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MEDIA STATEMENT

GERMANY AND FRANCE COMMIT €300 MILLION TO SUPPORT SOUTH AFRICA'S METRO TRADING SERVICES REFORM (MTSR) PROGRAMME VIA KFW DEVELOPMENT BANK AND AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)

German and French Development Cooperation - via KfW Development Bank (KfW) and Agence Française de Développement (AFD) - have committed €300 million (eq. ZAR 5.6bn) in concessional loan financing to support National Treasury's Metro Trading Services Reform (MTSR) programme.

The MTSR is designed to support the turnaround of the three essential trading services - electricity, water supply and sanitation, and solid waste management - in South Africa's eight metropolitan municipalities, which collectively serve over 22 million residents. The reform seeks to improve the financial and operational performance of those trading services and will ensure that revenues generated are reinvested into much needed infrastructure to reduce outages and investment backlogs. The programme recognises that metropolitan municipalities and their financial sustainability are key to achieving economic growth for South Africa via improved service delivery.

These new loans - €200 million from KfW and et €100 million from AFD - fall under France and Germany's Just Energy Transition mandate as the MSTR will contribute to the implementation of the municipal component of the JET-Investment Plan (JET-IP). Improving the performance of essential municipal services is a fundamental prerequisite for delivering the JET and will help accelerate the public and private investments needed to address infrastructure backlogs and modernise electricity distribution networks.

Given the scale of investment required to turn around their trading services, the metros need to increase investment and secure additional financing to complement the MTSR funding. In that context, German Cooperation, via KfW, has provided a further €350 million in concessional loans to Johannesburg and Cape Town over the last two years to fund much needed investment in grid infrastructure upgrades and renewable energy integration, demonstrating Germany's commitment to supporting South Africa's economic hubs.

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As for AFD, this support to MTSR is part of its long-standing partnership with South African municipalities, built through numerous direct loans, notably to Johannesburg, eThekwini and Cape Town. These loans have been aimed at financing municipal infrastructure programmes while supporting policies to reduce inequalities and strengthen resilience to climate change.

“The €300 million in concessional financing from KfW Development Bank and Agence Française de Développement strengthens the Government’s broader programme of support to improve the governance, financial sustainability and operational performance of essential trading services in metropolitan municipalities. We welcome the continued partnership of Germany and France in supporting more reliable services, increased infrastructure investment and stronger, more sustainable cities,” said Enoch Godongwana, Minister of Finance of the Republic of South Africa.

Cornelia Tittmann, KFW’s Country Director for South Africa, stated the importance of the reforms underway and recognised National Treasury’s leadership in developing a program that will improve service delivery and living conditions for millions of South Africans. She said that “as a key partner on the continent South Africa's success matters deeply to Europe and this commitment is reflected in continued cooperation across trade, investment, and development initiatives such as the MTSR”

Marie-Hélène Loison, AFD’s Regional Director for Southern Africa, commended the National Treasury for leading this impactful programme bringing together 8 municipalities and national departments around a shared reform agenda. “The MTSR programme will contribute to ensuring that the necessary investments in essential urban services are protected and sustained over time and will bring tangible improvements in service delivery for residents and businesses,” said Loison.

Both country directors expressed their appreciation to the World Bank and SECO for the support provided to National Treasury in developing this groundbreaking, first-of-its-kind program.

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