are the needs and priorities of the specific sector to be addressed by the project?</li> <li>• The impacts the project will have on different groups?</li> </ul>
<b>Data &amp; Statistics</b>		Collect suitable data and qualitative project information to analyse and track relevant gender issues including:
<b>Data &amp; Statistics</b>	<b>Who does what?</b>	<ul style="list-style-type: none"> <li>• What is the division of labour among women and men?</li> <li>• What is the situation of women and men in the sector of intervention?</li> <li>• What is the participation of women and men in the formal/informal economy?</li> <li>• Who manages the household?</li> <li>• Who takes responsibility for the care of children and of the elderly?</li> </ul>
	<b>Who has what?</b>	<ul style="list-style-type: none"> <li>• Do women and men have equal access to resources including finance, land, technologies, information, and services (at national, sectoral and local level)?</li> <li>• Who has control over these resources?</li> <li>• Do women and men equally benefit from these resources?</li> <li>• Do men and women have access to finance, technology, information, etc.?</li> <li>• Do women and men have equal access to education, technical knowledge, and/or skill upgrading?</li> </ul>
	<b>Who decides?</b>	<ul style="list-style-type: none"> <li>• Who participates in decision-making in the household, the public sector, and corporate sector?</li> <li>• How are the bargaining positions of women and men different?</li> <li>• How are women involved in making economic decisions?</li> <li>• Is there an equal participation of women and men in the political sphere?</li> <li>• How do women and men influence has political decision making?</li> </ul>
	<b>Who benefits?</b>	<ul style="list-style-type: none"> <li>• Where opportunities / entry points to ensure equal participation and benefits accruing to women and men?</li> <li>• Does the project address the different needs and priorities of women and men?</li> <li>• Will project services and technologies be available and accessible to women and men?</li> <li>• Does the project recognize and provide response strategies for women and men's distinct vulnerabilities?</li> </ul>

		<ul style="list-style-type: none"> <li>Does the project make provision for women's productive and reproductive tasks, including unpaid domestic and care work?</li> </ul>
<b>Results Framework</b>		<ul style="list-style-type: none"> <li>Are outcomes, outputs and activities designed to meet the different needs and priorities of women and men?</li> <li>What level of attention has been paid to gender? <ul style="list-style-type: none"> <li>central focus of output</li> <li>significant attention</li> <li>limited attention</li> <li>no attention to gender</li> </ul> </li> <li>Does the results framework include indicators, targets and a baseline to monitor gender equality results?</li> </ul>
<b>Budget</b>		<ul style="list-style-type: none"> <li>Have financial resources been clearly allocated to gender activities (vis-à-vis % of total budget)?</li> </ul>
<b>Stakeholders &amp; Participation</b>		<ul style="list-style-type: none"> <li>Does the project consultation process include women/gender focused groups, associations or gender units?</li> <li>Does the project ensure that women and men can provide inputs to, have access to and participate in project activities (target at least 40 % of whichever gender is underrepresented)</li> </ul>
<b>Gender Capacities</b>		<ul style="list-style-type: none"> <li>Do the project staff have, gender knowledge and are gender related tasks incorporated in job descriptions?</li> <li>Will all project staff be sensitized to gender</li> </ul>
<b>Project Implementation</b>		Is there a gender balance in project personnel recruitment and representation in project committees?
<b>Monitoring &amp; Evaluation</b>		<p>Project monitoring and evaluation to cover gender issues and monitor efforts towards greater gender equality?</p> <p>Does the M&amp;E framework effectively measure gendered results in the project?</p> <p>Is the gender reporting sufficient to inform future project identification and development, and deepen and increase development benefits?</p>

The information gathered from the gender analysis should be considered during project design, preparation, implementation and monitoring and evaluation stages. The social and institutional analyst should maintain a "gender lens", looking at ways an investment can:

- Address any gender inequalities, real or potential, in the project
- Ensure project activities address women's and men's needs and realities
- Ensure women and men have equal access to project resources, services, capacity building
- Ensure women and men participate equally in project management, as project beneficiaries, partners and stakeholders
- Ensure equal voice among women and men in the project decision-making processes
- Ensure women and men equally benefit from project training sessions, and services
- Collect and analyse sex-disaggregated data and qualitative information to track the project's real gender impacts
- Identify a range of desired gender-related development impacts of the project and ensure these are included in the project plan
- Enhance gender mainstreaming by encouraging collaboration between key development actors.

## ANNEXURE J

### South African Legislative and policy principles addressing land acquisition, use and resettlement

In South Africa resettlement is addressed on a sectorial basis, with sectorial requirements for addressing community resettlement. The South African legislation and regulations provide:

- Objective criteria to value assets and compensate for the assets traded
- Clarifies the applicable legal and administrative procedures available to displaced people
- A framework to identify the laws governing resettlement implementation and to assess whether the resettlement process is conducted correctly and legally
- Security of tenure particularly in respect of Land Claims

Pertinent legislation and regulations to be addressed when implementing projects involving community resettlement includes:

South African Legislation for addressing involuntary resettlement			
Resettlement Component	Legislation	Departments responsible for executing relevant legislation	Other institutions responsible for executing relevant legislation
Communication and Public Participation	The Constitution of the Republic of South Africa, Act 108 of 1996	COGTA - all spheres of Government	Department of Rural Development and Land Reform
	Municipal Systems Act, 32 of 2000.	COGTA	Provincial Government, District, and Local Municipalities
	National Environmental Management Act, 107 of 1996.	Department of Environmental Affairs and Tourism	
Social and environmental impact assessments	Minerals and Petroleum Resource Development Amendment Act, 49 of 2008 National Environmental Management Act, 107 of 1996	Department of Mineral Resources Department of Environmental Affairs	Departments of Rural Development and Land Reform; Agriculture, Water Affairs; Provincial Government, District and Local Authorities
Eviction and Expropriation of Property	The Constitution of the Republic of South Africa, Act 108 of 1996	Department of Justice and Constitutional Development	Commission of Restitution of Land Rights
Compensation	The Constitution of the Republic of South Africa, Act 108 of 1996, Sect.25 (3), (5) & (7)	Department of Justice and Constitutional Development	
	Land Reform Act, 3 of 1996, Sect. 2 (2); and 8 (3-4)	Department of Rural Development and Land Reform	Commission on Restitution of Land Rights
	Extension of Security of Tenure Act, 62 of 1997, Sect. 13&14	Department of Rural Development and Land Reform	
	Minerals and Petroleum Resource Development Amendment Act, 49 of 2008	Department of Mineral Resources	
Ensuring Security of Tenure	The Constitution of the Republic of South Africa, Act 108 of 1996, Sect. 25 (6) & (9)	Department of Justice and Constitutional Development	Commission on Restitution of Land Rights
	Labour Tenants ( Land Reform ) Act,3 of 1996, Sect 16 & 26	Department of Rural Development and Land Reform	
	Extension of Security of Tenure Act, 62 of 1997, Sect.6	Department of Rural Development and Land Reform	

## **CORE COMPONENTS OF A PROJECT RESETTLEMENT ACTION PLAN (RAP)**

The RAP sets out the need for, principles and procedures for land acquisition / resettlement / land use restrictions. As resettlement has a severe impact on affected community rights, this option is only warranted under particular project circumstances which must align to and take cognisance of relevant country legislation. The DBSA must approve the client final project land ownership/ use/ restrictions and displacement plan. The RAP to include the following components:

### **Describe project and community context**

- Provide a general project description detailing why relocation is necessary;
- Identify geographic location of project and zone impacted by project activities;
- Detail baseline information (household census, land survey, structures and other project affected fixed assets) determine eligible project affected parties for compensation within compensation timeframes;
- Detail Land tenure, land transfer and acquisition rights, common property, natural resources use and land use restrictions in project area and involuntary resettlement implications;
- Outline displaced people's production systems, livelihoods and standards of living;
- Detail labour and household organisation of displaced households; and
- Describe public or community infrastructure, property, project affected parties services, social and cultural institutions and practices which will impact on the RAP activities.

### **Objectives**

- Outline RAP principles and objectives, process for preparing and approving resettlement plans.

### **Identify potential impacts**

- Detail project activities giving rise to displacement;
- Detail why selected land must be acquired within project timeframe;
- Address all project land ownership/ use/ restrictions and possible displacement impacts on community land, structures, fixed assets or natural resources;
- Consider alternatives to resettlement to avoid or minimize displacement including affected persons resettlement choices;
- Prioritise the most suitable options; and
- Set out all mitigation measures to address adverse impacts on livelihoods.

### **Resettlement and compensation arrangements**

- Define displaced persons;
- Identify measures to relocate affected persons and timing to give effect to compensation arrangements;
- Establish eligibility and entitlements criteria, procedures and standards for compensating and providing development opportunities to affected persons;
- Outline valuation methodology used to value and determine cost to replace losses (land, natural resources and assets);
- Ensure valuation methodology is aligned to local and customary law and good practice
- Offer feasible resettlement options and choices (for living conditions, land or access to natural resources), or cash compensation at replacement cost;

- In providing compensation use the principle that replacement should at least be equivalent to rights previously enjoyed, or consistent with applicable standards, whichever is higher;
- Provide counselling for resettled and host communities;
- Provide any necessary transitional assistance as the RAP implementation schedule may require;
- Outline arrangements for providing affected communities continued access to facilities and services at least at existing standards;
- Detail agencies responsible for resettlement activities and NGOs/CSOs that may support project implementation;
- Outline applicable laws and regulations regulating agencies responsible for implementing resettlement activities;
- Provide resettlement plan activity timeframe (aligned to project schedule) detailing estimated start and completion dates;
- Outline legal arrangements for regularizing tenure and transferring titles to resettled communities;
- Outline institutional and technical arrangements to identify and prepare relocation sites, housing and infrastructure better or at least comparable to the old sites;
- Identify relevant opportunities to improve local living standards (e.g. by investing in infrastructure, or providing services; and
- Identify any opportunities arising from relocation - access to productive land and business activities, preferential project employment, developing specialized products or markets, or project-based benefit-sharing arrangements.

### **Community participation**

- Describe strategy for consulting with, and enabling displaced persons to participate in designing and implementing resettlement activities or land use / ownership restrictions;
- Provide full disclosure to all directly affected and interested parties;
- Describe how affected stakeholders are consulted regarding relocation options, forms of compensation and any assistance;
- Ensure RAP respects displaced and host community's social and cultural institutions, and preferences;
- Outline institutionalised arrangements for displaced people to communicate concerns to project authorities; and
- Identify measures for vulnerable groups (indigenous people, poor, and women) representation.

### **Grievance redress mechanism**

- Detail applicable procedures for displaced persons to settle disputes arising from resettlement (aligned to judicial recourse, community and traditional dispute settlement mechanisms).

### **Costs and budget**

- Provide budget covering all RAP activities – with timetable for expenditure with drawdowns linked to project deliverables and identifying funding sources; and
- Budget to include all resettlement activities, allowances for inflation, population growth, contingencies.

### **Monitoring and evaluation**

- Outline implementing agency arrangements to monitor and evaluate displacement and resettlement activities;
- Outline performance monitoring indicators to measure inputs, outputs, and outcomes for resettlement activities;
- Indicate whether third party monitors or displaced persons will be involved in the monitoring process;
- Development projects often involve the introduction of direct control by a developer over land previously occupied by another group. Natural resource extraction, urban renewal or development programs, industrial parks, and infrastructure projects (such as highways, bridges, irrigation canals, and dams) all require land, often in large quantity. One common consequence of such projects is the upheaval and displacement of communities.

ESSS5 addresses instances where a client acquires land or restricts access to land to aid project implementation, resulting in project affected communities losing ownership or access to land, housing and related assets, and natural resources essential for their livelihoods and income earning capacity. ESSS5 addresses the client responsibility to mitigate the impacts of such losses to project affected communities.

ESSS5 applies when project activities result in community members being permanently or temporarily physically and economically displaced by project related land ownership/rights /use or restrictions. This includes:

- Expropriation or other compulsory national legal procedures;
- Negotiated settlements with property owners or those with legal land rights;
- Loss of access to resources by communities with traditional or customary tenure, or recognisable usage rights;
- Relocation of community members occupying and / or utilising land without formal, traditional, or recognizable usage rights;
- Displacement of community members due to project impacts rendering their land unusable or inaccessible;
- Restriction on access to land or use of other resources including communal property and natural resources;
- Individuals or communities relinquish land rights or claims to land or resources without full payment of compensation;
- Communities using / living on state-owned land are required to vacate the land to enable project implementation; and
- Displacement of community members, (other than the seller), who occupy, use or claim rights to the land where the land owner undertakes voluntary land transactions

## **Eligibility Classification**

Affected persons may be classified as persons:

- Who have formal legal rights to land or assets;
- Who do not have formal legal rights to land or assets, but have a claim to land or assets that is recognised or recognisable under national law; and

- Who have rights to land or access to land through customary or traditional tenure arrangements?

## **Client Responsibility to Implement ESS5**

### *Community Engagement*

The client will undertake a stakeholder engagement process to:

- Engage with all project affected parties impacted by resettlement;
- Provide project affected parties with resettlement and livelihood restoration options and alternatives, from which affected persons may choose;
- Discuss with project affected communities the proposed impacts of alternative project designs;
- Undertake meaningful affected community participation and disclose relevant information during project planning, implementation, monitoring and evaluation;
- Consult affected parties in evaluating compensation choices, livelihood restoration activities, and relocation processes;
- Where women's and men's livelihoods are affected differently, the client may need to undertake intra-household analysis to address livelihood impacts and to address women's and men's preferred compensation mechanisms.

### *Project Design: Social, legal and institutional assessment to address land ownership and acquisition*

The Client will:

- Undertake a social, legal and institutional assessment to identify any potential risks, adverse impacts, and mitigation measures related to project land titling, determining land rights, and any measures to acquire land;
- Consider feasible alternative project designs to avoid or minimise land acquisition or restrictions on land use, especially where this would result in physical or economic displacement;
- Balance environmental, social, and financial costs and benefits, when acquiring land;
- Pay attention to gender impacts and impacts on the poor and vulnerable;
- Prioritise community groups likely to be most negatively impacted by the project, such as vulnerable groups; and
- Demonstrate that involuntary land acquisition or restrictions on land use are limited to specified project purposes within a specified period of time.

### *Implement a transparent process to acquire land*

Where land acquisition or restrictions on land use are unavoidable, the client will:

- Identify all community members affected by the project;
- Establish an inventory of land and assets to be affected;
- Determine who will be eligible for compensation and assistance;
- Discourage ineligible persons, such as opportunistic settlers, from claiming benefits;
- Establish a cut-off date for eligibility;



- Inform project affected communities in the project area about the project cut-off date, using relevant communication channels, in relevant local languages;
- Issue ownership or occupancy documentation and compensation payments in both spouses names or single / child head of household as relevant;
- Where the project negatively impacts women's loss of land rights , ensure adequate measures are in place, in line with the project relocation action plan, to recognize women's rights to hold or contract in property of land ownership; and
- Negotiate land ownership, use and access settlements with affected persons wherever possible.

*Prepare a Resettlement Action Plan (RAP)*

- Prepare a RAP addressing project risks, impacts and necessary mitigation measures;
- Document all transactions to acquire land rights, provide compensation and other assistance for relocation;
- Align the RAP to applicable country legislation and regulations governing resettlement and compensation;
- Determine financing arrangements and entitlements for project affected people and host communities affected by land acquisition / use/ resettlement in project budget;
- Determine implementation schedule, roles, responsibilities, and arrangements to address land acquisition / resettlement procedures in line with project timeframes;
- Establish procedures to monitor and evaluate the plan implementation and take corrective action as necessary; and
- Where necessary, retain resettlement professionals to provide land acquisition / involuntary resettlement advice and provide any project implementation support as required.

The DBSA will sign off Client land acquisition / relocation plan implementation plan in line with ESS5 objectives.

*Apply equitable measures and benefits to compensate project affected persons for land acquisition*

When a client acquires land or restricts project affected people access to land, the client will:

- Offer affected persons compensation at least at replacement cost and in line with relevant country legislation and regulations;
- Provide assistance to affected communities to improve or at least restore their standards of living or livelihoods;
- Provide assistance (skills training, access to credit, and job opportunities,) to men and women on an equal basis and adapted to their needs;
- Wherever possible, avoid destroying structures and symbols of religious and cultural significance;
- Disclose and consistently apply compensation standards for land and fixed assets;
- Document the basis for calculating compensation;
- Offer displaced persons who have land-based livelihoods or who own land collectively, the option of land replacement for compensation, unless it can demonstrate to the DBSA that equivalent replacement land is unavailable;

- Compensate project affected economically displaced people for:
  - The cost of identifying a viable alternative location,
  - For lost net income during the transition period,
  - Transfer and reinstalling plant, machinery, or other equipment,
  - Re-establishing commercial activities,
  - Temporary loss of wages and, if necessary, provide assistance to identify alternative employment opportunities,
  - Replacing agricultural or commercial property,
  - Compensating rights or claims to land, and
  - Compensate with access to alternative land at least equivalent in market and use value to that acquired;
- Compensate communities who are without legally recognizable claims to land for lost assets other than land (such as crops, irrigation infrastructure and other improvements made to the land), at least at replacement cost;
- Provide opportunities to project affected parties to re-establish livelihoods elsewhere in lieu of land compensation;
- Distribute compensation in accordance with transparent procedures;
- Provide displaced communities and persons with opportunities to realise appropriate project development benefits as the project nature and objectives may allow;
- Prevent those with no right to resettlement compensation benefitting from or from taking advantage of possible opportunities arising from resettlement; and
- Implement mitigation mechanisms to address the inadequacy of cash compensation in providing affected persons with an appropriate means to restore livelihoods.

Based on consultation, a client may provide cash compensation for lost land and other assets where:

- Livelihoods are not land-based;
- Livelihoods are land-based but the land taken for the project is fraction of the affected asset and the residual land is economically viable; and/or
- The client demonstrates to the DBSA satisfaction that insufficient replacement land is available

The client is not required to compensate project affected parties where:

- Community members encroach on the area after the project cut-off date and repeated client efforts to contact project affected parties have failed; and
- Project affected parties repeatedly reject compensation offered in accordance with the RAP.

Where the client is able to demonstrate to the DBSA that it has taken all reasonable steps to resolve land acquisition disputes, it may, on an exceptional basis, and in consultation with the DBSA, deposit compensation funds (and an additional amount for contingencies) as required by the RAP into an interest-bearing escrow or other deposit account and proceed with project activities. These compensation funds will be made available to eligible persons as land conflict is resolved.

*Grievance Mechanism*

- The client will put in place a project grievance mechanism to address displaced persons and stakeholder concerns about compensation, relocation or livelihood restoration measures. Where possible, grievance mechanisms will utilize existing project and community formal or informal grievance mechanisms; and.
- The client may need to provide additional project-specific arrangements to resolve project related disputes.

### *Land Transfer*

The Client will take possession of acquired land and related assets only after:

- It has compensated project affected parties;
- It has resettled displaced people;
- It has provided moving allowances to displaced persons; and
- It has implemented livelihood restoration and improvement programs to ensure that affected persons are sufficiently prepared to take advantage of alternative livelihood opportunities.

### *Community use of land as collateral / equity*

Where communities collectively agree to restrict access to natural resources to participate in community-based natural resource management projects, the DBSA will assess whether the client undertook comprehensive community engagement involving FPIC and put appropriate mitigation measures in place to mitigate any possible adverse impacts. The DBSA may approve a project proposal involving a voluntary agreement between communities, governments and investors to donate all or part of a parcel of land to implement a project with or without full compensation, if the client:

- Identifies all tenure rights and claims (including customary and informal users) affecting the land;
- Undertakes meaningful FPIC and stakeholder engagement, fully discloses the impact of the proposed investment to the affected community and informs them about the choices available to them;
- Confirms in writing affected community members willingness to proceed with the donation/ transaction;
- Shows that community stakeholders negotiated fair value and appropriate conditions for the transfer;
- Provides evidence that transaction and related compensation and benefit-sharing and arrangements address affected community members ability to maintain livelihoods at current levels;
- Puts appropriate grievance redress mechanisms in place;
- Provides evidence that no household relocation is involved;
- The affected community benefits directly from the project;
- Provides evidence that individuals using or occupying community owned land consented to the donation;
- Keeps a transparent record of agreements detailing consultations and terms and conditions for land transfer; and
- Puts mechanisms in place to monitor compliance with the terms and conditions.

Collaborate with Agencies responsible for providing assistance for land resettlement and Resettlement Planning Agency

When project implementation involves giving effect to a RAP, the client will collaborate with any other governmental agency or entity responsible for land acquisition, resettlement planning, or providing necessary assistance.

Where the capacity of other responsible agencies is limited, the client will actively support resettlement planning, implementation, and monitoring and provide any assistance necessary to ensure the letter of this ESSS is applied when implementing resettlement plans.

The RAP will specify the financial responsibilities of all agencies involved, appropriate timing and sequencing for implementation steps, and coordination arrangements.

The client may request that the DBSA provide technical assistance to strengthen client capacity, or the capacity of other responsible agencies, for resettlement planning, implementation and monitoring.

#### *Project monitoring and evaluation*

The Client will ensure:

- Prepare periodic monitoring reports;
- Inform affected persons about monitoring results; and
- Where projects involve significant involuntary resettlement, appoint competent resettlement professionals to undertake an external land acquisition / resettlement plan completion audit to assess whether affected community members livelihoods and living standards have been improved / restored / and if affected community members have received the assistance for which they are eligible, and, as necessary, propose any corrective actions necessary.

#### *Special measures where forced Evictions / Involuntary resettlement is necessary*

The client will not resort to forced evictions or involuntary resettlement of affected persons. Resettlement is considered involuntary when project affected persons or communities do not have the right to refuse land acquisition or land use restriction that result in their displacement to support implement an investment or development project. Forced eviction is defined as the permanent or temporary removal against the will of individuals, families, and/or communities from the homes and/or land which they occupy without providing access to appropriate forms of legal and other protection, including all applicable procedures and principles outlined in this ESSS.

Where involuntary resettlement is unavoidable, the client will implement appropriate measures to minimize and mitigate adverse impacts on displaced persons and the host communities receiving displaced persons. This includes:

- Providing guidance on the involuntary resettlement conditions that need to be met to mitigate displacement and negative resettlement impacts and to establish sustainable economy and society

- Establishing mechanisms to monitor the performance of involuntary resettlement programs and to remedy any implementation problems;
- Addressing adverse impacts on public health or safety and livelihoods;
- Resettlement can improve local living standards and provide direct development opportunities for households or communities, improved housing and public health conditions, and strengthened security of tenure; and
- As an alternative to displacement, the client may negotiate on site land development arrangements with affected parties. Any person not wishing to participate will be allowed to opt instead for full compensation and other assistance as required in this ESSS

## **APPENDIX K**

### **Category 2 or Medium Risk Category**

Category 2 programmes and projects are medium risk projects which may have adverse environmental and social impacts but which are likely to be potentially less severe than those associated with Category 1, high and substantial risk projects. For category 2 projects few impacts are irreversible and mitigation measures can be more easily prescribed. Projects in this category include:

- Water supply projects (without impoundments or new river intakes)
- Medium to small scale sanitation projects
- Water purification plants
- Reservoirs for public water supply
- Electrical transmission
- Renewable energy
- Telecommunications
- Small scale rehabilitation, maintenance and modernisation projects
- Pipelines (depending on the route).
- Manufacture of non-hazardous construction materials
- Small-scale industries
- Aquaculture and mari culture projects
- Farmer support projects
- Small scale agro-industries
- General manufacturing
- Greenfield projects in industrial estates

For Medium Risk projects, the depth and type of environmental and social impact assessment required will depend on the type of project and the type of environmental and social risks encountered. The client will provide at least the following:

- An Environmental Scoping report,
- An ESIA
- An ESMP containing sufficient detail to assess, manage and mitigate the project's environmental and social risks and outcomes and comply with the DBSA ESSS's.
- If the project is not a regulated Listed Activity according to relevant country legislation, DBSA requires that the client apply the ESSS's stipulated environmental and social assessment requirements.
- Any additional impact and / or risk assessments and plans that the DBSA may consider necessary as determined by the project environmental and social screening and appraisal.

DBSA responsibilities towards ensuring that the client complies with the DBSA ESSS's include:

- Reviewing Client information relating to the project environmental and social risks and impacts, and requesting additional relevant information where there are gaps that prevent the DBSA from completing its due diligence.

- Undertaking due diligence of proposed projects, proportionate to the nature and potential significance of project environmental and social risks and impacts.
- Appointing appropriately skilled people to appraise projects and evaluate whether projects meet ESSS's requirements.
- Appraising the nature and significance of the projects potential environmental and social risks and impacts, project implementation timeframes, and client capacity to develop and implement the project.
- Providing guidance to assist the Client develop appropriate measures consistent to address environmental and social risks and impacts in accordance with the ESSS's.
- Undertaking site visits and interacting with relevant key stakeholders, as appropriate
- Identifying any measures and actions that the client needs to put in place to address identified social and environmental risks and impacts.

### **Monitoring and Implementation Support**

DBSA undertakes an annual review of all its high/substantial risk investment projects according to the level of environmental and social risks involved, the ESMP requirements and loan conditionality's involved. Evaluations are done in depth analysis and detailed environmental and social lessons learnt are shared across the organisation to improve future practice.