



Luxembourg, 26.10.2022

Environmental and Social Data Sheet

Overview

Project Name: *DBSA EGIP FACILITY*
 Project Number: *2022-0185*
 Country: *South Africa*
 Project Description: *A framework loan to finance onshore wind, solar PV and potentially Energy Efficiency projects*

EIA required: *Some sub-projects may require an EIA*

Project included in Carbon Footprint Exercise¹: *no*

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

This operation concerns a 300 MEUR Framework Loan (FL) with the Development Bank of Southern Africa (DBSA) to finance renewable energy projects in South Africa.

Most of the sub-projects under the FL are expected to be medium-sized solar PV and onshore wind projects, and potentially some small-scale energy efficiency sub-projects. Due to the nature of this operation, the environmental and social (E&S) impacts of the sub-projects are not fully known at this stage. However, these are expected to be limited, and in general positive, notably by reducing energy consumption, GHG emissions, and thus helping to mitigate climate change. All sub-projects under this operation will be financed directly by DBSA. Each of the sub-projects will be subject to an individual appraisal and monitoring by the EIB.

DBSA undertakes a rigorous investment appraisal for all programmes and projects that it considers for financing. DBSA has developed strong Environmental and Social Safeguards Standards (ESSS), which are in line with the IFC's Performance Standards on Environmental and Social Sustainability (ESS) and are broadly in line with EIB Environmental and Social Standards. All projects funded by DBSA must comply with DBSA's ESSS, which have been assessed favourably by the Green Climate Fund and the Global Environment Facility. In addition, the sub-projects funded through this operation will need to comply with EIB Environmental and Social Standards.

In order to implement any action necessary to meet the requirements of DBSA Safeguards, DBSA requires its clients to have in place an appropriate Environmental and Social Management System (ESMS), the elements of which are outlined in the DBSA Environmental Appraisal Framework (EA Framework). The purpose of the EA Framework is to ensure that DBSA's environmental appraisals

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



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are applied in a consistent manner that supports and enhances DBSA's decision-making processes for sustainable socio-economic development in the region.

DBSA has a strong team of dedicated Environmental and Social Specialists. The FI's capacity to implement this FL in compliance with the EIB's Environmental and Social Standards is deemed good.

Environmental Assessment

The main principles of environmental and social assessment practice enshrined in EU legislation, such as screening, scoping, independent review, public participation, disclosure and monitoring, are already present in the national legislation of South Africa, specifically in the Environmental Impact Assessment Regulations (2014). In addition, the FI's E&S policies and procedures are regularly subject to consultation with international financial institutions such as IFC or the African Development Bank (AfDB), and reflect international best practice.

Prior to approving allocation requests submitted by the FI, the Bank will confirm that individual sub-projects comply with the Bank's environmental requirements and that an adequate environmental assessment has been carried out. According to the South African national legislation, all projects are subject to a scoping stage, with the competent authority deciding whether to require an Environmental and Social Impact Assessment (ESIA). If the sub-projects in the FL were located in the EU, they would fall under Annex II of EIA Directive 2014/52/EU amending EIA Directive 2011/92/EU, requiring the national competent authority to decide on the need for a full EIA process. In the case of the interconnection power lines, required as associated facilities, some might be included in Annex I of the mentioned Directive, thus also requiring full EIAs to be performed. In addition, alignment with the basic principles of the relevant EU Directives (e.g. Habitats Directive 92/43/EEC, the amended Energy Efficiency Directive 2012/27/EU and Energy Performance of Buildings Directive 2010/31/EU) will be sought, including compliance with Best-Available-Technique (BAT), where appropriate.

The Bank will assess ESIA's and all permitting documentation (including screening decisions) when reviewing the documentation for the allocations, including compliance with EIB E&S standards. Whenever an ESIA process is required, the environmental impact studies (EIS) will be provided in copy to the Bank prior to the Bank's approval of the allocation, and will be published.

The Promoter will be required to verify that none of the schemes has a significant adverse impact on any site of nature conservation importance. Schemes with significant E&S risks, including a significant negative impact on any site of nature conservation importance, will not be eligible under this operation.

EIB Paris Alignment for Counterparties (PATH) Framework

The FI is a National Promotional Institution (NPI). In line with the EIB PATH Framework, the EIB Group will seek to share best practices on Paris alignment, including on disclosure.

Social Assessment

The envisaged sub-projects may give rise to typical occupational and community health, safety and security risks and impacts. These risks are primarily linked to traffic, dust and noise nuisances, presence of security personnel and the influx of labour force during construction. The main mitigation and monitoring measures to address these risks/impacts and others will be considered in the respective Environmental and Social Management Plan (ESMP), if applicable.



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The Bank will require a social assessment, including the development of a management plan for mitigation of social impacts (as applicable); compliance with national law and ILO Core Labour Standards will need to be ensured by the FI at sub-project level in accordance with the Bank's Environmental and Social Standards. Sub-projects may require the acquisition, lease or easements of land for the installation of their components. For the rest, the promoter is engaging with the sub-project promoters in order to secure voluntary agreements for the lands required by all sub-project infrastructures. It is expected that the implementation of the sub-projects under this FL will not lead to involuntary physical or economic displacement or resettlement.

The FI will be required to undertake reasonable efforts to mitigate risks of forced labour in the supply chain. This will include, on a best effort basis, enhanced due diligence when practically achievable, and also guided by the FI's human rights commitment, ensuring that appropriate contractual provisions are passed on to contractors/suppliers for each of the sub-projects financed under the FL.

Public Consultation and Stakeholder Engagement

The Bank will verify that adequate disclosure of information and meaningful public consultation have been carried out or are both planned for, in the context of the ESIA process, as well as prior to and during the construction phase, and if applicable throughout the lifetime of the project. At sub-project level, the FI will ensure that comprehensive grievance mechanisms, both for communities and for the sub-project workforce (including EPC contractor and sub-contractors), are in place during both implementation and the entire operation period of the sub-projects.

Stakeholder engagement activities will be conducted in compliance with national legislation and with the FI's guidelines on Stakeholder Engagement, which is considered satisfactory by the Bank.

Other Environmental and Social Aspects

DBSA has a strong commitment to sustainable development and green financing highlighted in its Environmental and Social Policies and Procedures. The Green Climate Fund has accredited the FI since 2016.

Conclusions and Recommendations

The legal, environmental and social obligations under the national law and the FI's ESMS, provide comfort and support the fulfilment of the EIB's standards under this operation. Nevertheless, the social and environmental impacts and mitigation measures for the envisaged sub-projects will be assessed individually by the FI and will be reviewed by the Bank as part of the ex-ante allocation approval process. The investments targeted by the operation are not expected to have major residual social and environmental impacts, provided that all mitigation measures assessed by the FI and the Bank at sub-project level are implemented.

The E&S risk management process of the Financial Intermediary is considered to comply with the requirements of the EIB for financial intermediaries, i.e. enables the appropriate identification, assessment and management of E&S risks and impacts, including:

- DBSA screens all final beneficiaries against a relevant list of excluded sectors and activities, including those activities which give rise to environmental impacts that are not largely mitigated and/or compensated;
- DBSA ensures that the final beneficiaries/sub-projects act in accordance with relevant laws and regulations related to environmental and social issues;



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- DBSA screens and assesses all projects for their environmental and social impact with a team of five dedicated E&S specialists comprising engineers and environmental or social scientists.

Additionally, the Bank will require the following:

- The FI shall not commit any EIB funds against sub-projects that require an ESIA or biodiversity assessment according to EIB E&S standards and national law without, prior to commitment, receiving consent from the competent authority, and the EIA having been made available to the public.
- Under the allocation procedures, all underlying sub-projects including their compliance with EIB standards will be reviewed ex-ante by the EIB.
- The FI shall store and maintain updated the relevant documents (including ESIA screening decisions, environmental consents, ESIA studies, and Nature/Biodiversity Assessments or equivalent documents supporting the compliance with the principles of the EU Habitats Directive) to be provided to the Bank upon request. In case the EIB requires such documentation, the promoter shall provide all documents requested promptly.
- For subprojects which are subject to an ESIA, the FI shall refer this sub-project to the EIB and retain on file a copy, provide a digital copy of the ESIA study and of the environmental consent to the Bank, and confirm that the sub-project incorporates all mitigating measures recommended as a result of the ESIA.
- For sub-projects that may have an impact on a nature conservation site, the promoter shall obtain confirmation from the competent nature conservation authority, or an equivalent confirmation satisfactory to the Bank, that the sub-project does not have a significant negative impact on any such site. Such confirmation should be delivered to the Bank before the funds are allocated. Sub-projects with significant negative impacts on areas with high biodiversity value and nature conservation areas will not be eligible. Similarly, sub-projects that involve involuntary resettlement of persons or have a potentially adverse impact on indigenous communities and/or peoples will be excluded.
- Schemes (i) with significant negative social impacts or (ii) requiring resettlement, which cannot be mitigated to the Bank's satisfaction, shall not be eligible.
- The Financial Intermediary will undertake to monitor and report to the Bank on compliance with EIB E&S Standards, with a periodicity yet to be defined for the individual allocations.

Under these conditions, the operation is acceptable in E&S terms.