

Project Summary for Public Disclosure
(after approval of NDB financing)

Project Name	South Africa Freight Rail Sector Improvement Program
Country	The Republic of South Africa
Type	Sovereign
Area of Operation	Transport Infrastructure
Concept Approval Date	9 December 2022
Financing Approval Date	3 January 2024
Initial Limit of NDB Financing	ZAR 18.50 billion
Current Limit of NDB Financing	ZAR 18.50 billion
Borrower	Transnet SOC Ltd. (Transnet)
Project Entity	Transnet
Project Context	<p>South Africa has a well-established rail logistics infrastructure. However, in recent years its overall condition has been deteriorating on account of increasing backlog of spending on maintenance and modernization, which has resulted in reduced availability, operating inefficiency, and eventually, capacity constraints. This is reflected in decline in freight rail volumes, with lost export opportunities and traditional rail freight being diverted to road. Transportation of commodities by road lead to higher direct logistics costs and exposure to volatile exogeneous cost drivers, such as the price of fuel. It also adds significant externality costs to the economy, such as higher road maintenance requirements, congestion, accidents, and carbon emissions.</p>
Project Description	<p>The Program represents the capital expenditure plan of Transnet aimed at restoring its capacity to meet the traffic demand of South Africa. The activities under the Program include amongst others rail network infrastructure renewal and rehabilitation, locomotives overhaul, wagon fleet renewal, etc.</p>
Project Objective	<p>The Program is expected to result in restoring the freight rail volumes in South Africa. The Program will play a catalytic role in stimulating economic activity, job creation, and productivity gains by reducing overall transportation costs for the country and enhancing its competitiveness in the global trade. The Program will aid modal shift from road to rail and contribute to reducing carbon emissions and other costs associated with road transport.</p>

Implementation Arrangements	<p>Transnet, a wholly state-owned entity of the Government of the Republic of South Africa, will be the Program Entity responsible for all aspects of implementation including planning, execution, and supervision of activities to be undertaken under the Program. The Program is planned to be implemented over a period of five years.</p>	
Environmental and Social Information	<p>The Program has been categorized as Category B in accordance with the NDB Environmental and Social Framework (ESF). The main environmental and social impacts of the Program will be associated with construction activities on existing rail premises and the operation of freight rail system, including vegetation removal, water use, occupational safety.</p> <p>E&S impacts will be mitigated by adherence to country system requirements, Transnet’s corporate system and Environmental and Social Impact Management Plan developed to ensure full compliance with NDB ESF.</p>	
Contacts	NDB	Borrower and Project Entity
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