



Project Summary Information

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Project Name	South Africa Metro Trading Services Program
Project Number	P000988
AIIB member	South Africa
Sector/Subsector	Urban
Alignment with AIIB's thematic priorities	Green infrastructure
Status of Financing	Approved
Objective	To improve the accountability, operational and financial performance of water supply and sanitation, electricity, and solid waste management services in South Africa's metropolitan municipalities (metros). These improvements will contribute significantly to climate change mitigation and strengthen climate resilience through sustainable, low-carbon urban service delivery.
Program Description	The Program will be jointly co-financed with the World Bank (WB), applying the WB's Policy on Program-for-Results Financing (PforR Policy), to support the government's Metro Trading Services Program (MTSP). The MTSP has been designed as a transformative platform to drive climate-smart urban service delivery. It will provide performance-based conditional grants to metros, incentivizing improvements in governance, operational efficiency, and financial performance across three key sectors: water supply and sanitation (WSS), electricity, and solid waste management (SWM), fostering a more integrated approach to service delivery. The MTSP places climate mitigation and adaptation at its core. By focusing on rehabilitating and modernizing infrastructure, reducing water and electricity losses, and improving waste management operations, the Program will contribute to reducing greenhouse gas (GHG) emissions and promote more sustainable urban practices. For instance, reducing technical and commercial power losses not only improves service efficiency but also lowers emissions. Similarly, modernizing waste management practices - including enhanced waste minimization and collection, and recycling interventions - offers tangible climate mitigation benefits. Overall strengthening service delivery systems through better governance, operational efficiency,

	and climate-smart investments will help metros mitigate climate change impacts, improve resilience, and foster a more sustainable, low-carbon urban environment, ultimately ensuring long-term sustainability. The Government of South Africa, through the National Treasury (NT), requested the World Bank, AIIB and other development partners to support the MTSP, using the PforR financing instrument. The Program comprises of the following three Result Areas (RAs) to contribute to the outcomes of the government program covering WSS, electricity, and SWM services. Each RA will cover each service with a focus on its governance and accountability, financial, and operational performance. These improvements are critical to enabling metros to become low-carbon, climate-resilient service providers. Disbursements will be made based on the verified achievement of Disbursement Linked Indicators (DLIs). Metro-wise DLIs involve metros having council-approved Performance Improvement Action Plans (PIAPs) for three municipal services, with progress monitored through the achievement of periodic performance targets outlined in these plans. The PIAP will include measurable climate-focused targets, such as reductions in non-revenue water (NRW) and technical power losses, and methane emissions from SWM. This integrated, climate-focused approach, supported by national policy alignment and capacity building, positions the Program as a transformative effort to strengthen metropolitan service delivery and unlock broader climate-adaptive urban development potential. South Africa's metropolitan municipalities, home to 22 million people and generating 85 percent of the country's economic output, are at the frontline of both the climate crisis and the national development agenda. These urban centers face mounting challenges in delivering critical municipal services - such as water, electricity, and waste management - due to aging infrastructure, poor governance, weak revenue collection, and financial mismanagement. These service delivery constraints are exacerbated by rapid urbanization, inherited spatial inequalities, and growing pressure on overstretched systems. At the same time, metros are among the largest contributors to GHG emissions in South Africa, while also being increasingly vulnerable to climate change impacts including rising temperatures, more frequent droughts, and extreme flooding that strain water, energy, and waste systems. Addressing these issues is therefore central to South Africa's climate mitigation and adaptation goals, and critical to building resilient, low-carbon urban systems.
Expected Results	The Program objectives will be evaluated against the following key outcome indicators: (i) metros that have met and maintained the Program's Minimum Conditions (Number); (ii) non-revenue water reduction in South Africa's metros as a result of the Program (percentage); and (iii) electricity losses reduction in South Africa's metros as a result of the Program (percentage).

Environmental and Social Category	B
Environmental and Social Information	Applicable Policy and Categorization. The Program will be jointly co-financed with the WB as the lead co-financier. In line with AIIB's Environmental and Social Framework (ESF), and to provide a harmonized approach to managing environmental and social (ES) risks, the WB's PforR Policy will apply in lieu of AIIB's ESF. The WB has assessed the Program's ES risk level as "<i>Substantial</i>," which corresponds to Category B with high/medium-risk rating under AIIB's classification. In accordance with the WB's PforR Policy, activities that may cause significant, irreversible, or unprecedented ES impacts (equivalent to Category A if AIIB's ESF applied) will be excluded from the Program. Environmental and Social Instruments. An Environmental and Social Systems Assessment (ESSA) has been conducted by the WB to evaluate the adequacy of country systems for managing ES risks and impacts. The ESSA is supported by a Program Action Plan (PAP) and a Program Operations Manual (POM), which detail required actions to strengthen institutional capacity and ensure effective ES risk management. The ESSA includes a screening mechanism to exclude high-risk activities and recommends the development or enhancement of Environmental and Social Management Systems (ESMS) at the municipal level. The ESMS will be implemented at the metro level, overseen by the National Treasury's Cities Support Program and metro-level implementing entities. The Metro Trading Services Coordination unit will assist metros in meeting ES responsibilities. Environmental Aspects. The Program activities may include rehabilitation and expansion of water supply and sanitation systems, NRW management, wastewater management systems, and improving energy efficiencies to which most activities will be confined to existing facilities, thereby limiting environmental impacts to site-specific, short to medium-term effects that are not expected to result in significant adverse impacts. Environmental impacts associated with Program activities may include temporary disturbances on soil, habitats, water characteristics, and air quality. These impacts may arise from excavation, pipeline installation, facility upgrades, and other activities. Investments that are likely to result in significant adverse environmental impacts, as defined under the PforR Financing, will be deemed ineligible for support and excluded from Program financing. Environmental impacts that are likely to be caused by the program activities will be addressed through the improvement of ESMS as part of the recommendations in the ESSA. Social and Gender Aspects. The Program is expected to generate positive social outcomes by improving climate-resilient infrastructure, public service delivery, and environmental quality, particularly in underserved communities. The Program prioritizes interventions within existing infrastructure footprints to avoid large-scale displacement or disruption. While major resettlement is not anticipated, there is a minor risk of physical or economic displacement related to infrastructure

	rehabilitation, particularly in the water sector. These risks are expected to be limited, site-specific, and manageable. Any such cases will be addressed through Resettlement Action Plans (RAPs) prepared in line with national legislation and good international practices. In addition, the Program aims to reduce gender gaps in utility sectors by supporting metro governments to implement Employment Equity Plans that mainstream gender across the technical value chain, including targeted recruitment of women, skills development and succession planning, and awareness and advocacy initiatives to encourage women's participation in technical careers. The Program will also improve water and sanitation facilities to enhance women's safety, health, dignity, and reduce the risk of gender-based violence (GBV). Occupational health and safety (OHS), Labor and Employment Conditions. The Program scope involves anticipated risks related to OHS during construction and infrastructure upgrades, with potential site-specific hazards that will be managed through adherence to local and national standards as well as WB Environmental, Health, and Safety (EHS) Guidelines and the enhanced municipal ESMS to incorporate labor and OHS protocols. Measures include appointing trained OHS managers, providing safety training, maintaining emergency preparedness plans, this will help improve compliance, monitoring, and labor conditions. Stakeholder Engagement, Consultation and Information Disclosure. The Program will promote inclusive and transparent stakeholder engagement across all stages, in line with South Africa's Municipal Systems Act. Mechanisms for information disclosure, consultation, feedback, and grievance redress will be established to support participation and accountability. The draft ESSA was disclosed on February 11, 2025, and redisclosed by the WB in October 2025. Finalized ESSA and enhanced ESMS will be disclosed by the Borrower and the Bank in a timely and an appropriate manner. Program Grievance Redress Mechanism (GRM). Communities and individuals who believe they are adversely affected by the Program can submit complaints to the Program's existing GRM, which is designed to handle concerns related to implementation, impacts, or other Program-related issues in a transparent and timely manner. The information on established Program GRM and the WB's Independent Accountability Mechanism (IAM) will be disclosed in a timely and appropriate manner. Monitoring and Reporting Arrangement. The overall responsibility for Program monitoring and evaluation will lie with the NT, who shall be required to coordinate with the participating metros for timely reporting. The NT will provide bi-annual progress reports to the WB and AIIB based on an agreed format. AIIB will periodically join the WB's implementation monitoring missions as necessary and monitor the appropriate use of AIIB funds.
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Cost and Financing Plan	Total Program Cost: USD 3,000 million Indicative Financing Plan: AIIB loan: USD 500 million (16.7%); International Bank for Reconstruction and Development (IBRD) loan: USD 925 million (30.8%); and Government of South Africa: USD 1,575 million (52.5%)		
Borrower	Republic of South Africa		
Implementing Entity	Nelson Mandela Bay Metropolitan Municipality; Buffalo City Metropolitan Municipality; City of Tshwane; City of Johannesburg; eThekweni Metropolitan Municipality; Mangaung Metropolitan Municipality; City of Cape Town; City of Ekurhuleni		
Estimated date of loan closing (SBF)	September 2031		
Contact Points:	AIIB	IBRD	Borrower
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Date of Concept Decision	June 4, 2025		
Date of Appraisal Decision	January 21, 2026		
Financing Approval	June 23, 2026		

Independent Accountability Mechanism	The proposed Program will be co-financed with the WB. The Bank has agreed that the WB's ES policies and procedures will apply to this Program. Pursuant to the agreement with the WB, the WB's IAM, Inspection Panel, will handle submissions relating to ES issues under the Program. Consequently, in accordance with the Bank's Policy on Project-affected People's Mechanism (PPM), submissions to the PPM under this Program will not be eligible for consideration by the PPM. Information on WB's Inspection Panel is available at https://www.inspectionpanel.org .
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