



### Project Summary Information

Date of Document Preparation/Updated: 06/02/26	
<b>Project Name</b>	Resilient Climate Action Program for Just Energy Transition
<b>Project Number</b>	P001099
<b>AIIB member</b>	South Africa
<b>Sector/Subsector</b>	Energy
<b>Alignment with AIIB's thematic priorities</b>	Green infrastructure; Technology-Enabled Infrastructure
<b>Status of Financing</b>	Under Preparation
<b>Objective</b>	To promote resilient infrastructure and enhance climate mitigation in South Africa through critical policy and institutional reforms to achieve Just Energy Transition.
<b>Project Description</b>	<p>The Government of South Africa (GoSA) has established a comprehensive policy and institutional framework to accelerate a low-carbon, climate-resilient, and inclusive development pathway while addressing structural constraints that continue to limit economic growth, infrastructure performance, and climate investment. These priorities are embedded within national development, fiscal, infrastructure, and industrial strategies, and are aligned with South Africa's international climate commitments and Just Energy Transition (JET) objectives.</p> <p>Although South Africa remains the largest economy in Africa, economic growth has been persistently constrained over the past decade by structural weaknesses in key network sectors, particularly electricity, freight transport, and water. Chronic electricity supply disruptions, transmission bottlenecks, declining rail and port efficiency, aging water infrastructure, and weak municipal service delivery have increased the cost of doing business, reduced productivity and export competitiveness, and weakened private investment. These challenges are further compounded by complex regulatory landscape.</p> <p>At the same time, South Africa faces severe and growing climate vulnerabilities. Rising temperatures, increasing drought frequency, water scarcity, floods, and extreme weather events are placing mounting pressure on infrastructure systems, economic activity, and vulnerable communities. The country's energy system remains highly carbon intensive, with coal</p>

accounting for approximately 94 percent of domestic energy production in 2023, underscoring both the scale of the transition challenge and the urgency of accelerating decarbonization while ensuring energy security and social inclusion.

Despite important progress, key constraints persist, including grid congestion and delayed transmission expansion continue to constrain renewable energy integration; freight inefficiencies have accelerated the shift from rail to more emissions-intensive road transport; and aging water infrastructure, high non-revenue water losses, and weak municipal capacity continue to undermine resilience and service delivery. More broadly, limited climate-responsive public investment systems, insufficient project preparation capacity, and policy and regulatory bottlenecks continue to constrain the mobilization of private and climate finance at scale.

To respond to these challenges, the Government has adopted a suite of strategic frameworks, including the Second Nationally Determined Contribution (SNDC), the Low-Emission Development Strategy (LTS), the National Climate Change Adaptation Strategy (NCCAS), the Just Transition Framework (JTF), the Just Energy Transition Investment Plan (JET-IP), and the Climate Change Act (2024). Together, these frameworks establish the policy foundation for reducing greenhouse gas emissions, strengthening climate resilience, mobilizing climate finance, and enabling a just and inclusive transition toward a low-emission economy. Complementary structural reforms under Operation Vulindlela are also supporting modernization of the energy, transport, water, and digital sectors, with a strong focus on improving infrastructure delivery and crowding in private investment.

In this context, the proposed Climate Policy-Based Financing (CPBF) Program is designed to support critical policy and institutional reforms that strengthen infrastructure resilience, improve service delivery, enable private sector participation, and accelerate implementation of South Africa's Just Energy Transition agenda. The Program is envisaged as a programmatic series comprising two subprograms, with Subprogram 1 focused on foundational reforms and Subprogram 2 expected to deepen and consolidate reform implementation over time.

The Program, co-financed with World Bank, African Development Bank, KfW and other development partners, will support reforms in four areas: (i) strengthening the delivery of clean, efficient, and affordable electricity services; (ii) enhancing competition, transparency, and private sector participation in the freight sector; (iii) improving the quality and resilience of water service delivery; and (iv) advancing low-emission and climate-resilient development.

The Program is aligned with South Africa's SNDC, LTS, NCCAS, JTF, JET-IP, and the Climate Change Act (2024), and The Program is expected to make a significant contribution to South Africa's JET by supporting economic decarbonization, reducing dependence on fossil fuels, strengthening climate resilience, and promoting sustainable and inclusive long-term growth. Through targeted policy and institutional reforms, the Program will help unlock public and private investment, strengthen climate governance and institutional coordination, facilitate renewable energy integration and lower-emission

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	freight systems, and improve the resilience and sustainability of critical infrastructure systems across the electricity, transport, and water sectors.
<b>Expected Results</b>	Expected results include supporting reforms across four key result areas: (i) strengthening the delivery of clean, efficient, and affordable electricity services; (ii) enhancing competition, transparency, and private sector participation in the freight sector; (iii) improving the quality and resilience of water service delivery; and (iv) advancing low-emission and climate-resilient development. The Program is aligned with South Africa's SNDC, Long-Term Strategy (LTS), and the Climate Change Act (2024), and is anticipated to contribute significantly to the country's Just Energy Transition by supporting economic decarbonization, reducing dependence on fossil fuels, and fostering sustainable, climate-resilient long-term growth.
<b>Environmental and Social Category</b>	Not applicable
<b>Environmental and Social Information</b>	<p><b>Applicable Policy, Categorization and Instruments.</b> AIIB's Environmental and Social Framework (ESF, June 2024) establishes provisions for environmental and social (ES) management applicable to the CPBF instrument. The provisions related to CPBF set forth in Section 16 of AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Exclusion List (ESEL), applies to all four pillars of this Program. The provisions on Environmental and Social (ES) categorization in the ESP do not apply to this Program. The Program is co-financed with World Bank (WB), African Development Bank, KfW and other development partners. The assessment of ES impacts of the Program will be undertaken through a more-in-depth analysis of each prior action through an ES analysis matrix. This will outline the potential direct and indirect impacts of each policy action, along with corresponding mitigation or enhancement measures. This analysis matrix will be disclosed in a timely manner to inform stakeholder consultation.</p> <p><b>Environmental and Social Aspects.</b> The Program focuses on policy, regulatory, and institutional reforms in the energy, transport and logistics, water, and climate sectors. The policy actions are not expected to cause any significant adverse ES impacts, nor directly result in involuntary resettlement or impacts on Indigenous Peoples. Potential downstream ES impacts linked to future investments enabled by the policy actions are expected to be indirect, localized, temporary, and manageable. These may lead to construction or rehabilitation related disturbances associated with downstream investments in energy, transport, ports, and water sectors, operational impacts such as air emissions, noise, and occupational and community health and safety risks, as well as possible social effects related to land access, livelihoods, affordability for vulnerable households, and labor transition in affected sectors. Such impacts are expected to be addressed through South Africa's existing environmental, social, labor, and sector regulatory frameworks, including established permitting, consultation, compliance monitoring, and grievance redress mechanisms. The Program is also expected to generate positive gender effects by improving access to reliable energy, strengthening water security, enhancing climate resilience, and supporting</p>

## Project Summary Information Template. Sovereign- and Nonsovereign-Backed Financings – updated on June 23, 2020

	<p>broader economic opportunities. At the same time, attention will be given to ensuring that women, low-income household, women-headed households, and other vulnerable groups are not disproportionately affected by affordability pressures, labor transition impacts, or uneven access to the benefits of downstream reforms and investments.</p> <p><b>Program Grievance Redress Mechanism (GRM) and Monitoring Arrangement.</b> Individuals and communities who believe they are adversely affected by the Program may submit complaints to the responsible government authorities and the appropriate local/national grievance mechanisms. The information of the GRMs to be used and AIIB's Project-affected People's Mechanism (PPM) will be timely disclosed in the appropriate manner. Additionally, led by National Treasury as the executive agency of the Program, the relevant government institutions responsible for implementing the prior actions will monitor the Program's implementation and progress, in coordination with the ministries, departments, regulators, and other competent authorities involved in the reform agenda. Progress will be reported to the Bank using the indicators and targets set out in the Policy and Results Matrix. AIIB, in coordination with WB and other development partners, will undertake annual monitoring missions to confirm that the agreed policy actions are implemented as intended and remain in effect.</p>	
<b>Cost and Financing Plan</b>	USD 500 million	
<b>Borrower/Investee Company/Counterparty/Guaranteed entity</b>	Republic of South Africa	
<b>Implementing Entity/Sponsor</b>	National Treasury, South Africa	
<b>Estimated date of loan closing (SBF)</b>	December 2028	
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<b>Date of Concept Decision</b>	June 2, 2026	

## Project Summary Information Template. Sovereign- and Nonsovereign-Backed Financings – updated on June 23, 2020

<b>Estimated Date of Appraisal Decision</b>	Q3 2026
<b>Estimated Date of Financing Approval</b>	Q4 2026

<b>Independent Accountability Mechanism</b>	<p>The Project-affected People's Mechanism (PPM) has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through program-level GRMs or AIIB Management's processes. For information on how to make submissions to the PPM, please visit <a href="https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html">https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html</a>.</p>
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