



Press release

For immediate release

South Africa: African Development Bank approves ZAR 18.85 billion (\$1 billion) corporate loan for Transnet's business recovery plan

Abidjan, 18 July 2024 – The African Development Bank Group has approved a ZAR 18.85 billion (\$1 billion) corporate loan to Transnet, South Africa's major freight transport and logistics company, for its recovery and growth plans.

The 25-year loan approved by the Bank Group's Board of Directors on Friday, 12 July 2024, is fully guaranteed by the government of South Africa. It will facilitate the first phase of the company's ZAR 152.8 billion (\$8.1 billion) five-year capital investment plan to improve its existing capacity ahead of expansion for the priority segments throughout the transport value chain.

Transnet has faced operational challenges mainly in the critical rail and port businesses resulting from underinvestment in infrastructure and equipment, theft and vandalism, and external shocks such as floods and the effects of the COVID19 pandemic.

The company is committed to addressing past challenges, fostering integrity, and enhancing efficiency within the organization. It has made progress in some key areas including reforms in governance procurement and financial management.

The recovery plan, launched in October 2023, seeks to rehabilitate the infrastructure and accelerate the relaunch of operations over 18 months, focusing on restoring operational performance and freight volumes to meet customer demands.

The African Development Bank's Vice President for Private Sector, Infrastructure and Industrialisation Solomon Quaynor, emphasized the significance of this support: "Transnet, the custodian of South Africa's critical transport and logistics infrastructure, plays an indispensable role in the economy of the country, ensuring a competitive freight system and serving as a gateway to the SADC region."

He added: "Our partnership will enable Transnet to execute a comprehensive Recovery Plan (RP), addressing operational inefficiencies, particularly in rail and port sectors. It is aligned with South Africa's strategic 'Roadmap for Freight Logistics System,' and overseen by the National Logistics Crisis Committee, chaired at the Presidency level. This initiative signifies our commitment to enhancing national logistics capabilities and driving sustainable economic growth."

Transnet has been a client of the African Development Bank since 2010. The company employs more than 50,000 people and plays a critical role in integrating and connecting South Africa with the global economy. The company's freight system's activities contribute significantly to South Africa's economy. Its operations serve as key gateways for trade within South Africa and with landlocked countries in the region, such as Botswana, Zambia, Zimbabwe, and the Democratic Republic of Congo through the Port of Durban.

About the African Development Bank Group

The African Development Bank Group is Africa's premier development finance institution. It comprises three distinct entities: the African Development Bank (AfDB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF). On the ground in 41 African countries with an external office in Japan, the Bank contributes to the economic development and the social progress of its 54 regional member states. For more information: www.afdb.org

Michelle Phillips, Group Chief Executive of Transnet said: “We appreciate the support demonstrated by the African Development Bank, the loan extended by the bank will make a significant contribution to Transnet’s capital investment plan to stabilise and improve the rail network and to contribute to the broader South African economy. The accompanying grant funding to the loan will also greatly assist Transnet with its energy efficiency efforts and with Infrastructure Project Preparation initiatives.”

The Board commended the Government of South Africa for its vision and commitment to reforms in Transnet as well as the country’s entire transport and logistics sectors. It also applauded Transnet for progress made in rolling out its compliance and governance improvement programme as well as its decarbonization and energy efficiency plans in line with its Net Zero Emission Strategy and Green Freight Strategy.

In addition to the corporate loan, the African Development Bank is contemplating two targeted grants, including \$750,000 in technical support from the Sustainable Energy Fund for Africa (SEFA) – a multi-donor fund administered by the Bank – to improve energy efficiency and associated measures, in line with Transnet’s net zero plan. The second grant funding comprises \$1 million from the Infrastructure Project Preparation Facility of the New Partnership for Africa’s Development (IPPF-NEPAD), for technical assistance to help accelerate railway reforms and address structural and regulatory inefficiencies.

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Caption:

1. *As the sole operator of ports, railways and oil pipelines, Transnet holds a unique position in the freight logistics sector in South Africa and the Southern African Development Community (SADC) region.*
2. *South Africa boasts the highest level of railway infrastructure in Africa, covering around 30,000 km. It ranks as the world’s 14th largest in length and is notably well-developed compared to other emerging markets.*