



Development Bank
of Southern Africa

SOCIAL AND INSTITUTIONAL GUIDELINES

SUMMARY

This document provides GEF applicants with an understanding of the DBSA Environmental Appraisal Framework. It should be read in conjunction with the DBSA GEF Environmental Safeguard Standards.

1. PURPOSE OF THE SOCIAL AND INSTITUTIONAL APPRAISAL GUIDELINES

The purpose of the DBSA's Social and Institutional Appraisal Guidelines (SIAG) is to:

- Facilitate the application of the social and institutional (SI) appraisal process in the context of credit approvals;
- Ensure that the DBSA is able to maximize its development impact in all its proposed investments; and
- Enable transparent, consistent and structured application of the social and institutional appraisal module by the social and institutional analysts (S&IA), in all DBSA supported programmes and projects.

2. SOCIAL AND INSTITUTIONAL ASSESSMENT IN THE DBSA

The SIAG are designed to:

- Assist and guide the DBSA to direct its funding towards projects that are socially sound and sustainable, and in line with the DBSA's mandate, policies and legal responsibilities;
- Identify potential sources of social risk during project and programme appraisal;
- Guide corporate governance appraisal by assessing the institutional arrangements for implementation, operation and maintenance of projects and institutions;
- Support gender mainstreaming within the DBSA and in its lending programmes; Ensure compliance to relevant legislation and codes of best practice; and
- Inform the DBSA Credit Risk Model;

3. DBSA'S APPROACH TO SOCIAL AND INSTITUTIONAL ASSESSMENT

- The SI assessment is guided by various principles, e.g. commitment to effective corporate governance; promotion of transparency and disclosure by clients; taking care of shareholders and affected community rights; ensuring public engagement with affected communities etc.;
- The SIAG applies universally across the DBSA's areas of operation and is applicable to all programmes supported by the DBSA ,DBSA's borrowers have responsibility for SI obligations; and
- As a DFI, DBSA observes relevant practices and principles of international and national organizations.

4. SOCIAL AND INSTITUTIONAL APPRAISAL POLICY

4.1 INSTITUTIONAL APPRAISAL

Institutional appraisal centres on assessing corporate governance and considers the following key issues:

- Legislative mandate and founding documents - the constitution of the company/ entity and its founding documents; the alignment of the founding documents with relevant legislation (e.g. the Companies Act); the level of compliance with relevant sector regulations; and the awarding of concessions (if any).
- The composition of the Board/ Controlling Body as per the requirements of the King III Report; the allocation of board seats in the shareholder's agreement; the

Board/ Controlling Authority influence over the parent/holding companies; the composition of Board/ Controlling Body subcommittees; etc.

- Whether the company/ entity has the strategic plan in place; processes to review and revise the plan; alignment of the plan to the project information memorandum; and the fit between the plan and the project.
- Whether the organisational structure of the institution contains key functions of executive management, finance, operations, human capital, audit and legal and their linkages; alignment between strategic and operational intent; identification of functions to be outsourced; and provisions of elements to ensure the sustainability of the business.
- The operational capacity of the institution e.g. ability to plan, prepare, procure, commission, and maintain assets; to maintain key environmental controls identified in the environmental plan/environmental impact assessment; outsourcing arrangement (if any); and any linkages to financial expenses forecasts and budgets.
- The risks associated with the transaction e.g. client's ability to manage all the associated risks; DBSA's ability to facilitate and ensure appropriate measures to mitigate any associated risks and to link the risk assessment to the DBSA's pricing model.
- A mandatory condition is required for all DBSA-supported investment projects to comply with relevant legislation and best practice guidelines, e.g. King III Report, Companies Act, Public Finance Management Act, Municipal Finance Management Act, etc.; in the case of projects in sub-Saharan Africa where the Companies Act of South Africa is not applicable, the team considers whether compliance with certain key principles of King III as best practise are complied with;
- The existence and implementation of key policies and internal controls to support operational decision-making and reporting; and the delegation of amendments to the Board/ Council/ Controlling Authority.

4.2 SOCIAL APPRAISAL

The social assessment focuses on the following key issues and the level of detail depends on the type and nature of the project being appraised:

- Identification of affected community to provide an understanding of the project context. The process entails a clear definition of all key stakeholders and the role they play in the community; identification of affected parties and project beneficiaries; the social and political history of the investment environment; and local socio-economic factors e.g. levels of crime and poverty.
- Level of community mobilization and organization: The extent to which the community is mobilized and is able to communicate its views regarding the proposed project; the ability of key stakeholders to communicate community interests and concerns; and the level and legitimacy of community representation.
- Community representation: How the community is represented; the capacity and legitimacy of community representatives; the appropriateness of communication

modes to disseminate relevant information and to keep the wider community abreast of developments.

- Community readiness to receive the project: The socio-political environment of the project (e.g. service delivery protests, levels of crime and poverty); the manner in which the project is communicated to the community including the anticipated project benefits and costs; the level of community participation in project related processes; and the level of community willingness to pay for services to be rendered.
- Social impact: The anticipated positive impacts (e.g. creation of access to basic services, human capital formation, empowerment and skills development) and negative impacts; in the case of identified negative impact, the appropriate measures to mitigate such risks.
- Monitoring: Because social issues are fluid, the team develops a monitoring plan and closely monitors the social environment including the identified social risks and report accordingly.

5. GENDER MAINSTREAMING POLICY

DBSA regards gender equity and mainstreaming issues within social and economic development and is committed to advancing gender equity in its sphere of operations. As a DFI, DBSA seeks to increasingly mainstream gender issues to ensure that its development impact is maximised, project interventions are sustainable, and that the needs of the end-users are met.

6. IMPLEMENTATION AND INSTITUTIONALISATION OF THE SIAG THROUGHOUT THE INVESTMENT VALUE CHAIN

The S&IA support the investment process by providing support services throughout the investment value chain e.g. project application, initial screening, due diligence, approval/agreement conclusion; disbursements and monitoring; and project implementation close out.

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