

**DRAFT (TO BE REVIEWED AND REVISED AS NEEDED BY DBSA)
DECEMBER 10, 2025**

STAKEHOLDER ENGAGEMENT PLAN

**Blended Finance Platform for Sustainable Infrastructure Project
(CGV Project)
under Phase I of the Blended Finance Platform for Sustainable
Infrastructure Multi-Phase Programmatic Approach**

(P508930)

Republic of South Africa

**DEVELOPMENT BANK OF SOUTHERN AFRICA
*as mandated by the Department of National Treasury***

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ACRONYMS AND ABBREVIATIONS

AP	Affected Person
CBOs	Community Based Organizations
CGV	Credit Guarantee Vehicle
EHS	Environment, Health and Safety
E&S	Environment and Social
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESP	Environmental and Social Policy
ESS	Environmental and Social Standard
FGD	Focused Group Discussion
FPP	Focal Point Person
GBV	Gender Based Violence
GSA	Government of South Africa
GRC	Grievance Redress Committees
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
LMP	Labor Management Procedures
MDB	Multilateral Development Banks
MoF	Ministry of Finance
NEDLAC	National Economic Development & Labour Council
NGO	Non-Government Organization
NT	National Treasury
OIP	Other Interested Parties
PAP	Project-Affected Party
PAP	Project Affected Person
PIU	Project Implementation Unit
SARB	South African Reserve Bank
SEP	Stakeholder Engagement Plan
SIA	Social Impact Assessment
ToR	Terms of Reference
WB	World Bank
WBGRS	World Bank's Grievance Redress Service

1 INTRODUCTION AND PROJECT DESCRIPTION OF CGV PIU

South Africa (SA) has ambitious development goals but faces significant economic and social challenges, worsened by climate change. The economy grew by about 1% per year over the past decade, much lower than the 4.1% average growth of middle-income countries in 2024. The country remains highly unequal due to entrenched legacies from apartheid, with high levels of poverty and unemployment. In 2024, the poverty rate was about 63 %, with 37.9 % being women, and the unemployment rate stood at 32.1% in Q3, with many job seekers unemployed for over a year.

A threat to economic growth and development is the poor state of infrastructure which is facing dual challenges. The first is about deteriorating performance, the second is about declining investment. This is leading to a state of crisis in the electricity, transport, and water sectors. The infrastructure crisis magnifies income inequality, by disproportionately affecting vulnerable households and small firms who do not have the means to develop alternatives sources such as off grid electricity solutions and road transport. Climate change is making the aging infrastructure even more vulnerable.

Substantial Investment in infrastructure is also critical for SA's competitiveness. Infrastructure has forward linkages to green industries and backward linkages to renewable energy equipment manufacturing and critical minerals, crucial for a just energy transition and maintaining industrial competitiveness and jobs. The context of a potential 'trade disruption' with the United States and the Carbon Border Adjustment Mechanism (CBAM) of the EU¹ pose additional challenges.

National Treasury has also focused on complementary policy efforts to encourage more participation of the domestic financial sector, particularly aimed at institutional investors. For example, the regulators have amended "Regulation 28", enabling up to 45% of domestic institutional investor assets to be invested in infrastructure. National Treasury is also giving due consideration of tax incentives to new potential infrastructure investment vehicles for institutional investors (infrastructure debt funds, infrastructure Real Estate Investment Trust). To effectively increase availability of infrastructure finance, these efforts need to be accompanied by de-risking instruments, such as a Credit Guarantee Vehicle, whilst the benefits of reforms in the target real economy sectors materialize.

The World Bank aims to support a Multiphase Programmatic Approach (MPA) operation which consists of the following phases. The focus of this particular Stakeholder Engagement Plan (SEP) will be on the first Phase of the MPA, primarily aimed at establishing and capitalization of the CGV.

The MPA Program Framework consists of 4 phases, implemented over a 10-year period.

Phase 1 (FY27): Establish and Capitalize the CGV. The immediate focus is to create de-risking capacity and send a credible market signal for a pathway to private capital mobilization (PCM). The establishment of the CGV will follow a one-WBG approach. *IBRD* – in this phase - will deploy \$350 million Investment Project Financing (IPF)

operation to the National Treasury (NT) as junior equity. This will support the launch of the CGV, which requires a total initial capital base of \$500 million to mobilize up to \$2 billion in private infrastructure investment across eligible sectors, and initial scaling of the CGV after its launch. The exact amount of capital used for the CGV's start-up will depend on the confirmed capital participation of development partners; their commitments will determine how much of the \$500 million is contributed at inception. The remainder will be used for initial scaling of the CGV. A dedicated pipeline development window will be embedded within the CGV design to accelerate early-stage project readiness, improve bankability, and standardize risk assessment frameworks for initial transactions. *IFC* has tier 3 project committee clearance for senior equity participation of US\$100 million and started its due diligence. *MIGA* is expected to receive early screening clearance in December 2025 for US\$200 million risk transfer capacity to further protect the CGV.

Phase 2 (FY28): Strengthen the BFI and Expand the Pipeline. Building on the foundation of Phase 1 and in parallel implementation of upstream reforms (e.g. PPP framework and IFISA), the program will improve project quality and ensure a scalable pipeline of bankable assets suitable for CGV-backed transactions. A US\$250 million Program-for-Results (PforR) or Investment Project Finance (IPF) will support the transformation of the BFI into a more effective and scalable Viability Gap Fund (VGF), with clear mandate, governance, and allocation rules. The project design has yet to be developed. Concurrently, the operation will scale up and standardize project preparation practices across priority sectors, strengthening appraisal methodologies, procurement readiness, and environmental and social due diligence, thereby reducing time-to-close and increasing investor confidence.

Phase 3 (FY29): CGV Capital Increase and Partner Mobilization. To further scale the de-risking capacity and accommodate larger, more complex transactions, the program will provide an additional US\$150 million to NT for a follow-on capital injection into the CGV, contingent on satisfactory performance and governance outcomes. In parallel, the program will mobilize development finance institutions (DFIs) and climate funds to broaden the capital base and diversify risk-sharing, targeting a cumulative ~US\$10 billion project pipeline. This phase will also focus on harmonizing guarantee products, pricing policies, and eligibility criteria, while expanding collaboration with commercial lenders and institutional investors to crowd in private capital at scale.

Phase 4 (Post-FY30): Establish a Layered-Risk Co-Investment Vehicle. Subject to the CGV's proof of concept, the maturity of the project pipeline, and prevailing market needs, a government-backed co-investment platform with risk-tiered capital structures will be launched with an initial US\$250 million deployment. This layered-risk vehicle is designed to complement CGV and VGF instruments by providing equity and quasi-equity for strategic, higher-risk, or large-scale infrastructure projects. The platform will be structured to crowd in domestic and global institutional investors by offering appropriate risk tranching and governance safeguards, thereby deepening local capital markets and supporting long-term financing for transformative infrastructure.

The Project Development Objective of Phase I is to **establish a Credit Guarantee Vehicle to mobilize private capital for investment in resilient infrastructure (hereinafter, CGV Project).**

The CGV Project has three components:

Component 1: CGV Capitalization (US\$368 million, of which IBRD US\$338 million and CTF US\$30 million). This component will fund the GSA equity participation via the NT in the CGV in three tranches: (i) US\$5 million start-up capital from the IBRD loan; (ii) US\$91 million initial capitalization from the IBRD loan; and (iii) US\$272 million scale up capitalization from the IBRD loan and the CTF. The initial CGV's capital structure is set at US\$500 million and will be as follows: (a) tier of junior capital (first loss) for up to 40% of the total capital of the CGV (US\$ 200 million), (b) tier of senior capital for up to 30% of the total (up to US\$ 150 million), and (c) tier of callable capital for up to 30% (up to US\$ 150 million). The IBRD-loan will be used for GSA's equity participation in the CGV and will cover the junior capital tier (first loss). The remaining part of the initial capital is expected to be subscribed by domestic, regional, and international development financial institutions (DFIs), specialized development funds, and philanthropic funds. The US\$5 million start-up cost of the CGV allows for the operationalization of the CGV and project preparation. The operationalization includes hiring and developing a professional management team, developing a business plan, governance structure and operating model. Project pipeline development includes final and legal due diligence part of the project preparation. The proposed capital structure may be revised based on commitments from development partners and project pipeline readiness.

Component 2: Project Pipeline Development (US\$ 9.5 million from IBRD). This component will finance the development of the project pipeline for the CGV. This includes client engagement, preliminary risk assessment, (pre)feasibility studies, legal, financial and operational structuring of projects. The Infrastructure Finance and Implementation Support Agency (IFISA) will be the implementer of this component.

Component 3: Project Coordination and Implementation (US\$2.5 million from IBRD). The Project Coordination and Implementation will be carried out by the PIU that will be established at DBSA as they have been mandated by the NT. The PIU will perform fiduciary, safeguards and M&E functions throughout the life cycle of the project, and will provide operational support to establish the CGV.

When established, the CGV will be a non-bank financial entity structured as a private corporation, with the Government of South Africa (GSA) as a relevant but minority shareholder (represented by the National Treasury), that will offer partial credit guarantees required to mobilize private capital in support of infrastructure development in South Africa. The CGV will be run on a commercially viable basis by independent professional management appointed by its Board. The CGV will be incorporated as a non-life insurance company domiciled in SA and in compliance with relevant domestic regulations from the Prudential Authorities and the South African Reserve Bank. The CGV will incorporate, as part of its private sector type of corporate governance, a sound and robust risk management practice.

The **Project Implementation Unit (PIU)**, will be located at the Development Bank of Southern Africa, will be responsible for overseeing all aspects of the setting up and operationalizing the CGV project, from initial design to operational launch and ongoing monitoring and evaluation and reporting.

The Director General of the National Treasury will formalise the PIU for a period of 60 months, by means of an agreement between the National Treasury and the Development Bank of Southern Africa subject to the availability and approval of funding. The PIU is tasked with the design, development, launch of a CGV to the South African Government's Strategic infrastructure investment priorities.

This document applies to the PIU and must be implemented by the PIU. The Stakeholder Engagement Plan (SEP) will benefit the PIU and ultimately the CGV and other organizations by building trust, managing risks, and improving decision-making through clear communication and by aligning expectations. Key benefits include preventing delays, increasing PIU implementation success, fostering innovation, and building stronger relationships and reputation.

1.1 Implementation Arrangements of Phase I of the MPA and E&S Responsibilities

The implementation arrangements are expected to consist of three levels:

(i) Project Implementation Unit (PIU)/IFISA; (ii) the CGV; and (iii) the Special Purpose Vehicles (SPVs) which is referring to the subprojects that will be guaranteed by the CGV. See figure below for the hierarchy of implementing arrangements.

Table Hierarchy of implementing arrangements

Project Implementation Unit (PIU) PIU sits at DBSA and will perform fiduciary, safeguards, and M&E functions throughout the project
Credit Guarantee Vehicle (CGV) GCV will be managed by a professional management team
Special Purpose vehicles (SPVs) SPVs (sub-projects) will be receiver of guarantees of CGV

The PIU is expected to be established within the DBSA, overseen by NT. The NT mandated the DBSA to act as an agent of NT and establish the PIU. The PIU will perform fiduciary, environmental and social risk management and M&E functions throughout the life cycle of the project, and will provide operational support to establish the CGV, including the licensing process and operationalization of the CGV. The PIU will consist of, among others, project coordinator, financial management specialist, procurement specialist, monitoring and evaluation specialist, legal specialist, environmental, health and safety and social specialists and technical specialist. To guide its operations, the PIU will develop a Project Operations Manual (POM). The first draft of the POM is already prepared and will be completed and approved prior to the effectiveness of the Project.

The CGV will – in three phases - be established as a private, non-life insurance company in South Africa, managed by an independent professional team. GSA will hold a minority stake, with other initial shareholders including several development finance institutions, and capitalization will occur through equity participation. The CGV Project will be established in three phases. In the first phase, NT, with collaboration from DBSA, is expected to register the

CGV with the Companies and Intellectual Property Commission (CIPC). In the second phase, NT, DBSA, IFC, MIGA and leading development partners will enter into Joint Development Agreement to establish an independent professional management team with adequate oversight that will prepare in the first quarter of 2026 for obtaining the necessary license from the SARB/PA (and other regulatory approvals) to operate as a non-life insurance company. This includes preparing a business plan, governance structure and operating model. In the third phase, the management team will work towards implementation of the CGV, where it is expected that the CGV will be fully operational and issuing guarantees by the second half of 2026.

The PIU environmental and social (E&S) specialists (one environment specialist and one social specialist) will be assigned from the existing resources within the DBSA, within the timeframe as set out in the Environmental and Social Action Plan (ESAP). The PIU E&S specialists will be responsible for overseeing the appointment and capacity building of the CGV environmental, social and health and safety specialists, as needed. The ESAP will require DBSA to further assess the capacity needs of the CGV, once established, and propose a capacity building plan. The PIU will further be responsible for facilitating the development of CGV Environmental and Social Management System (ESMS) including operational policies and procedures inline with the IFC Performance Standards (PSs), World Bank Group Environmental, Health and Safety Guidelines (WBG EHSGs) and national requirements. DBSA has well developed environmental and social safeguards standards (ESSS) in line with the national legislation and IFC Performance Standards (PSs). The DBSA E&S capacity are considered adequate to implement complex projects inline with the IFC PSs.

1.2 Purpose and Objectives of SEP

This SEP will be implemented by DBSA, as mandated by NT, and will apply primarily to the first and second phases of the CGV project as appropriate. The E&S responsibility of downstream projects will sit with CGV and SPVs, and the requirements of stakeholder engagement and external communication mechanisms that need to be part of downstream projects will be reflected as part of the CGV's Environmental and Social Management System (ESMS). The initial draft ESMS Policy was prepared and disclosed by NT on October 2, 2025 (*See Annex I*). The overall objective of this SEP is to establish an overall program for stakeholder engagement, including public information disclosure and consultation, throughout the entire project cycle in line with PS1 principles:

- To establish a systematic approach to stakeholder engagement that will help the PIU and the CGV identify stakeholders and build and maintain a constructive relationship with them, in particular project-affected parties;
- To assess the level of stakeholder interest and support for the project and to enable stakeholders' views to be taken into account in project design and implementation, including environmental and social performance;
- To promote and provide means for effective and inclusive engagement with project-affected parties throughout the project life cycle on issues that could potentially affect them;
- To ensure that appropriate project information on environmental and social risks and impacts is disclosed to stakeholders in a timely, transparent, understandable, accessible and appropriate manner and format for full stakeholder engagement in a timely manner;
- Meaningful consultations that will also early stage stakeholders of CGV Project to provide feedback on all aspects of the operation.

The SEP provides ways to identify potential different stakeholders, including disadvantaged and vulnerable groups, to develop an approach for reaching each of the subgroups, to create a mechanism by which Project Affected Parties (PAPs) and Other Interested Parties (OIPs) can raise concerns, provide feedback, or make complaints, and to minimize and mitigate environmental and social risks related to the proposed project including all subproject financed directly and indirectly.

Overall, SEP serves the following purposes. Stakeholder identification and analysis;

- (i) Planning how the engagement with stakeholders will take place;
- (ii) Disclosure of information;
- (iii) Consultation with stakeholders;
- (iv) Addressing and responding to grievances; and
- (v) Reporting to stakeholders.

The above will also include:

- Phase 1: Consultations on the scope, design, and policy structure of the CGV-- National Treasury, in close collaboration and participation of DBSA, will lead.
- Phase 2: Consultations on governance and operational structure of the CGV, project including the design of stakeholder engagement and GRM structures of the CGV entity the preparation of the ESMS, and project pipeline development which the PIU will lead. This phase will take place after the project approval.
- Phase 3: Consultations on specific projects under the CGV ESMS. As outlined above, the CGV ESMS will require on a project-by-project basis from both CGV and each project proponent (SPV) for project section, design, approval, implementation and grievance management.

The scope of this SEP will focus on Phases 1 and 2 and the CGV ESMS will focus on Phase 3.

2 REGULATIONS AND REQUIREMENTS

2.1 Applicable National Law and Regulations of South Africa

In terms of the Republic of South Africa's Bill of Rights, everyone has the right to access any information held by the state. This is also emphasized in the Principles of Batho Pele.

The eight Batho Pele principles are Consultation, Service Standards, Access, Courtesy, Information, Openness and Transparency, Redress, and Value for Money.

These South African guidelines, meaning "People First," serve as a framework for employers, employees and citizens to deliver excellent service by prioritizing the public's needs, ensuring accountability, and promoting ethical and efficient services.

Central to the provision of participatory democracy in South Africa is the South African Constitution of 1996. Within the Constitution, public participation is considered a cornerstone of democratic government with citizens (including the weak and unorganised) having a right to participate in legislative processes.

In addition to the above, Section 15 of the South African Constitution makes the provision for the freedom of religion, belief and opinion, whereby everybody has the right to freedom of conscience, region, thought, belief and opinion. Thus, within the context of the SEP, stakeholders are entitled under the Constitution to express their opinion in a free manner.

Crucially, Section 32 outlines the rights of individuals to access information held by the state or another person that is required for the exercise or protection of any rights. Therefore, stakeholders have the right to acquire information on the project should it restrict or impede other rights as outlined in the Constitution.

The Protection of Personal Information Act 4 OF 2013 (POPIA) has been enacted to give effect to the constitutional right to privacy by safeguarding personal information when processed by the responsible party subject to justifiable limitations provided in the Act.

- The right to privacy includes the right to protection against the unlawful collection, retention, dissemination, and use of personal information.
- The PIU and CGV recognize the constitutional right to privacy of the stakeholders and hereby undertake to comply with the provisions of the Protection of Personal Information Act in the processing of personal information collected by means of attendance registers.
- The personal information must be collected directly from the stakeholders and the stakeholders must be informed about the reason for collecting personal information, the reason which will be the fulfilment of the department's legitimate interest or public law duty.
- The stakeholders must be informed about consequences of failure to provide personal information.
- The registers used for the collection of personal information must reflect the Department's letterhead and the end user details as a responsible party.
- The PIU and CGV must ensure integrity and confidentiality of personal information provided.

Although sections 59(1) (a) and 72(1) (a) of the South Africa Constitution refer to 'facilitation of involvement', within the South African context it seems to be generally accepted that "involvement" and "participation" are used interchangeably.

There may be several and different definitions of public participation, but central to the definitions is the acknowledgement that institutions with decision-making powers must involve in the decision-making process those who are likely affected by such decisions. The International Association for Public Participation defines public participation as "to involve those who are affected by a decision in the decision-making process. It promotes sustainable decisions by providing participants with information they need to be involved in a meaningful way, and it communicates to their participants how their input affects the decision."

Some of the practices include involvement in public meetings, surveys, workshops, polling, citizen advisory committees and other forms of direct involvement with the public. Furthermore, public participation includes all aspects of identifying problems and opportunities, developing alternatives and making decisions. It uses tools and techniques that are common to a number of dispute resolution and communication fields."

The National Policy Framework for Public Participation 2007 defines public participation as “an open, accountable process through which individuals and groups within selected communities can exchange views and influence decision-making.”

Further, as a democratic process of engaging people, deciding, planning, and playing an active part in the development and operation of services that affect their lives.” In simple terms, public participation/stakeholder engagement may be defined as a process by which organizations such as the PIU and CGV consult with the people (interested or affected individuals), groups, communities, organizations, and civil society (e.g. NEDLAC) and government entities before making decisions to enable them to participate in the processes leading to that decision. Public participation is a two-way communication process with the goal of reaching better and more acceptable decisions.

2.2 World Bank Group (WBG) Requirements for Stakeholder Engagement

In terms of scope of stakeholder engagement, this SEP primarily applies to the first two phases of the CGV project. The World Bank will enter into an Environmental and Social Actions Plans with CGV when the latter is established, and said ESAP will include necessary requirements for stakeholder engagement for CGV shareholders, including establishment of ESMS that will need to have stakeholder engagement aspects and GRM in place in the context of each downstream investments that will be implemented by SPVs.

WBG maintains that stakeholder engagement is an inclusive process conducted throughout the project life cycle to support the development of strong, constructive, and responsive relationships that are important for successful management of a project’s environmental and social risks.

In the context of IFC’s E&S Performance Standards, PS1 provides that effective stakeholder engagement can significantly improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation.

Stakeholder engagement under PS1 is built on transparency and inclusiveness throughout the project life cycle. Information disclosure is a cornerstone: project sponsors must provide timely, relevant, and understandable information about the project’s purpose, scale, potential environmental and social risks, and proposed mitigation measures. Disclosure should occur early enough to allow stakeholders to understand impacts and participate meaningfully, using formats and languages that are accessible and culturally appropriate. This ensures that affected communities and other interested parties can make informed decisions and contribute to project design.

Consultation under PS1 goes beyond one-way communication; it requires a structured, two-way dialogue that is free from coercion or intimidation. Sponsors must engage stakeholders in a manner that respects local customs and social dynamics, enabling them to express concerns, ask questions, and provide feedback. These consultations should be iterative, starting at the planning stage and continuing through implementation and monitoring. The process must

demonstrate responsiveness by documenting stakeholder inputs and showing how they influence project decisions, thereby fostering trust and accountability.

Finally, PS1 requires an effective grievance mechanism to address complaints and external concerns promptly and fairly. This mechanism should be accessible to all affected parties, including vulnerable groups, and allow for confidential or anonymous submissions without fear of retaliation. It must be transparent, predictable, and culturally appropriate, with clear procedures for receiving, assessing, and resolving grievances. The goal is to provide a channel for resolving issues before they escalate, reinforcing the project's commitment to accountability and continuous improvement.

3 SUMMARY OF PREVIOUS STAKEHOLDER ENGAGEMENT ACTIVITIES

For the purposes of Phase 1 and 1 of the CGV Project, a consultation event was held on 7 November 2025. The Minutes are attached in Annex 2. Consultations were held prior to formal Appraisal stage of the CGV project.

For Phase 3 of the CGV project, each specific CGV guaranteed infrastructure project team will design an outreach strategy and external communications mechanism in line with PS1 requirements. Each outreach strategy will have the appropriate resources, personnel, budget, and accountability. Representative groups and focus groups will be involved in designing the outreach strategy, especially for traditional and indigenous communities in which the specific infrastructure project is located. The ToRs for CGV's ESMS will have necessary requirements on ensuring that downstream stakeholder engagement activities are implemented and monitored in line with PS1 and South Africa's national laws.

4 STAKEHOLDER IDENTIFICATION AND ANALYSIS

4.1 CGV Project Stakeholders

International best practices provide the definition of “stakeholder” that refers to individuals or groups who: (a) are affected or likely to be affected by the project (project-affected parties); and (b) may have an interest in the project (other interested parties).

Project-Affected Parties (PAPs) are those that are affected or likely to be affected by the project and because of their particular circumstances, may be disadvantaged or vulnerable. This group are likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project's benefits. This group of stakeholder will need to be further identified and analyzed at downstream project level, when CGV and SPVs are in place. For the purposes of first two phases of CGV Project, the Project-Affected Parties and Interested stakeholders are shown in the Table below.

Table 1: Direct Stakeholders of Phase 1 and 2 of the CGV Project

Stakeholder Major Group	Project Stakeholder
The Presidency	Office of the President and Cabinet of Ministers

Ministry of Finance	Office of the Minister Office of the Deputy Minister
National Treasury	Office of the Director General Assets & Liability Division Public Finance Division Budget Office Communication Chief Directorate
South African Reserve Bank	Prudential Authority Financial Sector Conduct Authority
Ministry of Electricity and Energy	Office of the Minister
Department of Electricity and Energy	Office of the Director General Electricity and Energy Policy Division Electricity and Energy Regulation Division Grid Code Determination
National Energy Regulator of South Africa (NERSA)	National Grid Tariff Determination
CGV Capital Raising	National Treasury Development Partners (MFIs, DFIs) Additional Shareholders
Electricity Transmission	National Grid Independent Transmission Projects National Transmission Company of South Africa (NTCSA) Eskom SoC
Development Bank of Southern Africa	Project Implementation Unit
Development Partners	Capital Contributions to CGV
Sector Departments Implementing Infrastructure	Department of Water & Sanitation, Department of Transport, Department of Cooperative Government & Traditional Affairs (Municipalities)

Component 2 will finance the development of the CGV project pipeline development for the CGV. This includes client engagement, preliminary risk assessment, (pre)feasibility studies, legal, financial and operational structuring of projects. The Project-Affected Parties are shown in the Table below:

Stakeholder Major Group	Project Site Stakeholder
Shareholders	Development Partners & Capital Contributors to CGV
Advisory	Legal & Governance Specialists Engineering Specialists Environmental Specialists Climate Change Specialists Social Impact Specialists Project Finance and Structuring Specialists Financial Modelling Specialists Cost Benefit Analysis Specialists Financial Sector Specialists (Investment Banks)

Stakeholder Major Group	Project Site Stakeholder
Shareholders	Development Partners & Capital Contributors to CGV
	Land Acquisition Specialists
	Project Management Specialists
	Regulatory Economists
	Information Technology Specialists
	Contract Management Specialists

Component 3, the PIU within DBSA will perform fiduciary, safeguards and M&E functions throughout the life cycle of the project, and will provide operational support to establish the CGV. The output of the TA will be to successfully design, develop, and launch a fully operational PIU in the DBSA and CGV. This includes:

- **Coordination with Shareholders:** The PIU is a coordinating mechanism with the development partners and other shareholders of the CGV in terms of the operational requirements and the governance structure. In addition, the PIU will focus on some CGV operationalization elements that will be finalized with the CGV development partners and other shareholders.
- **Shareholders Engagement (i.e. Development Partners):** The PIU with the support of the Steering Committee and National Treasury will continue the engagement with the CGV development partners and shareholders in terms of reporting to the development partners and other shareholders.
- **Integration with CGV:** Some of the operational responsibilities are likely to be at the project level (i.e CGV level) for example the Joint Development Agreement (JDA), the PIU should coordinate the integration of the JDA with possible development partners.
- **Compliance:** The PIU should ensure CGV's compliance with requirements to maintain the Prudential Authority license through the operating life of the CGV.
- **Design and Legal Framework:** Developing a robust and viable business plan (and model), legal structure, Prudential Authority licensing and governance framework (with a Board of Directors and key governance committees) for the CGV.
- **Operational Setup of CGV:** Establishing the necessary operational and administrative processes and procedures, including risk management, IT infrastructure, and human resources.
- **Stakeholder Engagement of CGV:** Securing buy-in and collaboration from key stakeholders, including government bodies (e.g. regulators, municipal governments that might have to issue permits and confirm land use changes etc) financial institutions, and international development partners.
- **Development of Stakeholder Engagement Standards for CGV.** IFC Performance Standards (PS) for undertaking stakeholder engagement must be considered for the CGV Company.
- **Launch and Monitoring of CGV:** Overseeing the successful launch of the CGV and establishing initial monitoring and evaluation mechanisms and risk management systems..
- **Communications:** Communications of strategy, and other core issues through roadshows. Key stakeholder for these outputs are:

Stakeholder Major Group	Project Site Stakeholder
Regulators	Financial Conduct Authority
	Prudential Authority
National Treasury	CGV Steering Committee
	Chief Financial Officer
	Assets & Liability Division – National Treasury
	Shareholder Representative & ESAP Reporting
	CGV – Operational Support to Establish the CGV
Shareholders	Monitoring & Evaluation for Capital Contributors to CGV
Civil Society	<ul style="list-style-type: none"> • Civil society and labor are categorized as PAPs and a process will be undertaken on a project-by project basis to ensure adequate representation of key sectors and vulnerable groups. • The engagement program with these groups will be robust and frequent as infrastructure projects are implemented

4.2 Other CGV Interested Parties

Other Interested Parties (OIPs) are those who may have an interest in the project and would have different concerns and priorities about project impacts, mitigation mechanisms and benefits, and who may require different, or separate, forms of engagement.

Generally, these are people, social groups and organizations who may have a possibility to influence and make decisions on implementation of the project and/or may have an interest in the Project. This group includes governmental entities, NGOs and private businesses, who may benefit from the project.

Table 2: Other Interested Parties for CGV Project

Stakeholder Major Group	Project Stakeholder
Ministries and Government State Owned Company (SoC)	Ministry of Trade, Industry and Competition
	Eskom SoC
	Ministry of Forestry, Fisheries and the Environment (DFFE)
	Ministry of Small Business
	Minister of Employment and Labour
Civil Society Organizations	Local NGOs, Trade Unions; Foundations; Social Enterprises; Cooperatives and Credit Unions. Community Leaders (formal and/or informal)
Project Developers	Other Project Developers and Implementation Agencies

4.3 Disadvantaged/Vulnerable Individuals or Groups Impacted by CGV

Disadvantaged/vulnerable individuals and groups are those who may not have the voice and agency to express their concerns or understand the impacts of project, and can thus be excluded from stakeholder engagement or project benefits.

Vulnerable groups under this project may include persons with disabilities, large families with more than five dependent children below 15 years (legal employable age with some limitations), youth, women and women-headed households, households registered as poor, elderly households with no means of livelihood (or not earning) and households with disabled members, as well as internally displaced persons).

The project will incorporate differentiated measures to ensure that these groups receive project related information, are consulted with, and have the means to participate and express their views and concerns on the project.

Issues and concerns expressed by vulnerable and disadvantaged groups will be included in the next iteration of the SEP. These groups will need to be further identified and consulted with,

in line with PS1 requirements, at the downstream guarantee projects level as part of the ESMS requirements of CGV and SPVs's E&S responsibilities.

4.4 Summary of CGV Stakeholder Interest in and Influence over the CGV Project

Based on current information, the stakeholders' interest and project impacts were identified in order to better comprehend their situation and manage them appropriately.

Consultations and discussions will be undertaken in project affected areas commencing such engagement as early as possible in the project development process and in a timeframe that enables meaningful consultations with stakeholders on project design.

In the public consultation, significant stakeholders were consulted and discussed with to gain their views and notions about the CGV company and its objectives. The potential significant stakeholders with their interest and influence on the project are presented below.

Table 3: Stakeholders with Interest and Influence on the Project

		Ability or Likelihood to Influence or Impact the Project		
		High	Medium	Low
Level of Interest in the Project	High	Political Economy Ministry of Energy & Electricity Ministry of Finance SARB Shareholders	NERSA NCTSA Technical Assistance ESKOM (SoC)	Advisory PAPs
	Engagement	Semi-annual special meetings	Semi-annual special meetings	
	Medium	NEDLAC Labour Unions	Other Civil Society Organizations	Service Providers
	Engagement	Public meetings – semi annual	Pubic meeting – semi annual	Semi-annual special meetings

As and when required materials, (such as project description, duration, and job opportunities) will be presented in local languages where the project is being implemented. In addition, information desks will be used as a communication tool and the specific project will include regional coverage and dissemination information. The GRM process in Section 7 will be tailored for the stakeholder engagement process.

Suggestion boxes will also be available regionally at participating infrastructure project entities offices. The project offices will have representative for stakeholder organizations and community gathering places will be identified (as communities that are identified and can be as affected by the specific project).

5 STAKEHOLDER ENGAGEMENT PROGRAM

5.1 Planned Stakeholder Engagement Activities

The table below presents the stakeholder engagement activities envisaged under the project.

Table: Planned Stakeholder Engagement Activities

Project Stage	Target Stakeholders	Topic(s) of Engagement	Method(s) Used	Location/ Frequency	Responsibilities
Component 1 – PIU Activities	Ministry of Finance, National Treasury, South African Reserve Bank, Ministry of Energy and Electricity, Department of Energy and Electricity, National Energy Regulator of South Africa (NERSA), CGV Capital Raising, National Transmission Company of South Africa (NTCSA) DBSA	Assistance in gathering official documents	Separate meetings, trainings/works hops, specifically to inform on CGV and gather response	Project launch meetings	PIU
		Regulatory Environment documents	Meetings to present CGV Project and finalise regulations	Quarterly meetings in affected institutions;	PIU
		CGV project scope and rationale	Disclosures - Brochures, posters, flyers, website	Survey of	PIU
		Project Standards; E&S	Information sharing using presentations	Communication with stakeholders	PIU
		Grievance mechanism process	Grievance mechanism	Information desks with brochures/ posters	PIU
Component 1	Advisory	Assistance in gathering official documents	Separate meetings, trainings/works hops, specifically to inform on CGV and gather response	Project launch meetings	PIU & CGV
		Regulatory Environment documents	Meetings to present CGV Project and finalise regulations	Quarterly meetings in affected institutions	PIU & CGV
		CGV project scope and rationale	Disclosures - Brochures, posters, flyers, website	Survey of stakeholders	PIU & CGV
		Project Standards; E&S	Information sharing using presentations	Communication with stakeholders	PIU & CGV
		Grievance mechanism process	Grievance mechanism PAP survey	Information desks with brochures/	PIU & CGV

				posters in affected stakeholde	
<i>Other Interested Parties</i>	Interested Parties (External)	Assistance in gathering official documents	Separate meetings, trainings/works hops, specifically to inform on CGV and gather response	Project launch meetings	PIU & CGV
	Organised Labour & NGOs	Assistance in gathering official documents	Separate meetings, trainings/works hops, specifically to inform on CGV and gather response	Project launch meetings	PIU & CGV
	Business Organizations	Assistance in gathering official documents	Separate meetings, trainings/works hops, specifically to inform on CGV and gather response	Project launch meetings	PIU & CGV
	National Government Ministries	Assistance in gathering official documents (ongoing work since government regulations and requirements and strategies change over time)	Separate meetings, trainings/works hops, specifically to inform on CGV and gather response	Project launch meetings	PIU & CGV

5.2 Details on Engagement Methods to be Used

In conformance with PS1, stakeholder engagement will be in place throughout the entire project implementation through a number of possible methods.

5.2.1 Meetings

At the time of disclosure of relevant project documentations and this SEP, PIU and/or CGV will arrange for a project briefing meeting on a national level, involving the stakeholder agencies. As the need arises, the briefing meeting can be done once at the start and another can be arranged if the need arises or if there will be major changes in the project.

PIU and/or the CGV will facilitate meetings with stakeholders and OIPs. These meetings will be unrestricted but may prioritize on those certain groups and in which the general public can raise concerns and provide comments.

Depending on the level of interest on the CGV separate meeting for organized business, organized labour, and stakeholders in key sectors for a more focused discussion, including with potentially vulnerable groups. These, meetings can be scheduled on a semiannual basis.

5.2.2 Communication Materials

PIU and CGV information will be disclosed to the public via a variety of means of conveying project information and updates via printed materials consisting of brochures, flyers, posters, etc. The communication materials will be produced by the PIU and to be made available at the DBSA's Communications Team.

A “Public Relations Kit” will be designed specifically and be made available both in print and online form. PIU will also update its website regularly (at least on a quarterly basis) with key project updates and reports on the project’s performance both in English. The website can also provide information regarding the grievance mechanism for the project.

5.2.3 Information Desks

During the initiation of the PIU, an “Information Desk” will be arranged with PIU to provide information on stakeholder engagement activities, project interventions, contact details of the Focal Point Person, etc. PIU and CGV brochures on various project related social and environmental issues will be made available at these information desks

5.2.4 Implementation of Grievance Redress Mechanism

Specific for the CGV, a GRM (or External Communication Mechanism) pamphlet will be developed to help local residents become familiar with the grievance redress channels and procedures.

Locked suggestion boxes will be installed in the PIU office, and the PIU will maintain a grievance register in order to capture and track grievances from submission to resolution and communication with complainants. In addition, other channels will be set-up by the PIU for people to log in project related grievances such as DBSA-PIU website, e-mails.

Grievances will be addressed as follows:

- (i) PIU staff to initially record the grievance
- (ii) Provision of contact data of PIU for grievances
- (iii) The grievance redress book will contain records of all grievances and updated
- (iv) Provision of summary in a semiannual or quarterly report.

In addition, citizen and stakeholders surveys will be conducted. Frequent and regular community meetings and interactions will be held with PIU and CGV staff.

DBSA has an existing complaints handling mechanism, in line with key PS1 requirements. Information on this mechanism is outlined below in Section 7.

5.2.5 Capacity Building Trainings and Workshops

Capacity Building Trainings and Workshops on a variety of topics and issues may be provided to the PIU and issues covered will include sensitization to inclusion/exclusion, labor issues, gender, etc.

Beneficiaries of Component 1 may be scheduled for some capacity building activities which can also serve as part of SEP activities and IFC Performance Standards (PS) for undertaking stakeholder engagement.

Technical skills training courses can be designed and offered to Component 1 participants, in line with the activities they intend to carry out as part of the program. Other supplementary topics may be determined in the course of the CGV implementation.

5.3 Proposed Strategy to Include Views of and Encourage Participation by Vulnerable Groups

To this end, the project will take special measures to ensure that disadvantaged and vulnerable groups have equal opportunity to access information, provide feedback, or submit grievances.

Focus group discussions (FGD) tailored to the groups' circumstances may also be envisaged as appropriate and information will be provided in the language that can be understood by them. Accordingly, people with restrictions on physical mobility (persons with disabilities, or limited mobilities), who may be affected even indirectly should be provided facilitation to voice out their opinions and their views appropriately considered.

As mentioned above, a detailed social analysis of Vulnerable and Disadvantaged Groups will need to be carried out as part of CGV's issuance of guarantee processes, and necessary requirements and procedures will be put in place through CGV ESMS to ensure this.

5.4 Information Disclosure

The DBSA PIU website will be used to disclose project documents, including those on social performance in English.

All future project CGV related infrastructure projects will have to prepare and submit to the PIU regular social and environmental monitoring reports for the specific infrastructure projects. These reports will be disclosed on the same PIU webpage, including project updates, an easy-to-understand guide to the terminology used in the social and environmental reports or documents, and all relevant information as also found in printed materials.

The details about the Project Grievance Resolution Mechanism will have a special with an electronic grievance submission form will also be made available on the website. Contact details of the Social Safeguard Specialist (the Focal Point Person in this case) and contact office

particulars shall be made available on the website. The PIU website will be updated for PAPs and other stakeholders.

6. ROLES, RESPONSIBILITIES & RESOURCES FOR STAKEHOLDER ENGAGEMENT

6.1 Implementation Arrangements

The project will be implemented by the PIU. An established Project Implementation Unit (PIU) housed in the DBSA will be responsible for the day-to-day project management, including environmental and social management and addressing potential environmental and social risks. The PIU will be responsible for engaging with the stakeholders.

Once the CGV company is operating, an M&E specialist and E&S specialists (including social specialist) will also join the PIU to ensure the regular monitoring of the project result framework and adherence with WB's ESS, including management of the SEP.

6.2 Timeframe

This project SEP will be regarded as a living document and needs to be updated and refined throughout the lifecycle of the Project to incorporate and reflect any changes in the project. Any changes in the focus and scope of the SEP will be communicated by the PIU and subsequently by the CGV to stakeholders. The crucial project-cycle phases to be considered when implementing SEP are.

- **Design/Plan:** The process of assuring that systems and components of the Project are designed, provided, and maintained to prescribed / agreed requirements in technical terms as well as WB ESSs;
- **Implementation:** The process and activities are realized as intended with all the requirements as per WB's ESSs.

6.3 Roles and Responsibilities

For the implementation of the SEP, a PIU SEP Team will be comprised of PIU social safeguard specialist as an overall safeguard manager and actively supported by SE staff. The Social Safeguard Specialist shall take responsibility for and lead all aspects of the stakeholder engagement.

The PIU SEP Team will include Social Specialists, Communication Specialists, Community Liaison Officers, and Environmental Specialists, who will work to build trust and manage risks.

However, to implement the various activities envisaged in the SEP, the Communications and Community Coordinator/s (possibly two (2) staff) will need to closely coordinate with other key stakeholders. The roles and responsibilities of these actors/stakeholders are summarized in the Table below.

Table 4: Responsibilities of Key Actors/Stakeholders in SEP Implementation

Actor	Stakeholder Responsibilities
	Role for PIU project management to oversee the SEP and with authority to adjust the project stakeholder engagement to respond to stakeholders' concerns if they should arise
PIU - <u>Lead</u> : Social Specialist	<p><u>Project Level:</u></p> <ul style="list-style-type: none"> Planning and implementation of the SEP; Leading stakeholder engagement activities; Management and resolution of grievances; Ensure proper recording and tracking of logged grievances; Coordination/supervision of contractors on SEP activities; Monitoring of and reporting on social performance to GSA and the World Bank.
Under PIU - <u>Lead</u> : Social Specialist	<ul style="list-style-type: none"> Inform PIU of any issues related to their engagement with stakeholders; Provide report on all complaints to the PIU GRM Focal Point (Social Safeguard Specialist); Transmit and resolve complaints caused by the project interventions in close collaboration with and as directed by PIU and by participating in the local Grievance Resolution Committee;
Social Specialist	<ul style="list-style-type: none"> As necessary, to assist in facilitation of raised grievances from Stakeholders Under the direction of the Social Safeguard Specialist - Disclose and implement various plans (e.g., SEP, Labor Management Plan, etc.). Communicate and coordinate with Disadvantaged and Vulnerable Groups Be in communication for any raised grievances by the PAPs
Communication Specialist Project-affected parties, Stakeholders and OIPs. (<ul style="list-style-type: none"> Invite to engage and ask questions about the Project at Meetings where it is of interest or of relevance to them; Lodge their grievances using the Grievance Resolution Mechanism defined in the SEP; Help the Project to define mitigation measures;
Other project specialists	<ul style="list-style-type: none"> Engage with PIU regarding project design; Raise concerns to help the project to be inclusive.

6.4 Budget for SEP Implementation

The PIU will be responsible for designing/planning and implementation of stakeholder engagement activities for the CGV Project, as well as other relevant communications, outreach and information disclosure activities.

Stakeholder Engagement Plan – Estimated Budget

The budget will be reconsidered once the scope of the SEP is clarified and specific infrastructure projects have been identified and their location detailed. R South is a large country with significant distance to travel to a project. In reconsidering the budget, the

following will be assessed regional coverage, local languages, community and stakeholder participation, specific project outreach strategy and SEP iterations.

Stakeholder Engagement Activities	No .	Person Months/y r.	Unit Cost, USD	No of years	Total cost (USD)
National Social Specialist (per month)	1	12	1,900	2	55,600
Communications Coordinator	2	2	1,500	2	22,000
Local Travel expenses of staff (cost per year)			2,000	2	4,000
Communication materials (leaflets & design)	50		Sum	2	10,000
Public / community meetings	2		400	2	1,600
Suggestions / GRM boxes (in each Region)	3		10		30
CGV management information system (MIS) / GRM data base (including web/mobile application with online and offline links)	1		2,000	2	4,000
Subtotal					68,230
Contingency (10%)					6,823
Total					105,053

7 GRIEVANCE REDRESS MECHANISM

7.1 DBSA's Existing Grievance Redress Mechanism

The DBSA has an Independent Grievance Redress Mechanism (IGRM) to address complaints from individuals or communities who believe they are negatively affected by DBSA-financed projects. The mechanism is designed to be impartial, transparent, and accessible, promoting dialogue and fair resolution without fear of retaliation.

To lodge a complaint, affected parties must provide details such as their contact information, project name, description of harm, desired outcome, and any confidentiality requests. Supporting documents can be attached.

Complaints can be submitted online via DBSA's website, by email to webmaster@dbsa.org, by post to DBSA's Midrand office, or through hand delivery.

Once received, the IGRM Secretariat acknowledges the complaint within 10 days and may request clarification. The Chairperson reviews eligibility and determines the appropriate resolution approach, which may include problem-solving, compliance review, or monitoring. If unresolved at the client level, issues can be escalated within DBSA's framework.

The mechanism ensures confidentiality and protection against retaliation. Anonymous complaints are accepted, and the process does not limit access to courts or other remedies. Translation services are available to accommodate language needs.

For contact, DBSA's main switchboard is +27 11 313 3911, and general inquiries can be sent to webmaster@dbsa.org.

The physical address is 1258 Lever Road, Headway Hill, Midrand, South Africa, and postal correspondence can be directed to PO Box 1234, Halfway House, 1685.

On environmental and social (E&S) capacity, DBSA applies Environmental and Social Safeguard Standards (ESSS) aligned with international frameworks such as IFC Performance Standards and the World Bank ESF. These standards cover areas like risk assessment, stakeholder engagement, gender, indigenous peoples, labour, resettlement, biodiversity, cultural heritage, health and safety, and resource efficiency.

DBSA requires all its clients to establish and maintain an Environmental and Social Management System (ESMS) that is proportionate to the scale and risk of their projects, in line with PS1 principles. The ESMS serves as the operational framework for managing environmental and social risks throughout the project lifecycle. It includes policies, procedures, and resources to ensure compliance with DBSA's Environmental and Social Safeguard Standards (ESSS). A critical component of the ESMS is the requirement for clients to implement a **GRM** at the project level. This mechanism must be accessible, transparent, and culturally appropriate, allowing affected communities and stakeholders to raise concerns and seek resolution in a timely manner. Clients are also required to document grievances, track responses, and report outcomes to DBSA as part of ongoing monitoring.

In addition to grievance handling, the ESMS must incorporate stakeholder engagement and consultation processes. Clients are expected to identify stakeholders early, disclose relevant project information, and conduct meaningful consultations throughout the project cycle. These consultations should be inclusive, gender-sensitive, and adapted to local contexts, ensuring that vulnerable groups have a voice. Feedback from consultations must be integrated into project design and implementation, and records of engagement activities should be maintained for DBSA's review. By embedding these requirements in the ESMS, DBSA ensures that projects uphold principles of transparency, accountability, and social inclusion while mitigating environmental and social risks. This is also in line with what is planned for CGV in terms of establishing its ESMS.

7.2 Grievance Logs

The PIU will maintain a grievance log as part of the SEP implementation, which will contain, at the minimum, the following information:

- Individual reference number;
- Name of the person submitting the complaint, question, or other feedback, address and/or contact information (unless the complaint has been submitted anonymously);
- Details of the complaint, feedback, or question/her location and details of his / her complaint;
- Date of the complaint;
- Name of person assigned to deal with the complaint (acknowledge to the complainant, investigate, propose resolutions, etc.);
- Details of proposed resolution, including person(s) who will be responsible for authorizing and implementing any corrective actions that are part of the proposed resolution;
- Date when proposed resolution was communicated to the complainant (unless anonymous);
- Date when the complainant acknowledged, in writing if possible, being informed of the proposed resolution;
- Details of whether the complainant was satisfied with the resolution, and whether the complaint can be closed out; and
- Date when the resolution is implemented (if any).

7.2 Monitoring and Reporting on Grievances

Details of monitoring and reporting are described above. Day-to-day implementation of the GRM and reporting to the World Bank will be the responsibility of the PIU. To ensure management oversight of grievance handling, an internal audit review will be done spearheaded by PIU management for monitoring the overall process, including verification that agreed resolutions are actually implemented

7.3 Central Point of Contact – PIU

7.4 World Bank Grievance Redress System

Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms of the WB's Grievance Redress Service (WBGRS).

The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond.

For information on how to submit complaints to the WBGRS, aggrieved persons or with people with complaints may visit: <https://projects.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel may be obtained at www.inspectionpanel.org.

8 MONITORING AND REPORTING

8.1 Monitoring Reports in the Course of the Project (By Component, As Relevant)

Monitoring and evaluation of the stakeholder process is considered vital to ensure PIU is able to respond to identified issues and alter the schedule and nature of engagement activities to make them more effective. Specialist in charge of monitoring and reporting of SEP from PIU will be the Social Specialist. Monitoring of the stakeholder engagement process allows the efficacy of the process to be evaluated. Two distinct but related monitoring activities in terms of timing will be implemented:

- **During the engagement activities:** short-term monitoring to allow adjustments/improvements to be made during engagement; and
- **Following completion of all engagement Stakeholder Engagement activities:** review of outputs at the end of engagement to evaluate the effectiveness of the SEP as implemented.

8.2 Reporting Back to Stakeholder Groups

Reporting to stakeholder groups and evaluating the stakeholder process is considered vital to ensure that PIU can respond to identified issues and change the schedule and nature of engagement activities to make them more effective. It is desirable that all issues must be resolved at all levels and professionally. For a clear and understandable review, everything

should be used as informational and in the form of presentation. All interested parties should be informed of all stages and the solution of all problems.

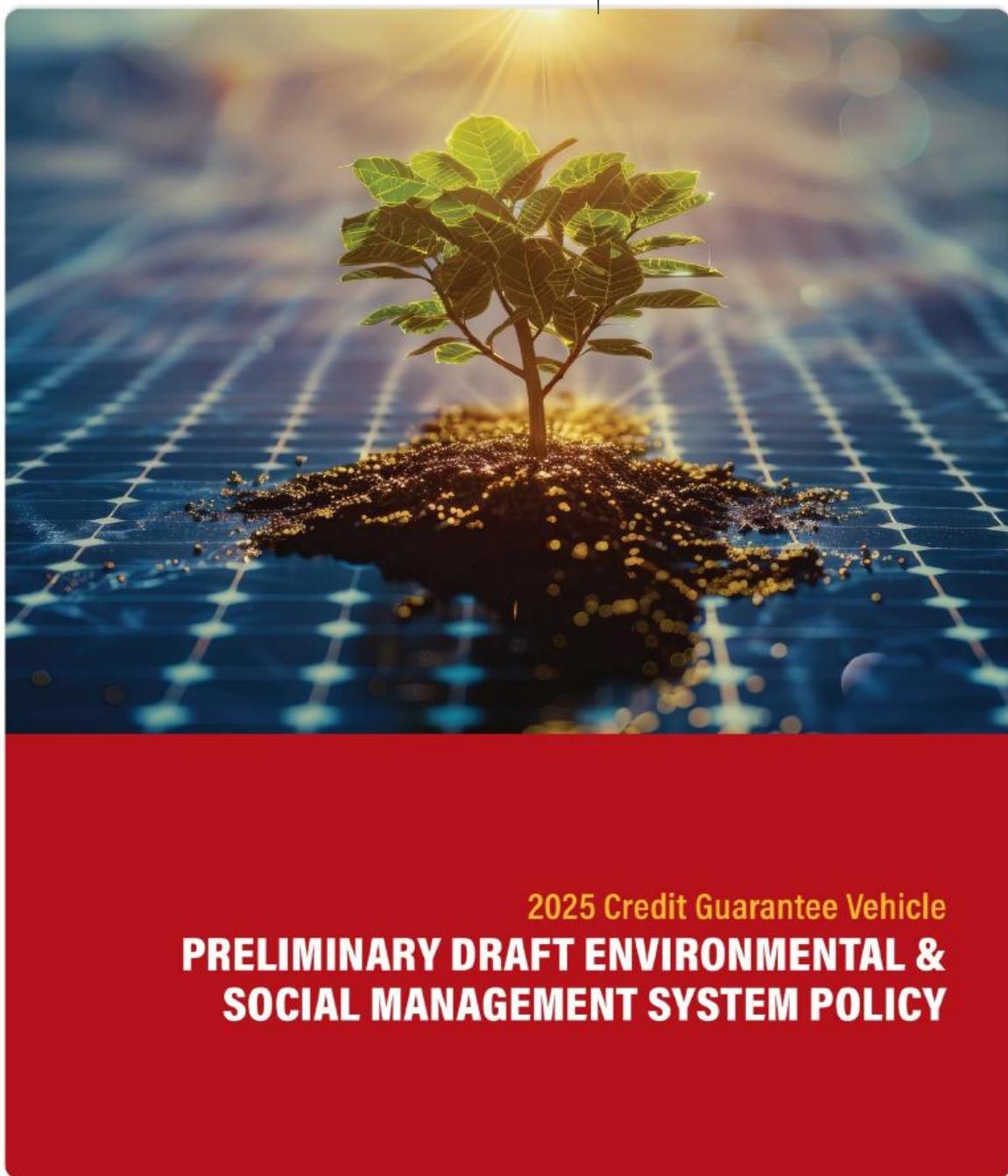
PIU Safeguards Specialist will report back to PAPs and other stakeholder groups, primarily through meetings. Minutes of meetings will be shared during subsequent public meetings. Feedback received through the GRM will be responded to in writing and verbally, to the extent possible. Key Project updates will be posted on DBSA & PIU website.

The feedback process through meetings will be aligned with meetings only at launch as set out in the engagement program. Frequency and transparency of the feedback and related process will be detailed at the launch of the PIU and when the CGV commits to a specific project.

The KPIs for the SEP will be detailed and agreed with the Bank once the PIU is operational.

END

ANNEX1: Preliminary Draft Environmental and Social Management System Policy



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



PRELIMINARY DRAFT ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM POLICY: CREDIT GUARANTEE VEHICLE

2 October 2025

This document is a preliminary draft intended for internal review, discussion and relevant approvals purposes only. The analysis, assumptions, and recommendations contained herein are subject to further validation and refinement. Final conclusions may change based on additional data, stakeholder input, and evolving market conditions.

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1. CGV INVESTMENT STRATEGY

The Credit Guarantee Vehicle (CGV) has been established as a new majority privately owned financing vehicle that aims to mobilise private capital into South Africa's sustainable infrastructure sectors. Its primary objective is to support the country's Just Energy Transition and climate resilience objectives. The CGV will operate as an independent non-life insurer, licensed in terms of the Insurance Act, 2017 (Act No. 18 of 2017) and regulated in terms of the applicable financial sector laws. Developed as a private company by the World Bank Group in partnership with the National Treasury and other development partners, the CGV is structured to offer credit guarantees to de-risk infrastructure investments and attract private sector participation.

2. CGV ESG POLICY

CGV's Environmental, Social and Governance (ESG) policy outlines its commitment to ensuring ESG risk management considerations and governance standards in its credit guarantee business. The CGV will manage ESG risks in its investment portfolio and support projects aimed at achieving continuous improvement in environmental and social practices.

The CGV is committed to maintaining the highest standards of ESG responsibility as part of this integrated finance initiative through the establishment of an Environmental and Social Management System (ESMS). The ESMS is a fundamental institutional mechanism that enables the CGV to identify, assess, mitigate, and monitor the ESG risks and impacts associated with its credit guarantee business. The ESMS is consistent with the national laws and regulatory frameworks of South Africa, as well as international standards including the World Bank Environmental and Social Standards, International Finance Corporation (IFC) Performance Standards, World Bank Group Environmental, Health and Safety Guidelines, IFC Good Practice Notes (where relevant) and the Equator Principles.

The CGV will endeavor to ensure that its credit guarantee business, directly or indirectly, will conform with all relevant national and international standards. The CGV will not support business activities listed on our exclusion list.

The CGV's respect for human rights and their integration into our business engagements will be guided by South African national laws, standards established in the International Labor Organization Conventions (ILO Conventions) and other relevant International Standards the Republic of South Africa is aligned with. The guiding principles, commitments, and institutional arrangements outlined in this ESMS Policy will regulate the integration of ESG consideration into the decision-making and operational processes of the CGV. It functions as a statement of intent and a foundation for the establishment of a development-oriented, environmental, and social risk-aware, and robust institution.

This ESMS policy endorses the CGV's vision to provide support through issuing credit guarantees to enable the financing of environmentally and socially sustainable infrastructure projects while simultaneously fostering inclusive development outcomes, accountability and transparency.

3. THE IMPORTANCE OF ESG POLICY

The environmental challenges facing the world are complex, dynamic, and constantly changing. Awareness of environmental and sustainability issues is growing, given the increasing effects of climate change, population pressure and environmental degradation. In response, environmental legislation in South Africa has become increasingly stringent, while market policies and measures have evolved to promote sustainable development and support the transition to a green economy. Furthermore, integrating environmental and social governance into investments is a responsible investment practice and generates positive outcomes for public sector practices. Sustainable and equitable development along with environmental and social appraisal forms a component of the overall investment appraisal and enables the CGV to mainstream environmental principles to investment projects within the CGV's mandate.

4. SCOPE AND APPLICABILITY

This policy is applicable to all credit guarantee support provided by the CGV. Detailed climate, governance, labour, and gender aspects are covered under specific governance, labour and gender related policies, which should be read in conjunction with this policy. The policy practices include risk management and positive impact.

The policy applies to all infrastructure sub-sectors that will be eligible for support under the CGV, including:

- Renewable energy and energy storage programmes (e.g., solar, wind, battery storage)
- Transmission infrastructure
- Water infrastructure (e.g., abstraction, treatment of potable and effluent water, distribution, and water efficiency)
- Transport (e.g., freight rail, ports, roads)
- Housing and mixed-use development
- Wastewater treatment

These sectors are subject to environmental and social screening under this policy, including risk classification into categories High, Substantial/Moderate and Low risks as defined in the CGV's ESMS and Information Memorandum.

5. APPROACH TO CLIMATE CHANGE

The CGV will ensure sub-projects that have significant impact on climate change will, where necessary, conduct additional detailed climate-related assessments and provide relevant information to manage climate-related risks and impacts. In addition, the CGV must ensure resilience considerations are integrated into the planning, design, and implementation of infrastructure investments to ensure long-term sustainability and climate adaptability. The client will need to provide vulnerability assessments, mitigation and adaptation objectives, measures, indicators, monitoring plans and budgets.

The project/s need to address the following:

- How a project promotes or detracts from a country's transition planning to renewable energy, biodiversity conservation and water security.
- How risk will be managed in vulnerable parts of the economy.
- An assessment of climate risks, incorporating adaptive design standards, and aligning projects with national and international climate resilience frameworks.
- How harmful developments have been avoided or deferred, and how capital allocation will be shifted to sectors resilient to transition risk or to those that may benefit from the transition.

6. CGV'S COMMITMENT TO SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

- Sustainable Finance: CGV will prioritise support for infrastructure initiatives that not only deliver financial returns but also develop long-term climate goals, promote social equity, and enhance environmental resilience. This encompasses compliance with the Paris Agreement 2015 (including the National Climate Change Adaption Strategy), United Nations Framework Convention on Climate Change, the Just Energy Transition Partnership, Climate Change Act, 2024 (Act No. 22 of 2024), Green Finance Taxonomy Policy, National Environmental Management Act, 1998 (Act No. 107 of 1998) and South Africa's National Development Plan.
- ESMS Implementation: For each major activity in its investment cycle, the CGV will develop and operationalise tailored tools, procedures and plans that align with the standards articulated in this ESMS policy. The CGV ESMS implementation will provide a structured framework for identifying, assessing, and mitigating ESG risks, ensuring comprehensive documentation, accountability, and alignment with both local and international standards. By implementing this ESMS, CGV reinforces its commitment to sustainable, socially responsible development and the long-term success of its credit guarantee initiatives.
- Compliance: The CGV will only support activities that comply with all applicable national environment, health, safety, labour, and social legislation and relevant municipal by-laws. In addition to national regulations, the CGV will mandate initiatives to comply with international standards, including the IFC Performance

Standards, World Bank Environmental and Social Standards, Equator Principles, and pertinent international labor and human rights conventions.

- ESG Risk Integration: The credit approval framework of CGV will require screening and categorisation of ESG risks. ESG considerations will be integrated into all phases of the CGV guarantee business, from pre-appraisal to post-disbursement monitoring, to ensure that material risks are identified, mitigated, and reported. The CGV will utilise mechanisms to ensure companies incorporate the relevant ESG requirements in line with national legislative requirements and relevant international standards.
- Capacity and Resources: Throughout its lifecycle, the CGV will appoint a senior management representative, referred to as the 'ESMS Officer', to oversee ESG risk management within its credit guarantee portfolio and to lead the establishment of the ESMS organogram. The CGV ESMS Officer will be supported by a team of qualified professionals who will be responsible for ensuring portfolio investees align with the CGV ESMS. Additionally, the CGV will establish partnerships with the Department of Forestry, Fisheries and the Environment (DFFE) and other technical agencies to facilitate capacity development and continuous learning.
- Continuous Improvement: To ensure robust oversight and continuous improvement, CGV will implement internal review mechanisms accompanied by key performance indicators ("KPIs") specifically designed to monitor portfolio-level ESG performance. These KPIs will serve as benchmarks, enabling the CGV to systematically track progress, address emerging risks, and celebrate successes. Periodic policy, procedural, and instrument updates will be guided by insights gained through the ongoing operation of the ESG management system, fostering a culture of adaptive learning.
- Transparency and Disclosure: The CGV will develop a monitoring and reporting framework to disclose material ESG information in conformance with the international standards, investor requirements and transparency best practices. This encompasses the timely publication of annual sustainability performance reports, ESMS updates, and high-risk project summaries.
- External Communications Mechanism: CGV's ESMS includes an External Communication Mechanism (ECM) which provides a means for the public to submit or raise concerns related to the CGV's ESG Policy and the CGV's guarantee portfolio, and have these inquiries responded to by the CGV in a timely manner. The process of receiving, reviewing and responding to communications from external stakeholders is described in the detailed ECM.
- Stakeholder Engagement: The CGV will maintain the principles of participatory and inclusive engagement. The CGV will ensure that the voices of vulnerable groups, such as women, youth, and Indigenous communities, are taken into account in the design and implementation of the project by facilitating stakeholder consultation and grievance redress procedures.

7. ESG RISK MANAGEMENT APPROACH

The CGV recognises that the proactive and systematic management of ESG risks is crucial for the successful mobilisation of private capital for sustainable infrastructure. The CGV will establish and implement a comprehensive ESMS to ensure that its credit guarantee business does not lead to adverse environmental or social outcomes and instead contribute positively to development.

The ESG risk management approach of the CGV comprises the following key components:

7.1. Screening

The CGV will screen all projects to ensure that projects align with the CGV Exclusion List. In addition to other exclusions, the CGV's Exclusion List will include the IFC Exclusion List of projects that cannot be financed.

7.2. ESG Risk Categorisation

All sub-projects that are considered for credit guarantees will be categorised according to their nature, scale, location and severity of their potential environmental and social risks and impacts. The sensitivity of affected communities and environments will determine the classification of projects as High, Substantial, Moderate, or Low risk.

- High-risk projects will result in substantial adverse ESG consequences that are either irreversible, diverse, or unprecedented.
- Substantial/Moderate risk projects may have substantial adverse effects that are restricted in scope and can be mitigated through established protocols.
- Low risk projects have minimal or limited adverse impacts that are readily mitigated.

7.3. ESG Due Diligence

The CGV will ascertain the necessary scope and extent of due diligence in accordance with the risk categorisation. Due diligence may encompass the following for sub-projects with High, Substantial and Moderate risks:

- A review of stakeholder engagement records, environmental and social management plans (ESMPs), resettlement action plans (RAPs), and environmental and social impact assessments (ESIAs).
- Confirmation of adherence to the environmental statutes of South Africa and the standards of the IFC and the World Bank Group Environmental, Health and Safety Guidelines.
- Site visits, consultations with affected communities, and third-party expert reviews as required.

Before issuing any guarantee for projects with material ESG gaps identified during due diligence, the CGV will require mitigation measures, capacity enhancements in an Environmental and Social Action Plan (ESAP).

7.4. Integration with Guarantee Decision Processes

The credit risk assessments and investment committee decisions of the CGV will be completely integrated with the results of ESG due diligence. Approval may be contingent upon the execution of specific mitigation measures or capacity enhancements for projects with a high level of risk.

Guarantee contracts will incorporate proposed ESAP, ESG terms and conditions to ensure enforceability.

7.5. Supervision and Monitoring

A monitoring framework that is risk based will be implemented by the CGV. Projects that pose a high, substantial and moderate risk will be monitored throughout the duration of the guarantee to evaluate:

- Adherence to the ESMS and legal obligations.
- Progress on addressing the ESAP items.
- Community grievances and emerging or unforeseen ESG hazards.

Progress reports from project developers, independent audits, and site visits by CGV or third- party experts are all potential monitoring instruments.

7.6. Accountability and Grievance Redress

The CGV will ensure that the ECM is accessible and functional for stakeholders who are impacted by sub-projects.

Moreover, the CGV will establish its own autonomous mechanism to receive and address complaints concerning ESG consequences associated with guaranteed initiatives. This is indicative of the CGV's dedication to accountability, transparency, and community engagement.

7.7. Training and Institutional Capacity

The ESMS will be implemented by the CGV through the establishment of an internal ESG function that is staffed by dedicated and trained personnel. Staff capacity will be continuously developed through training, participation in development finance institutions (DFI) networks, and collaboration with technical partners. The CGV will also offer ESG awareness training to its collaborators and sub-project developers as needed.

7.8. Disclosure and Reporting

On a quarterly basis, the CGV will provide an update on the ESG performance of its portfolio. ESG summaries and essential documents will be publicly disclosed in a timely manner. The institution will ensure that its ESG commitments and performance indicators are transparently documented.

8. CGV EXCLUSION LIST

The CGV is committed to preventing the support of projects or activities that present intolerable environmental, social, or reputational risks, particularly in the context of infrastructure development, through its credit guarantee operations. Consequently, the CGV will not offer credit guarantees to sub-projects that are explicitly associated with or involve any of the following:

- Activities that are prohibited by South African law or international agreements to which South Africa is a party, such as those that have a substantial negative impact on biodiversity, cultural heritage sites, protected areas or human rights.
- Production or trade in any product or activity deemed illegal under South African laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Production or trade in weapons and ammunitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Infrastructure projects that involve forced or detrimental displacement in the absence of sufficient resettlement and livelihood restoration plans, as defined by national legislation and international standards (e.g., IFC Performance Standard 5).
- Projects that are either involved in or contribute to human trafficking, forced labour, or child labour, including those that are part of construction supply chains or service contracts.

- The construction or operation of facilities that produce or trade in banned or restricted substances, such as ozone-depleting substances, asbestos, or persistent organic pollutants (POPs), in violation of South African regulations or multilateral environmental agreements.
- Projects that are situated in or have a negative impact on legally protected areas, critical habitats, or indigenous lands, unless consent and mitigation measures are clearly documented and disclosed.
- The construction of large-scale infrastructure that poses significant environmental or social risks is prohibited unless such projects are in accordance with international best practices and subject to complete public consultation and disclosure.
- Projects that are primarily intended for military or paramilitary purposes, or that involve the manufacturing or sale of weapons, ammunition, or military infrastructure.
- Projects that fail to satisfy the applicable environmental impact assessment (EIA) requirements, water use licenses, air quality permits, or any other environmental regulatory approvals mandated by South African law.
- Any activity that is likely to cause reputational injury to the CGV or its development partners, including those that are linked to unresolved community conflict, corruption or legacy environmental damage.

9. GOVERNANCE AND IMPLEMENTATION

An integrated structure will be used to anchor the governance and implementation of the ESMS. These structures will ensure the institutional independence of the CGV while also maintaining appropriate government oversight through the National Treasury:

9.1. Oversight by the National Treasury through the Project Implementation Unit

A Project Implementation Unit (“PIU”) will be established under the National Treasury’s authority to serve as an oversight and coordination entity. During the CGV’s design, early operationalisation, and implementation periods, the PIU will function as the institutional interface between the CGV and the World Bank Group. Among its obligations will be:

- Ensure that the CGV’s ESMS and its associated procedures comply with the IFC Performance Standards, the World Bank Group Environmental, Health and Safety Guidelines, and Equator Principles. In addition, the ESMS and related procedures must align with all relevant national policies and regulatory frameworks named above.
- Assisting the CGV in the establishment of fundamental ESG systems, the staffing of the ESG function, and the integration of safeguards into credit guarantee processes.
- The CGV’s adherence to critical policy commitments associated with the World Bank’s Investment Project Financing (IPF) and any corresponding legal agreements that are being monitored.

The PIU will not be involved in the day-to-day operations of the CGV; however, it will provide strategic guidance, support institutional learning, and ensure accountability to both the Government of South Africa and its development partners. The National Treasury will maintain oversight of CGV's adherence to the ESMS throughout the operational phase of the CGV. An Implementation Agreement will be established to formalise and regulate the interaction between the CGV and the National Treasury's PIU, clearly defining roles, responsibilities, and coordination mechanisms essential for fulfilling the obligations and achieving the objectives of the ESMS.

9.2. Institutional Governance at CGV

The Board of Directors of the CGV will be comprised of independent members and shareholder-nominated directors, with representatives from development finance institutions (DFIs). The Board will:

- Endorse the ESMS Policy and supervise the comprehensive sustainability and risk management strategy of CGV.
- Ensure that the performance of ESG is in accordance with the expectations of shareholders and regulators by receiving regular reports.

The Board's dedicated Risk and Audit Committee will evaluate ESG risks, compliance reports, and mitigation measures, with a particular emphasis on high-risk infrastructure initiatives.

9.3. ESG Implementation and Executive Management

The day-to-day implementation of the ESMS will be the responsibility of the CGV Senior Management team, under the leadership of the Chief Executive Officer (CEO) or an equivalent senior executive. The screening, due diligence, monitoring, and stakeholder engagement processes necessary for sub-projects to comply with ESG standards will be overseen by a designated Environmental and Social Officer (ESO) or team. The CEO will receive direct reports from the ESO, who will also provide the Board's Risk and Audit Committee with regular updates.

9.4. Continuous Improvement and Feedback

To maintain accountability and promote best practices, the CGV will periodically engage independent evaluators to evaluate the efficacy of its ESMS. Updates to institutional capacity-building initiatives and ESG procedures will be informed by external evaluation and feedback from the National Treasury PIU, and project stakeholders.

10. STANDARDS AND GUIDELINES

The CGV is to implement the best ESG international practice appropriate for the nature of its investments. This includes standards and guidelines as follows:

- Applicable country(s) ESG related legislation (National Environmental Management Act, 1998 (Act No. 107 of 1998), National Water Act, 1998 (Act No. 36 of 1998), Carbon Tax Act, 2019 (Act No. 15 of 2019), Labour Relations Act, 1995 (Act No. 66 of 1995), Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) to name a few).
- IFC Performance Standards, World Bank Environmental and Social Standards.
- World Bank Group Environmental, Health, and Safety (EHS) Guidelines.
- ESG standards and requirements by other development partners.
- King IV Code for Corporate Governance.

11. CONCLUSION

The ESMS is a critical component of the CGV's institutional framework, ensuring that the vehicle not only mobilises private capital investments, but also contributes to the responsible and sustainable development of infrastructure in South Africa. By means of this policy, the CGV validates its commitment to environmental protection, social inclusion, and compliance with both national regulations and international best practices, such as the IFC Performance Standards, World Bank Environmental and Social Standards, and World Bank Group Environmental, Health and Safety guidelines.

The ESMS will function as a practical instrument for risk management, stakeholder engagement, and continuous performance development as the CGV prepares to operationalise its guaranteed products. To guarantee that the ESMS remains adaptive, impactful, and fit-for-purpose, the CGV will conduct regular reviews and enhancements in collaboration with the National Treasury, development partners, and affected stakeholders.

The CGV endeavours to establish trust, attract long-term investment, and make a significant contribution to South Africa's development and just transition objectives by incorporating environmental and social sustainability into its governance and operations from the inception.

ANNEX 02: MINUTES OF CONSULTATION EVENT WITH STAKEHOLDERS.



MINUTES OF MEETING

NATIONAL TREASURY CREDIT GUARANTEE VEHICLE (CGV) - CONSULTATION EVENT

Date: 7 November 2025

Venue: Hybrid (Microsoft Teams Meeting and World Bank, Pretoria Office)

PURPOSE

To brief stakeholders on the progress of the CGV, obtain technical inputs, and align with World Bank requirements as part of the Project Appraisal Document (PAD) process.

1. WELCOME AND OPENING REMARKS

National Treasury (NT) opened the session by highlighting the strategic importance of the CGV in reducing sovereign contingent liabilities and supporting investment in South Africa's infrastructure pipeline, particularly the Independent Transmission Projects (ITPs).

NT noted ongoing concerns raised by ratings agencies about government's significant exposure under existing sovereign guarantees and underscored the importance of shifting toward market-based credit enhancement mechanisms. The session then commenced with a presentation outlining the key features of the CGV as summarized below.

2. BACKGROUND AND RATIONALE FOR CGV

NT briefly recapped Eskom's Transmission Development Plan (TDP), noting implementation delays and the need for additional mechanisms to accelerate transmission infrastructure rollout.

The CGV was presented as a structured, independent non-life insurance entity that will:

- Provide payment and termination guarantees to project SPVs;
- De-risk large infrastructure PPPs;
- Mobilize private capital;
- Reduce government's direct guarantee exposure;
- Operate with an independent board, executive team, and balance sheet.

3. CGV STRUCTURE, CAPITALIZATION AND GOVERNANCE

The CGV will be established as an independent, privately governed non-life insurance company with a multi-layered capital structure designed to balance risk and long-term sustainability. The initial capital raise targets US\$500 million, scalable to US\$2.5 billion over four to five years, supported by an NT equity commitment of US\$100 million (already provided for in the MTBPS).

The vehicle will target a AAA local credit rating, using a combination of junior, senior and callable capital, complemented by reinsurance to strengthen capital adequacy. Once fully capitalized, the CGV is expected to leverage its balance sheet at 3:1 to 5:1, enabling the issuance of US\$7.5–10 billion in guarantees. To preserve market confidence and ensure impartial risk assessment, government will hold a minority share and will not participate in the CGV's board or management, which will comprise an independent professional team responsible for operational and financial oversight.

4. ALIGNMENT OF CGV AND ITP PROCESSES

NT, the Department of Electricity and Energy (DEE), the Independent Power Producers Office (IPPO), and the World Bank are closely coordinating the CGV establishment with the procurement timeline of the ITP pilot project to ensure bankability. This alignment includes synchronizing the release of the ITP draft and final RFPs with progress on CGV licensing, capital commitments, pricing methodology, and guarantee product design.

Key regulatory reforms, such as the Transmission Regulation, the National Energy Regulator of South Africa's (NERSA) cost recovery and pricing rules, and the Electricity Regulation Act (ERA) amendments, are being integrated into the process to strengthen payment security and sector sustainability. The objective is to ensure that by the time the final ITP Request for Proposal (RFP) is issued (expected Q3 2026), the CGV will be sufficiently advanced to provide credible, market-ready credit enhancement that bidders and lenders can rely on for transaction structuring.

5. CGV OPERATIONAL READINESS AND NEXT STEPS

The CGV is progressing toward operationalization, with current efforts focused on securing conditional capital commitments from development partners, finalizing the licensing application with the Prudential Authority, and completing the vehicle's organizational design, governance framework, and risk management systems.

Parallel work includes developing operational manuals, credit and pricing models, and the Environmental and Social Management System (ESMS), as well as establishing a Project Implementation Unit (PIU) in partnership with the Development Bank of Southern Africa (DBSA) to support early project preparation and pipeline development.

Once capital commitments are formalized, the licensing process will be initiated, with the CGV targeted to become fully operational by Q3 2026, enabling it to issue guarantees in time to support the ITP procurement process.

6. PROJECT PIPELINE PRESENTATION

NT presented a cross-sector pipeline of potential projects that the CGV may underwrite in future, prioritizing those with strong prospects for bankability and advanced preparation. The initial focus remains on ITP Phase 1 as the pilot, complemented by select energy projects, including Eskom repowering initiatives, future renewable rounds, and credible municipal energy programs.

Additional opportunities exist in the water sector (such as desalination and wastewater treatment projects) and in transport, including rail, port, and strategic road upgrades. While the pipeline is broad, final eligibility will depend on project readiness, sector reforms, and alignment with the CGV's capital capacity and risk appetite.

7. KEY INPUTS AND REFLECTIONS FROM STAKEHOLDERS

Stakeholders provided the following feedback:

- Offer of technical support: Banks are willing to test CGV proposals confidentially, especially capital adequacy, regulatory compliance, and pricing methodologies.
- Capital relief: Banks stressed the importance of unconditional and irrevocable guarantee language to qualify for Basel III capital relief.
- Contract flexibility: Banks requested some flexibility in contractual terms to align with internal risk assessments.
- ESG standards: While high ESG standards are supported, banks cautioned against setting thresholds that may unintentionally exclude South African service providers.
- Market communication: stakeholders encouraged more proactive, collaborative communication to create positive sentiment about CGV progress.
- Exposure limits: Questions were raised regarding concentration risk and regulatory exposure limits when lending against CGV guarantees.
- Future REIPPPP rounds: stakeholders requested clarity on whether future renewables procurement would still include sovereign guarantees or transition fully to CGV cover.

8. RESPONSES FROM NATIONAL TREASURY AND THE WORLD BANK

Key responses included:

- Optionality in CGV guarantees: Different coverage levels (e.g., 80–100%) may be offered to bidders depending on their risk appetite.
- No sovereign backstopping: Government will avoid issuing temporary guarantees as this defeats the purpose of the CGV.
- Capital relief: NT and World Bank are working with the Prudential Authority on regulatory treatment.
- Project preparation: CGV will incorporate a project preparation window funded through the PIU for projects it intends to underwrite.
- Cost recovery and counter-indemnities: NT is ensuring counter-indemnity mechanisms do not disrupt Eskom's loan covenants or create unintended balance-sheet impacts.
- Water sector timing: CGV support for water projects is feasible once the vehicle is operational and project preparation has sufficiently advanced.
- Sector reforms: CGV participation will only be possible where sector reforms ensure sustainability (e.g., water and electricity revenue models).
- One of the key milestones achieved by NT was the publication of the draft ESMS policy on its website, signalling its strong commitment to meeting the highest environmental and social standards consistent with World Bank and IFC performance requirements.

9. ADDITIONAL QUESTIONS RAISED

- When CGV products will be available for projects – NT confirmed Q3 2026 is the earliest operationalization.
- How default events will be treated – CGV will rely on both reinsurance (back-end) and counter-indemnities (front-end) for recovery; a 30-day cure period is likely.
- Whether NT will recapitalize CGV in future – possible but intended to remain minority shareholder.
- Whether NERSA has capacity to oversee new private players – NT acknowledged the concern and noted ongoing regulatory strengthening.

10. CLOSING REMARKS

NT thanked stakeholders for their constructive input and reiterated that:

- Continuous engagement will be maintained;
- Commitment letters from DFIs are the next critical step;
- CGV success relies on strong collaboration with stakeholders;
- Stakeholders must refer to the Draft ESMS policy published on NT's website;
- Presentations will be shared with attendees; and
- Follow-up bilateral engagements will be scheduled where deeper technical issues arise.

LIST OF ATTENDEES

In person

NT	World Bank	BASA	ISA
Ravesh Rajlal	Marc Schrijver	Mark Brits	Nxalati Baloyi
Thabang Masoga	Aimonchok Tashieva	Hlatse Nkune	Nomfundo Mbatha
Lungelo Nkwanyane	Malcolm Simpson	Bukiwe Pantshi	Mbasa Tshombe
Obakeng Hlongwa		Keith Webb	Lerato Sole
Tumelo Nyalungu		Hendrik Ackermann	Dorette Loggenberg
		Confidence Komane	Theresa Stewart

- NT: National Treasury
- BASA - The Banking Association South Africa
- ISA - Infrastructure South Africa (ISA)

Virtual – the list included

Mameetse Masemola (ISA)	Gilly Dlamini (BASA)
Lebogang Maleka (IDC)	Mark Brits (BASA)
Smilo Memela (IDC)	Mosidi Melamu (BASA)
Johan Koorts (ABSA)	Amit Mohanlal (FirstRand)
Nicolaas Schutte (ABSA)	Cameron Gough (FirstRand)
Theuns Ehlers (ABSA)	Keith Webb (FirstRand)
Bukiwe Pantshi (Investec)	Hendrik Ackermann (Nedbank)
Confidence Komane (Investec)	Veruschka De Wet (Nedbank)
Martin Meyer (Investec)	Hlatse Nkune (Nedbank)
George Kotsovos (SBSA)	Kiresh Raju (SBSA)
Vaughn Nathanson (SBSA)	