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Environmental and Social System Assessment (ESSA) Report

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ABBREVIATIONS

AfDB	African Development Bank
AQA	Air Quality Act
BA	Basic Assessment
BAR	Baseline Assessment Report
CARA	Conservation of Agricultural Resources Act
CBA	Cost-Benefit Analysis
C-ESMPs	Contractor's Environmental and Social Management Plan
CHMP	Chemical Management Plan
CHS	Community Health & Safety
CIA	Cumulative Impact Assessment
CMAs	Catchment Management Agencies
CO2	Carbon Dioxide
CoC	Chain of Custody
COGTA	Cooperative Government and Traditional Affairs
COIDA	Compensation for Occupational Injuries and Diseases
COP26	26th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC)
CSO	Civil Society organization
CSP	Climate Support Programme
DARDLEA	Department of Agriculture, Rural Development, Land and Environmental Affairs
DBSA	Development Bank of Southern Africa
DEA	Department of Environmental Affairs
DEDEAT	Department of Economic Development, Environment & Tourism
DEE	Department of Environmental Affairs
DFFE	Department of Forestry, Fisheries, and the Environment
DLI	Disbursement-Linked Indicator
DLIs	Disbursement-Linked Indicators
DMRE	Department of Mineral Resources and Energy
DoRA	Division of Revenue Act
DWS	Department of Water and sanitation
	Water Services Infrastructure Grant WSIG
E&S	Environmental and Social
EA	Environmental Authorization
EIA	Environmental Impact Assessment
EIR	Environmental Impact Report/Review
EMIs	Environmental Management Inspectors
EMPs	Environmental Management Plans
EMUs	Environmental Management Units
ESC	Erosion & sediment control plans
ESIAs	Environmental Social Impact Assessments
ESMPs	Environmental and Social Management Plans
ESSA	Environmental and Social System Assessment
eWULAAS	electronic Water Use License Application and Administration System
FA-ESMP	Financial Agreement-Environmental and Social Management Plan
FCDO	Foreign Commonwealth & Development Office
FGDs	Focus Group Discussions
FRP	Financial Recovery Planning
G20	Group of Twenty
GBV	Gender Based Violence
GDP	Gross Domestic Product
GHC	Greenhouse Gases

GIS	Geographic Information System
GN	Guidance Notes
GoRSA.	Government of the Republic of South Africa
GRMs	Grievance Redress Mechanisms
GW	Gigawatts
IDPs	Integrated Development Plans
IOP	Indicative Operational Programme
IRM	Independent Review Mechanism
IRP	Integrated Resource Plan
ISS	Integrated Safeguards System
IUCMA	Usuthu-Inkomati Catchment Management Agency
IVA	Independent Verification Agent
JET PMU	Just Energy Transition: Project Management Unit
JET-IP	Just Energy Transition Investment Plan
JETP	Just Energy Transition Partnership
KM	Kilometer
LED	Light Emitting Diode
LM	Local Municipality
LN	Listing Notice
LTIFR	Lost Time Injury Frequency Rate
M&E	Monitoring and Evaluation
MEL	Monitoring, Evaluation and Learning
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MISA	Municipal Infrastructure Support Agent
ML	Millimetre
MMRBP	Mozambique Master Rural Bridge Program
MOU	Memoranda of Understanding
MPRDA	Mineral and Petroleum Resources Development Act
MTDP	Medium-Term Development Plan
MURP	Municipal Utility Reform Project
MVF	Monitoring and Verification Framework
MW	Megawatts
NDCs	Nationally Determined Contributions
NDP	National Development Plan
NECOM	National Energy Crisis Committee
NEMA	National Environmental Management Act
NEMAQA	National Environmental Management: Air Quality Act
NEMBA	National Environmental Management: Biodiversity Act,
NEMWA	National Environmental Management: Waste Act
NERSA	National Energy Regulator of South Africa
NGOs	Non-Governmental Organizations
NHRA	National Heritage Resources Act
NRW	Non-Revenue Water
NT	National Treasury
NWA	National Water Act
NWRIA	National Water Resource Infrastructure Agency
OHS	Occupational Health Safety
OHSA	Occupational Health & Safety Act
OHSPs	Occupational Health and Safety Plans
OS1–OS10	Operational Safeguards
PAIA	Promotion of Access to Information Act
PAJA	Promotion of Administrative Justice Act
PAP	Program Action Plan
PBC	Performance Based Contract

PCB	Polychlorinated Biphenyls
PMO	Programme Management Office
PPE	Personal Protective Equipment
PPP	Public-Private Partnership
PV	Photovoltaic
RAP	Resettlement Action Plan
RBF	Results-Based Financing
RBIG	Regional Bulk Infrastructure Grant
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RMC	Risk Management Committee
RPFs	Resettlement Policy Frameworks
RVP	Results Verification Protocol
SALGA	South African Local Government Association
SAREM	South African Renewable Energy Masterplan
SCADA	Supervisory Control and Data Acquisition
SDBIP	Service Delivery and Budget Implementation Plan
SDFs	Strategic Development Frameworks
SEA	Strategic Environmental Assessment
SEP	Stakeholder Engagement Plan
SH	Safety and Health
SMS	Safety Management System
SOPs	Standard Operating Procedures
SP2	Strategic Priority Area 2,
SPLUMA	Spatial Planning & Land Use Management Act
tCO_2e	tonnes of Carbon Dioxide Equivalent
UK FCDO	United Kingdom's Foreign Commonwealth & Development Office
USD	United States Dollar
VP	Vulnerable Populations
WSP	Water Services Provider
WTPs	Water Treatment Plants
WULAs	Water Use and License Agreements
ZAR	South African Rand

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INTRODUCTION

This Environmental and Social Systems Assessment (ESSA) report presents the South Africa Municipal Reforms for Energy and Water-Mpumalanga Municipality Results-Based Financing (RBF) Program, led by the Government of South Africa, with Mpumalanga province municipal authorities. The program aims to enhance energy and water utility efficiency across municipalities including eMalahleni, Lekwa, Govan Mbeki, and Mbombela; and strengthen municipal energy and water service delivery in selected Mpumalanga municipalities through Performance Based Contracts (PBC), infrastructure upgrades, and institutional capacity building. Physical works include refurbishment and replacement of pipelines, water treatment plants, distribution networks, street lighting retrofits, substations, and mini-grid installations. Policy and service delivery actions include baseline assessments, auditing, connection regularization, and institutional reforms.

The Environmental and Social System Assessment (ESSA) has been prepared for the proposed RBF Program to support energy and water service delivery reforms in Mpumalanga Province, South Africa. The purpose of the ESSA is to evaluate the capacity of existing country systems including legal, regulatory, and institutional frameworks to manage environmental and social (E&S) risks associated with the Program, and to identify any gaps in relation to the African Development Bank's (AfDB) Integrated Safeguards System (ISS) 2023 and the 2023 RBF Policy for RBF operations. The ESSA further provides recommendations to strengthen system performance, ensures that Program activities are aligned with AfDB's Operational Safeguards (OS1–OS10), and develops an Action Plan that will form part of the overall Program Action Plan (PAP). The implementation of the E&S action plan should be included as a DLI or as part of the project's action plan.

This ESSA has been prepared based on the current scope of the Program design, institutional arrangements, and the set of Disbursement-Linked Indicators (DLIs) shared at the time of assessment. The findings, conclusions, and recommended actions presented herein are therefore conditional upon the finalization and approval of the revised DLIs. Any substantive modification to the DLIs including changes in scope, performance requirements, geographic coverage, institutional responsibilities, or the introduction of new infrastructure-related activities may have direct implications on the environmental and social risk classification, system performance evaluation, and Program Action Plan (PAP). Should the revised DLIs alter the nature or scale of activities supported by the Program, a recalibration of the ESSA analysis may be necessary to ensure continued alignment with the Bank ISS. Accordingly, the ESSA should be interpreted as a living document subject to refinement once the revised DLIs are confirmed. The implementing agencies, the AfDB, and relevant stakeholders will need to review and validate the ESSA's risk ratings, system capacity findings, and recommended actions in light of any changes incorporated in the final Program design.

SECTION 1: PROGRAM DESCRIPTION AND E&S RISKS

The following section outlines the program scope, program background, institutional context, key E&S risks, preliminary budget considerations, and the implementing agency's prior E&S management experience.

1.1 Program Background

Country Context: South Africa is advancing an ambitious Just Energy Transition aligned with its National Development Plan (NDP) Vision 2030, which aims to create 11 million jobs, reduce poverty, and promote inclusive growth. Under the 2024–2029 Medium-Term Development Plan, led by the newly elected Government of National Unity, the country prioritizes sustainable development, improved state capacity, and equitable service delivery—particularly in critical sectors like energy and water. The local government owns and operates approximately half of South Africa's electricity distribution grid. A total of 165102 (of 257103 – 205 local, 44 district, and eight metros) municipalities are electricity service providers, through the allocation of distribution licenses by the National Energy Regulator of South Africa (NERSA). However, most of the electricity distribution is located in relatively few municipalities: five metros account for 63% of municipal electricity sales, and the next 11 largest municipalities account for an additional 19% of sales. Approximately 20 municipalities account for close to 90% of the municipal electricity market. Municipalities have a critical role to play in a successful energy transition, in improving South Africa's energy security, and in ensuring that the country has sufficient reliable and affordable electricity to support expanded socio-economic development. Given the widely varying complexities that confront local government, the municipal energy transition needs a focused and collaborative approach across national, provincial, and municipal spheres of government to manage the significant financial, technical, and managerial challenges and risks of the transition. This established inter-governmental relations approach is spearheaded by the Department of Cooperative Government and Traditional Affairs (COGTA) and National Treasury (NT), along with organized local government structures, and will be key to finding sustainable electricity system solutions for municipalities of all sizes and capabilities.

The Just Energy Transition (JET) program is a flagship initiative of South Africa's national climate and development position, as expressed in the key policies such as the NDP 2030, the JET Investment Plan (JET IP) (2023-2027) and the Medium-Term Development Plan (MTDP) (2024-2029). The Just Energy Transition Partnership (JETP), launched at COP26 with international partners including the UK, supports South Africa's climate goals and Nationally Determined Contributions (NDCs). This led to the approval of the Just Energy Transition Investment Plan (JET-IP) in 2022 and its Implementation Plan in 2023, focusing on five priority areas such as municipal capacity, water infrastructure in coal regions, and energy distribution reforms. These are reinforced by the National Energy Crises Committee (NECOM) Phase 2.0, launched in 2024, which targets electricity and municipal infrastructure reform. These strategic frameworks underscore the importance of economic diversification, infrastructure resilience and a socially inclusive transition to a future-proof economy, particularly in Mpumalanga, which hosts 86% of coal-related jobs ((JET Implementation Plan, 2023). The JET IP recognises that municipal-level interventions in energy distribution and water services sit at the fulcrum of the just transition. The Municipal Utility Reform Project (MURP) is therefore anchored in the JET Program and aims to strengthen service delivery, improve governance and enhance financial sustainability through a Results-Based Financing (RBF) modality linked to Disbursement-Linked Indicators (DLIs).

A flagship initiative, the Municipal Utility Reform Project (MURP), backed by UK guarantees and technical assistance, uses Results-Based Financing to improve service delivery and governance in coal-dependent areas such as Mpumalanga, where 83% of South Africa's coal is produced and mining contributes 25% of provincial GDP. Aligned with the 2025 G20 Presidency and South Africa's infrastructure strategy, MURP supports inclusive growth, reduces municipal debt risks, and facilitates climate-resilient investment in water, energy, and agriculture. It aligns with Bank frameworks on climate resilience, gender equity, and regional integration, positioning South Africa for a just and inclusive transition.

Sectoral and Institutional Context: National Treasury (NT) is responsible for managing South Africa's public finances and ensuring fiscal sustainability across all the three spheres of government. The mandate of treasury is to formulate fiscal policy, prepare the national budget and oversee the intergovernmental transfers in line with the Division of Revenue Act (DoRA). NT allocates both conditional and unconditional grants to municipalities, prescribes compliance and reporting requirements, and monitors financial performance to ensure accountability. NT plays a central role in financial oversight, this ranges from regulating borrowing, conditional grant utilization and municipal financial recovery plans. The role of NT also extends to coordinating intergovernmental fiscal relations, ensuring that there is alignment between national priorities, such as the JET and municipal budgeting, financing and service delivery frameworks.

Energy Sector - South Africa, particularly the province of Mpumalanga, remains heavily reliant on coal, generating 76% of the country's electricity and making it the most coal-dependent G20 nation and the 13th highest global emitter. Nationally, 86% of electricity is produced from coal, with Eskom's 15 coal-fired plants, averaging 41 years in age, contributing 40 GW of the 54 GW total installed capacity as of 2022. While electricity access has expanded significantly (from 58% in 1996 to 87% in 2022), ageing infrastructure, poor plant performance, financial underperformance, and governance challenges have led to frequent outages, even outside of national loadshedding events. The energy crisis that began in 2022, driven by a 6GW supply shortfall, and delayed renewable integration, has become a major constraint on economic growth. Electricity tariffs have increased by 318% over 13 years but remain below cost-reflective levels, while Eskom's debt continues to mount due to under-collection of municipal payments, which rose from ZAR 56 billion in 2022 to ZAR 107 billion in 2024. Municipalities, which distribute electricity to approximately 60% of customers, face substantial operational challenges. Technical losses stem from underinvestment and deteriorating infrastructure, while non-technical losses result from billing inefficiencies, theft, staffing gaps, and weak enforcement.

Similar challenges affect the water sector, particularly in Mpumalanga, where Non-Revenue Water exceeds 51%. In both sectors, the government is shifting away from "business as usual" by introducing institutional reforms, including performance-based procurement, to unlock infrastructure investment and improve service delivery. To address these systemic challenges and support the transition to a low-carbon, inclusive economy, the Government launched the Energy Action Plan (2022) and created the National Energy Crisis Committee (NECOM). Through the Just Energy Transition Partnership (JETP), USD 8.5 billion was pledged to support the transition. The Just Energy Transition Investment Plan (JET-IP, 2023–2027) estimates an investment of ZAR 1.5 trillion (USD 81 billion). Additionally, the South African Renewable Energy Masterplan (SAREM), approved in April 2025, targets 29.5 GW of new renewable capacity by 2030, including 14.4 GW wind and 6 GW solar and aims to create up to 25,000 jobs.

Water Sector - South Africa's water sector - faces severe infrastructure and governance challenges. Ageing infrastructure, poor maintenance, and water pollution from failing wastewater systems have led to frequent service disruptions and declining water quality. At the municipal level, underinvestment, mismanagement, and low revenue recovery—averaging just

33.5% of budgeted income in key municipalities—have created a cycle of underperformance. However, Government through the assistance of the Department of Water and Sanitation (DWS), has supported Municipalities to address the challenges through the provision of Water Services Infrastructure Grant (WSIG) and Regional Bulk Infrastructure Grant (RBIG) and Municipal Disaster Recovery Grant, to refurbish and upgrade water and sanitation infrastructure. In Mpumalanga, Non-Revenue Water stands at 51.2%, the highest in the country, reflecting widespread losses and inefficiencies. Other instruments to arrest the losses, include Government's reforms under Operation Vulindlela, including the creation of a National Water Resource Infrastructure Agency (NWRIA) and improved regulation, pricing, and licensing mechanisms. The MURP aligns with these efforts and can benefit from complementary initiatives such as the New Development Bank's $1 billion loan facility for underserved communities through the Municipal Infrastructure Grant, aimed at reducing service backlogs and improving delivery. Despite extensive annual grants transfer and technical, financial, and capacity-building support from national institutions like the DWS, COGTA, and others, municipalities continue to struggle with implementing effective water and sanitation services. In light of limited progress, the government now plans to amend the National Water Services Act to introduce stricter regulatory measures, requiring service providers to hold formal Water Services Provider (WSP) operating licenses, enhancing enforcement powers, clearly defining institutional accountability, and improving governance of water boards, to ensure more reliable and accountable delivery of water services across South Africa.

Municipal Level: Mpumalanga's 17 local municipalities face significant service delivery challenges, including overreliance on grants, poor capital expenditure execution, and low revenue collection. As per NT's Interim State of Local Government Finances (Dec 2024), only 23% of the R4.256 billion budgeted capital expenditure and 19% of R4.151 billion in conditional grants were utilized showing significant capacity deficiency and governance challenges. eMmalahleni, one of the beneficiary municipalities of the Program, has 52% Non-Revenue Water, and the situation is similar in other municipalities. Most municipalities received qualified or unqualified audit opinions with findings, reflecting weak governance. Rapid urbanisation, cross-border migration, and growing informal settlements further strain already deteriorating infrastructure, while inefficiencies and revenue shortfalls drive non-payment, theft, and vandalism.

Rationale for Bank Engagement

The proposed RBF operation is consistent with the Bank's Ten-Year Strategy (2024–2033), particularly its High-5 priorities. Under the *Light up and Power Africa, it supports* sub-themes such as Power Distribution (2.4), Off-Grid Solutions (2.5), Clean Cooking (2.7), Energy Sector Reform (2.10), and Climate Change & Green Growth (5.16). These priorities are implemented through the New Deal on Energy for Africa (2016–2025) and the Bank's Energy Sector Policy (2012). Under the *Improve the Quality of Life for the People of Africa*, the program aims to expand and improve water and sanitation services for households, public facilities, and productive uses. This aligns with the Bank's Water Policy and the Strategy for Water (2021-2025), specifically strategic priority area 2 (SP2) on water supply and sanitation services. MURP is additional to the Indicative Operational Programme (IOP) in the CSP, made possible through additional headroom from a UK guarantee following partner dialogue. Nevertheless, it fully aligns with the Bank's objective of expanding access to financial resources to its RMCs. The program reinforces the Bank's existing portfolio in South Africa. The MURP will adopt an innovative performance-based contracting approach, in which the private sector is remunerated according to service quality and performance outcomes. During the first two years, the program will focus on building institutional capacity and creating an enabling environment, after which greater operational and financial risks will be transferred to the private sector. This approach aligns with the Bank's objective of leveraging private sector expertise, management skills, and technical capabilities. The Program also offers strong potential for scale-up and replication in South Africa and other contexts.

1.2 Program Scope and Activities

The RBF initiative will support a suite of interventions across energy and water utilities. The proposed program has two broad focus areas in water (including non-revenue water and water infrastructure) and energy (including energy management systems to address technical and non-technical losses and infrastructure):

- **Energy Service Delivery**
  - Baseline assessments and audits of service connections.
  - Regularization of customer connections.
  - .
  - Refurbishment of 33kV substations, distribution transformers, and distribution lines.
  - Retrofitting of public streetlights with LEDs.
  - Installation of renewable energy (solar PV and hybrid systems) in public facilities.
- **Water Service Delivery**
  - Baseline assessments and audits of water service connections.
  - Regularization and metering of water customers.
  - Installation of bulk and household water meters.
  - Water loss management and pressure management systems.
  - Replacement of leaking mains and refurbishment of water treatment plants (WTPs).
  - Feasibility assessments for new water treatment plants and reservoirs
- **Institutional & Enabling Activities**
  - Annual Grant Appropriation Act.
  - Institutional accountability through the Mandate Agreement between the National Treasury (NT), Department of Cooperative and Traditional Authority (COGTA) and Development Bank of South Africa (DBSA), Participation Agreements between DBSA and Municipalities.
  - Strengthening of monitoring, verification, and oversight arrangements, including the recruitment of an Independent Verification Agent (IVA).

Program Results

The overall cost exceeds USD 2 billion in capital and operational expenditures and will be delivered through an innovative engagement of the management and technical skills of the private sector through a performance-based contracting approach. Solutions have been collated into sub-projects which may span multiple municipalities where economy of scale benefits may be derived or may be focused on specific municipalities. The program will be implemented over the coming five years from 2026-2031 and the main Program Result Areas are described below:

- **Result Area 1: Energy Service Delivery Modernisation and Sustainability**

This covers all the interventions and activities contributing to the improvement of modern electricity services in the beneficiary municipalities of Lekwa and eMalahleni.

Sub-component 1.2: Municipality 1 – eMalahleni

The intervention in eMalahleni will include undertaking connections, customer and metering audits, regularizing connections to reduce non-technical losses, a systematic refurbishment and/or upgrade of substations, transformers, and distribution lines to reduce technical losses, the replacement of high-pressure sodium streetlights with energy-efficient LEDs across municipal roads and the installation of solar generation in public buildings..

Sub-component 1.2 Municipality 2 – Lekwa

The intervention in Lekwa will include installation of solar generation in public buildings, undertaking connections, customer and metering audits, regularizing connections to reduce non-technical losses, the refurbishment and/or upgrade of substations, transformers, and distribution lines to reduce technical losses.

- **Results Area 2: Water Service Delivery Modernisation and Sustainability**

This covers all the interventions and activities contributing to the improvement of water utility operation in the beneficiary municipalities of *Mbombela, Govan Mbeki, Lekwa, and eMalahleni*, and Inkomati catchment authority. The execution of the activities in the Municipalities will be managed via performance-based contractor who will be engaged in a long-term contract during the project intervention.

Sub-component 2.1: Municipality 1 – Mbombela (Excluding Concession Area)

The intervention in Mbombela will include undertaking of metering audit, replacement and installation of new consumer meters , provision of new bulk meter and maintenance of existing bulk meters and network valves, establishment of District Metered Areas, maintain telemetry sites, retrofit appliances in indigent households, government buildings and schools; replace critical leaking mains ; refurbish existing water treatment plant. The program will enable savings of physical water loss estimated at 1551 ML/year. The estimated annual reduction in GHG emissions is estimated at 10,361 t/annum CO2.

Sub-component 2.2: Municipality 2 – Govan Mbeki

The intervention in Govan Mbeki will include undertaking of metering audit, replacement and installation of new meters , maintenance of existing bulk meters and network valves, establishment of District Metered Areas, maintain telemetry sites, retrofit appliances in indigent households, government buildings and schools; replace critical leaking mains. The program will enable savings of physical water loss estimated at 321 ML/year. The estimated annual reduction in GHG emissions is estimated at 4181 t/annum CO2.

Sub-component 2.3: Municipality 3 – Lekwa

The intervention in Lekwa will include undertaking of metering audit, replacement and installation of new meters , maintenance of existing bulk meters and network valves, establishment of District Metered Areas, maintain telemetry sites, retrofit appliances in government buildings, schools, etc; roll out leakage monitoring and replace critical leaking mains ; replacement of aged rising main ; refurbish existing water treatment plant (27ML); and preparation of feasibility studies for new water treatment plant and new storage reservoirs. The program will enable savings of physical water loss estimated at 321 ML/year. The estimated annual reduction in GHG emissions is estimated at 4181 t/annum CO2.

Sub-component 2.4: Municipality 3 – eMalahleni
The intervention in ELM will include undertaking of metering audit, replacement and installation of new meters , maintenance of existing bulk meters and network valves, establishment of District Metered Areas, maintain telemetry sites, retrofit appliances in indigent households, government buildings and schools; replace critical leaking mains ; refurbish existing water treatment plant (92ML); and preparation of feasibility studies for new water treatment plant and new storage reservoirs. The program will enable savings of physical water loss estimated at 321.4 ML/year. The estimated annual reduction in GHG emissions is estimated at 4181 t/annum CO2.

Sub-component 2.5: Inkomati-Usuthu Catchment Management Agency (IUCMA)

The intervention is focused on installation and monitoring of meters at all unmetered abstractions points on the Crocodile River (estimated at 108) as a priority to determine what the actual usage is, in turn providing certainty that approving new application agreements in the area would not negatively affect the water resource. This rationalizes the water allocation and use efficiency.

Program's Strategic Alignment

- Strong alignment with national development priorities, the National Development Plan (NDP) 2030 (improving infrastructure, diversifying the economy, and promoting equitable growth), JET-IP (2023–2027) (strengthening municipal capacity and distribution infrastructure in coal-dependent regions), the 2024 Medium-Term Budget Policy Statement and 2025 Budget (which prioritise infrastructure and public-private delivery models);
- Operation Vulindela, NECOM 2.0 and GoRSA initiatives focused on municipal utility recovery and governance reform; and
- The AfDB Country Strategy Paper (2023–2028) and Ten-Year Strategy, which prioritise resilience, inclusion, and climate-smart infrastructure.
- Water and Energy Sector Policies, addressing infrastructure resilience and reducing technical and non-technical losses.

Expected Contribution to Development Outcomes
Economic diversification through infrastructure upgrades supporting new economic activity.
- Service delivery improvement via reduced outages, improved water quality, and reliable billing systems; and
- Governance strengthening through obligations under private sector contracting, transparency measures, and independent verification.

Monitoring
Monitoring will be structured at two levels:
- **Municipal Sub-Project Level**: with tailored output and outcome indicators aligned to service baselines and local reform goals.
- **Programme Level**: using aggregated indicators to track overall results across municipalities and demonstrate the broader value of the MURP approach.

Key developmental indicators (linked as appropriate to Disbursement-Linked Indicators (DLIs) and private sector contractor targets) will include the following. JET PMU indicators from the broader JET Monitoring, Evaluation, and Learning (MEL) framework will also be included:

- Non-revenue water reduction (litres/day).
- Percentage of households with regularised connections.
- Reduced electricity losses.
- GHG emissions avoided (tCO_2e).
- Direct jobs created (including for women).

Rationale For RBF Modality

The RBF incentivises performance by linking disbursements to verifiable results. This is important in municipalities where historically, grant transfers lacked accountability and results orientation. The approach also aligns with conditional grants under the Appropriation Act, enabling compliance while introducing output and outcome-based incentives.

Disbursement Linked Indicators (DLIs)

The formulated draft DLIs (to be amended to final DLIs) and their E&S relevance status are indicated in the table below and further elaborated under E&S Risk in Section 1.6:

Table 1: Proposed tentative DLIs as of 30 August 2025

Designed DLIs	E&S Relevance
DLI 1: Institutional framework for program implementation approved.	Yes
1.1 Independent Verification Agent (IVA) contracted	
1.2 Participation agreement signed between PMO (DBSA) and the participating 4 municipalities,	
1.3 PMO Mandate Agreement (MOA) signed between National Treasury,	
DLI 2: Energy service delivery modernisation and sustainability	
2.1 Tri-partite funding agreement concluded between PMO (DBSA), participating municipalities (x2) and the private party contractor for Energy	
2.2 Customer & Connection Surveyed and Data available for input to asset, customer and social register systems	
2.3 Metering & connection rehabilitation - LV Connection Single & 3 Phase	Yes
2.4 Lekwa & ELM: Streetlight LED Retrofitting	Yes
2.5 Alternative Energy-Public buildings	Yes
2.6 Reduction in Energy Losses	Yes
DLI 3: Water service delivery modernisation and sustainability	
3.1 Tri-partite funding agreement concluded between PMO (DBSA), participating municipalities (x4) and the private party contractor for for Water interventions	
3.2 Customer & Connection Surveyed and Data available for input to asset, customer and social register systems	
3.3 Reticulation pipeline replacement: Replace critical leaking mains	Yes
3.4 New and Replacement of water meters including associated enabling Infrastructure	Yes
3.5 Non Revenue Water Reduction	Yes
DLI 4: Implementation of Environmental and Social Action Plan	Yes
4.1 E&S Systems, responsibilities, tools, and oversight mechanisms including E&S staff are in place	

Inputs and Enabling Conditions: The Programme's inputs include:

- Technical analysis and structuring of municipal sub-projects.
- Establishment of a dedicated Programme Management Office (PMO) and Independent Verification Agent (IVA).
- Procurement and onboarding of private sector operators.
- Investment in infrastructure upgrades for energy and water utilities.

Key enabling conditions:

- Loan disbursement and effective grant flow.
- Municipal cooperation and commitment to turnaround.
- Private sector appetite and credible market operators.
- Regulatory and governance alignment.

Outputs and Implementation Phases: Outputs are delivered in a sequenced manner through three implementation phases:

Phase 1:

- Establishment of PMO and IVA (Outputs 1–2)
- Baselining activities and customer registration (Output 5)
- Procurement of PBC operators (Output 4)

Phase 2:

- Delivery of operational recovery actions through private service delivery agreement, including network rehabilitation, metering audits, connection regularisation, and reinstatement of maintenance programmes (Outputs 8-10) and long term operational contract

Intermediate outcomes: (subject to review mid term)

- Reduction in technical and commercial losses (water and electricity)
- Increased revenue collection through improved billing and customer management
- Improved reliability of service delivery for water and electricity

Final outcomes:

- Job creation, including for women and youth
- Reduction in greenhouse gas emissions through increased efficiency
- Improved access to water and energy services in targeted municipalities including households
- Increased resilience and financial sustainability of water and energy utilities

1.3 E&S Categorisation

Under the African Development Bank (AfDB) Results-Based Financing (RBF) Policy, programs and their activities are required to be those of medium environmental and social risks that are classified as Category 2 (moderate risk), excluding Category 1 (High risk) activities which entail significant adverse and irreversible E & S risks, under the AfDB's Integrated Safeguards System (ISS) and national legal frameworks. For a Category 2 RBF program, the borrower is required to demonstrate that their environmental and social management systems are adequate to identify, mitigate, and monitor potential impacts, and to implement the mitigation measures through a program-level Environmental and Social Management Plan (ESMP) or equivalent instruments and an operational Grievance Redress Mechanism (GRM) during implementation. This categorisation allows the RBF instrument to focus on system-level oversight and results-based indicators, rather than requiring full project-specific ESIAs for each subproject. The Bank requires the preparation of an ESSA prior to appraisal, which evaluates gaps in national systems, assesses institutional capacity, and identifies measures to strengthen safeguards implementation. The Category 2 program will also require stakeholder engagement, disclosure of ESSA findings, ensuring transparency, accountability, and compliance with both national legislation and AfDB safeguard standards.

This RBF program is categorised as Moderate Risk (Category 2) per the national EIA regulatory framework and AfDB ISS (2023). South Africa's environmental assessment system falls under the National Environmental Management Act (NEMA), 1998 (Act No. 107 of 1998) and its Environmental Impact Assessment (EIA) Regulations. NEMA requires that certain activities which may have a significant impact on the environment cannot commence without environmental authorization. The EIA Regulations (Listing Notices) set out which activities trigger an environmental assessment and at what level (Basic Assessment or Scoping & EIA). If an activity is "listed" under NEMA, the proponent must apply for an Environmental Authorization before starting the activity. NEMA Listing is applied according to infrastructure type, size, and location. The Competent Authority decides whether to grant authorization. Without approval, the project is considered illegal and non-compliant, exposing both the borrower and financier (e.g., AfDB) to legal, financial, and reputational risks.

They provide legal thresholds that determine the type of environmental assessment required. The Three Listing Notices (GN R. 327, 325, and 324 of 2014, as amended): Listing Notice 1 (LN1 – GN R. 327), covers activities with relatively low to moderate environmental risk. Requires a Basic Assessment (BA) process, which is less detailed than a full EIA but still considers key environmental and social risks; such as the small-scale infrastructure upgrades, installation of facilities below defined thresholds. Listing Notice 2 (LN2 – GN R. 325), covers activities with significant potential environmental impacts. Requires a full Scoping and Environmental Impact Assessment (EIA); such as the large-scale infrastructure (powerlines above certain voltages, new major reservoirs, new water treatment plants). Listing Notice 3 (LN3 – GN R. 324), covers activities similar to LN1, but only when they occur in sensitive geographic areas (e.g., within 100m of a watercourse, in a protected area, coastal zone, or areas with high biodiversity). Requires a Basic Assessment, but with greater focus on site sensitivity.

Municipalities are accountable for coordinating and executing any Basic Assessments (BA) or Environmental and Social Impact Assessments (ESIA) as triggered under NEMA, as amended. It is important to clarify that the Municipality is viewed as "the proponent" and therefore are accountable to complete and issue the application forms for either BA or ESIA, as may apply. The BA/ESIA 'must' be undertaken by an independent Environmental Assessment Practitioner (EAP) and therefore cannot, under any circumstances, be undertaken by entities involved in the project (that includes contractors expected to deliver the services i.e. Energy and Water - Mpumalanga Municipality RBF Program).

For the energy and water RBF activities (e.g., smart meters, refurbishment of substations, pipeline refurbishments, WTP upgrades)- the scope constitutes refurbishment (i.e., replacement or upgrading of existing components within the same footprint without changing capacity or function) and not rehabilitation[1]. Rehabilitation works that alter design capacity, footprint, or operational processes may trigger more detailed environmental assessments depending on scale and location. Most refurbishments and metering likely fall under LN1 (Basic Assessment) or may even be excluded if within the existing infrastructure footprints and/or within the requirements set out in existing permits/environmental authorisations. Larger infrastructure (new large WTPs, reservoirs or substations) may fall under LN2, requiring a full EIA, and therefore excluded from the program. Any activity in sensitive areas (wetlands, riparian zones, protected areas, heritage sites) will trigger LN3. This ensures that even small but sensitive interventions (e.g., pipeline work near rivers) are properly assessed, while major upgrades (e.g., WTP expansion) undergo a site sensitive Basic assessment; there is no known proposed activity in such sensitive environments.

[1] Rehabilitation would constitute more extensive works to restore or improve functionality, which may involve structural repairs, expansion, or modifications,

Under the Bank ISS requirements, sub-project activities encompass civil works or installation/refurbishment (e.g., of substations, meters, pipelines) fall under Category 2; administrative, planning, or monitoring activities fall under Category 3 (Low Risk), involving no physical works and negligible E&S impacts. Category 1 projects are excluded under the RBF policy, encompassing initially envisaged large-scale new water treatment plants, new electrical power line routes or new water pipelines outside existing infrastructure, classified as high-risk under national environmental legal frameworks. No involuntary resettlement or land acquisition is expected, as activities will be conducted on existing municipal infrastructure.

Table 2 indicates categorisation of the sub-program activities:

Table 2:RBF activities with categorisation under AfDB ISS, AfDB RBF Policy and South African NEMA requirements, including screening justification for each activity:

Program Activity	**AfDB ISS Category**	**National ES Category NEMA Listing Notice)**	**Screening Justification**
Energy Service Delivery			
Baseline assessments and audits of service connections	Category 3 / Low Risk	Not listed (administrative activity)	Non-intrusive, no physical works; negligible E&S impacts.
Regularization of customer connections	Category 2	Part B, Listing Notice 1 (Electricity distribution outside urban areas)	Minor localized civil works; temporary disturbances; impacts manageable via ESMP. Potential social risks around vulnerable households facing additional financial strain as a result of more accurate and efficient billing. In addition, community tensions may arise around payment for services through the improved revenue collection
Refurbishment of 33kV substations	Category 2	Part B, Listing Notice 1	Moderate risk from construction and electrical works within existing substations; dust, noise, safety; no resettlement expected; mitigable through ESMP.
Refurbishment of distribution transformers	Category 2	Part B, Listing Notice 1	Similar to above; manageable environmental and safety risks.
Refurbishment of distribution lines	Category 2	Part B, Listing Notice 1	Localized civil works along existing corridors; minor environmental impacts; temporary disruptions manageable.
Retrofitting public streetlights with LEDs	Category 3 / Low Risk	Not listed	Minimal civil works; negligible negative environmental or social impacts. Social benefits from improved streetlighting such as e.g. safety.
Installation of renewable energy (solar PV/hybrid) in public facilities	Category 2	Part B, Listing Notice 1	Moderate risk from civil/electrical works; manageable with ESMP; temporary occupational hazards.
Water Service Delivery			
Baseline assessments and audits of water service connections	Category 3 / Low Risk	Not listed	Administrative activity; negligible E&S impacts.
Regularization and metering of water customers	Category 2	Part B, Listing Notice 1 (Water distribution and	Localized civil works; minor soil disturbance; manageable with ESMP.

Program Activity	AfDB ISS Category	National ES Category NEMA Listing Notice)	Screening Justification
		metering outside urban areas)	Potential social risks around vulnerable households facing additional financial strain as a result of more accurate and efficient billing. In addition, community tensions may arise around enhanced focus on payment for services through the improved revenue collection .
Installation of bulk and household water meters	Category 2	Part B, Listing Notice 1	Minor localized civil works; potential temporary water service disruptions; mitigable. Potential social risks around vulnerable households facing additional financial strain as a result of more accurate and efficient billing. In addition, community tensions may arise around enhanced focus on payment for services through the improved revenue collection.
Water loss management and pressure management systems	Category 2	Part B, Listing Notice 1	Civil works for pressure/valve installations; low-to-moderate risk; manageable via standard procedures.
Replacement of leaking mains	Category 2	Part B, Listing Notice 1	Civil works along existing pipelines; temporary soil and traffic disruption; manageable under ESMP.
Refurbishment of WTPs	Category 2	Part B, Listing Notice 1	Moderate environmental and safety risks (chemical handling, dust, noise); mitigable with ESMP.
Feasibility assessments for new WTPs/reservoirs	Category 3 / Low Risk	Not listed	Non-intrusive planning and design studies; negligible E&S impacts.
Institutional & Enabling Activities			
Establishment of Conditional Grant Framework	Category 3 / Low Risk	Not listed	Administrative/financial activity; no environmental or social impacts.
Institutional and accountability MOUs	Category 3 / Low Risk	Not listed	Administrative; negligible E&S impact.
Strengthening monitoring, verification, and oversight (including IVA recruitment)	Category 3 / Low Risk	Not listed	Capacity-building and administrative; negligible E&S impacts.

1.4 Geographical Coverage

The program will span multiple municipalities in South Africa's Mpumalanga province- specifically eMalahleni and Lekwa for energy components, and Mbombela, Govan Mbeki, Lekwa, and eMalahleni for water interventions- ensuring reach across varied local contexts and service delivery environments. South Africa is the southernmost country on the African continent, located at the southern tip of the African continent, making it the gateway between the Atlantic and Indian Oceans, and an important maritime and trade route. It borders Namibia, Botswana, and Zimbabwe in the north, Mozambique and the Kingdom of Eswatini (Swaziland) in the North-east. South-east (enclave) entirely surrounds the Kingdom of Lesotho, a landlocked country within South Africa.

Mpumalanga Province: Located in northeastern South Africa, covering ~76,500 km² (~6.3% of national land area). It is divided into Highveld (western, high-altitude coal mining and power generation areas) and Lowveld (eastern, subtropical, agriculture, and tourism-rich areas). Key rivers include Crocodile, Komati, Vaal, and Sabie; critical for water resource management. It is an energy hub with significant coal mining and power generation; high environmental pressures, especially air and water pollution.

Municipality Baseline Summary:

- eMalahleni: Industrial and coal mining center; high air and water pollution; eMalahleni Water Reclamation Plant demonstrates water treatment and E&S compliance capacity; high unemployment and poverty; electricity and water infrastructure under stress, with NRW >50%.
- Lekwa: Agricultural and energy presence; aging water and electricity infrastructure; poor service delivery; high technical losses; failing water systems.
- Govan Mbeki: Industrial and petrochemical hub (Sasol Secunda); wetland and river catchments sensitive to pollution; overcapacity wastewater treatment; NRW ~42%; electricity distribution and financial management challenges.
- Mbombela: Tourism and agricultural hub; Lowveld region with subtropical climate; vulnerable populations include youth and persons with disabilities; water security and wastewater treatment constrained by aging infrastructure; electricity losses above acceptable thresholds.

The program spans diverse socio-economic and environmental contexts, with municipalities facing challenges in water and energy service delivery, aging infrastructure, outdated social registries, environmental pollution, and social vulnerability, making integrated E&S management essential.

The program focuses on four municipalities in the Mpumalanga province which is most affected by coal phase-out given in Table 3. The program will initially target four distressed municipalities, focusing on water and/or energy services. These municipalities were selected based on the following: Strong early traction and political commitment to engage in the programme; and Evidence of systemic service delivery failures and high debt exposure.

Table 3: Initial municipal focus

Municipality	Sector Focus
Emalahleni Local Municipality	Water and Energy
Govan Mbeki Local Municipality	Water
Mbombela Local Municipality	Water
Lekwa Local Municipality	Water and Energy

1.5 Environmental and Social Risks

DLIs and Environmental & Social Aspects

The Disbursement-Linked Indicators (DLIs), together with their environmental and social (E&S) relevance and the corresponding Bank Operational Safeguards (OSs) triggered, are outlined below. These safeguard requirements are aligned with the anticipated risks and impacts associated with the program's activities:

- *DLI 2: Energy service delivery modernisation and sustainability*
  - DLI2.3 Distribution lines & LV feeders refurbished/upgraded
    E&S relevance: Public health and occupational health and safety during construction/maintenance- OS1, OS2, OS3, OS5, OS10
  - DLI2.4 Retrofitting streetlights to LED.
    E&S relevance: Reduces energy consumption and emissions; affects local lighting safety and urban environment- OS1, OS3, OS5
  - DLI2.5 Rooftop solar on public buildings
    E&S relevance: Involves public safety, waste management (solar panels), and community access/benefit- OS1, OS5, OS2
  - DLI2.6 Electrical losses reduced
    E&S relevance: Reduces energy wastage, associated environmental footprint, and potentially improves safety- OS1, OS5

- *DLI 3: Water service delivery modernisation and sustainability*
  - DLI3.3: Reticulation pipeline replacement: Replace critical leaking mains
    E&S relevance: Construction may impact land, secondary vegetation and soil disturbances, water resources, and communities- OS1, OS2, OS3, OS5
  - DLI 3.4: New and Replacement of water meters including associated enabling Infrastructure
    E&S relevance: Improves access to safe water and community health benefits. Can reduce vulnerability of informal or underserved populations. Supports equitable billing and sustainable water management. Indirectly supports community well-being and environmental protection Promotes equity and social inclusion- OS1, OS3, OS5, OS10
    DLI 3.5: Non Revenue Water Reduction – supports sustainability and efficiency of utility,
    E&S relevance: Promotes resource conservation, reduces environmental stress from water scarcity- OS1, OS5

Environmental and Social Risks of the Program

For all E&S Risks, if falling within a Listing Notice trigger (threshold) under the EIA Regulations, a BA or ESIA will need to be procured by the Municipality (the proponent) by an independent EAP - the outcome will either result in an Environmental Authorisation (EA) with an approved ESMP to meet the conditions within the EA or will not be approved, which means no development can take place.

The program sub-project activities are anticipated to have the following environmental and social (E&S) risks:

Environmental Risks

- Dust, noise, and waste generation from civil works (e.g., meter installation, line refurbishments, pipeline replacement at leaking sections). Proposed activities may also pose cumulative impact risks to water quality, aquatic ecosystems, and air quality, especially in areas already impacted by coal-fired power stations.

- Localized soil and water pollution from construction works disturbances and transformer maintenance works (potential oil leaks). Some old transformers may contain Polychlorinated Biphenyls (PCBs) above thresholds.
- Generation of hazardous, solid and e-waste (removed asbestos pipes, obsolete meters, streetlights, transformers, concrete rubble).
- Potential air emissions and exposure to asbestos from removals of old pipelines - Asbestos abatement regulations must be adhered to during removal and replacement of pipelines.
- Secondary vegetation clearance, temporary disturbance of soils and fauna disturbances from excavation works or pipeline alignments- Though within existing infrastructure footprints, some works are located near rivers (intakes) and within areas where natural vegetation has regenerated over water pipeline servitudes. No species of conservation significance were recorded. There are risks of fauna such as reptiles or amphibians falling into open trenches may occur. Given these areas are not classified as critical habitats but represent modified habitat status, and absence of critical species or ecosystems, OS6 is not triggered.
- Production of poor-quality water from refurbished water treatment plants if not considered in design

The environmental risks are indicated in Table 4:

Table 4:Environmental Risk Matrix (Energy & Water Activities)

Risk	Program Aspects	National legal statute relevant	AfDB OS Ref	Key Mitigation	Indicator
Construction nuisances: dust, noise, vibration	Pipeline replacement; substation/line refurbishment; WTP refurbishment works; streetlight retrofits	NEMA (Act 107/1998) & EIA Regulations (Listing Notices); National Environmental Management: Air Quality Act (AQA) 39/2004; Municipal by-laws (noise); Occupational Health & Safety Act (OHSA) 85/1993 (worker protection); Asbestos Abatement Regulations, 2020 - GNR1196 of 10 November 2020	OS1, OS3	Site-specific ESMPs\C-ESMPs; method statements; work-hour limits; dust suppression; noise barriers near sensitive receptors; adherence to asbestos abatement regulations	% subprojects with cleared ESMPs\C-ESMPs before works; IVA spot checks; complaints trend
Soil & water contamination (hydrocarbons, concrete washout)	Transformer oil handling; plant maintenance; laydown yards	National Water Act (NWA) 36/1998; Waste Act 59/2008; AQA 39/2004 (where air emissions relevant); OHSA 85/1993; Hazardous Substances Act 15/1973	OS1, OS3	Spill prevention & response plans; lined refueling areas; waste concrete traps; training; incident reporting within 48h	Zero major spills; # minor spills closed with evidence; verified training logs
Hazardous & general waste (oils, e-waste, lamps, meters, asbestos)	Meter changeouts; LED retrofits; transformer replacements	Waste Act 59/2008 (licensing & disposal); Hazardous Substances Act 15/1973; National Environmental Management: Waste Act regulations;	OS1, OS3	Waste inventories; licensed transporters/disposal; PCB-free specs; e-waste take-back clauses; if PCBs above thresholds (e.g. >50 mg/kg), it must be registered; develop a phase-	% waste streams documented & disposed via licensed facilities; supplier take-

Risk	Program Aspects	National legal statute relevant	AfDB OS Ref	Key Mitigation	Indicator
		Extended Producer Responsibility (where applicable); Municipal by-laws. PCB and e-waste regulations; Asbestos Abatement Regulations, 2020 - GNR1196 of 10 November 2020		out plan and submit audits to the regulator. Adhere to deadlines- prohibition of use by 2023, prohibition of possession by 2026, properly dispose of if authorized as waste by licensed handlers per GN R549 and decontamination / purification plants; install leakage collection system for oil leaks. Adherence to asbestos abatement regulations	back records; decontamination records, PBC free facilities, transformer oil collection systems.
Hazardous waste (asbestos)	When removing and handling asbestos pipes and replacing with uPVC	Waste Act 59/2008 (licensing & disposal); Hazardous Substances Act 15/1973; National Environmental Management: Waste Act regulations (Asbestos regulations, 2020); Extended Producer Responsibility (where applicable); Municipal by-laws	OS1, OS3	Identify all asbestos-containing materials (ACMs) through a competent person and prepare an inventory with a risk assessment. Notify the Department of Employment and Labour (DEL) prior to Type 2 or 3 works and classify the work type (Type 1, 2, or 3). Engage a licensed contractor and develop an asbestos management plan covering removal or repair, worker and public protection, decontamination, and monitoring and provide appropriate PPE to all exposed personnel.	% of sites with ACM identification conducted by DEL; No. of asbestos inventories; % of sites with classification; % of removal works; % of approved management plan % of worksites implementing OHS measures; % of Type 2/3 asbestos sites with clearance certificate.
Freshwater disturbance	Trenching near watercourses	NEMA (Biodiversity considerations) & EIA Regs; National Environmental Management: Biodiversity Act (NEM:BA) 10/2004; National Water Act 36/1998 (protection of watercourses); Protected Areas & conservation regulations; Provincial conservation ordinances	OS1	Avoidance via routing; permit compliance; trenchless crossings where feasible; rehab & re-vegetation	% crossings permitted & reinstated; no-net-loss evidence for sensitive sites
Erosion & sedimentation	Trenching on slopes; WTP civil works	NWA 36/1998 (water resource protection); NEMA & EIA Regs (ESMP conditions); Municipal stormwater/roads by-	OS1, OS3	Erosion & sediment control plans (ESC); staged backfilling; silt fencing; stormwater management	ESC measures installed & maintained (photo/IVA); turbidity events

Risk	Program Aspects	National legal statute relevant	AfDB OS Ref	Key Mitigation	Indicator
		laws; Conservation of Agricultural Resources Act (CARA) for soil protection where applicable			
Legacy pollution & cumulative impacts	Brownfield substations; industrial corridors	NEMA (polluter pays principle); Waste Act 59/2008; NEM: Waste regulations; NWA 36/1998; AQA 39/2004 for air contaminants; Environmental Remediation directives	OS1, OS3, OS4	Pre-work screening; chance-find for contamination; safe handling & disposal; cumulative risk note in ESMPs	% brownfield sites screened; contaminated soil manifests
Air quality	Generator use; traffic; lighting efficiency	AQA 39/2004 (emission standards & licensing); NEMA & EIA Regs; Municipal air quality by-laws	OS1, OS3	Idle-time limits; logistics plans; RE at public facilities	fuel logs vs baseline

- **Social Risks**
  - Temporary service disruptions during construction/refurbishment.
  - Health and safety risks for workers and communities (OHS and traffic safety).
  - Risks of inequitable access to improved services (particularly for women and vulnerable groups).
  - Labour influx or use of local labour without adequate contracts.
  - Disputes during customer regularization (disconnection of illegal or informal users).
  - Disruptions from service interruptions, risks of infrastructure vandalism, and challenges around non-payment of services affecting financial and social sustainability.
  - Risk of inadequate stakeholder engagement or weak grievance redress mechanisms.

The social risks are indicated in Table 5:

Table 5:Social Risk Matrix (Energy & Water Activities)

Risk	Program Aspects	National legal statute relevant	AfDB OS Ref	Key Mitigation	Indicator
Community health & safety (traffic, open trenches, energized works)	Trenching, line works, substation rehab	Road Traffic Management Act / National Road Traffic Act (road safety & signage); OHSA 85/1993 (public & worker safety aspects where applicable); Municipal by-laws on works in public space	OS1, OS4, OS10	Traffic management; access control to construction areas, fencing & signage; public notices; lock-out/tag-out near communities, inform the communities. Proximity to informal settlements must be considered in ESMP planning.	Zero severe CHS incidents; signage & fencing compliance rate; public awareness
Labor & working conditions (OHS)	Contractors & municipal crews	OHSA 85/1993; Labour Relations Act 66/1995; Basic Conditions of Employment Act 75/1997; Compensation for Occupational Injuries & Diseases Act (COIDA)	OS2	Engineering controls– safe work method statements, slope stabilization, barriers, lock-out/tag-out, fall protection, dust & noise suppression,	% of excavation sites with barriers, slope stabilization, and signage; % of sites with functioning lock-

Risk	Program Aspects	National legal statute relevant	AfDB OS Ref	Key Mitigation	Indicator
				safe access, trench barricading, and traffic management; Administrative Controls: site-specific OHS Plans, incident/near-miss reporting within 72h with corrective actions, structured OHS records; Provide and enforce use of task-specific PPE as last line of defense; Grievance redress management (GRM) system.	out/tag-out systems; No. of worksites applying dust/noise suppression; % of sites with traffic plans; % of sites with an approved OHS Plan; No. of incidents/near-misses reported and acted upon; % of sites with OHS records; % of workers equipped with PPE
Labor influx / informal labor	Short-term civil works	Immigration Act (if non-nationals); OHSA 85/1993; Labour legislation (BCEA, LRA); Municipal by-laws on informal trading	OS2	Local hiring plans; code of conduct; camp management rules. Potential gender-based violence risks due to labour and influx and proximity of infrastructure upgrade teams to households/ interaction with e.g. minors if a public building is a school or clinic etc. Mitigation and response measures must be included in ESMP.	% local hires; CoC signed by 100% workers; zero camp-related incidents
GBV/SEAH risks	Mixed-gender communities; field crews	Criminal Law (Sexual Offences and Related Matters) Amendment Act; Domestic Violence Act; Labour law protections; National GBV policy frameworks	OS4, OS10	GBV prevention and response plan; survivor-centred GRM pathways; trainings; vetted service providers	# staff trained; functional referral pathways; GBV-related complaints handled
Land access / temporary disruption	Easements, wayleaves for pipelines/lines	Land Reform & tenure legislation, Restitution laws; Expropriation Act; Municipal Property & Land Use by-laws; SPLUMA (Spatial Planning & Land Use Management Act 16/2013)	OS5, OS7, OS10	Due diligence on tenure; voluntary access protocols; avoid works leading to resettlement Consideration of proximity to informal settlements must be included in the design of potential access routes.	% works on existing servitudes; # temporary impacts managed

Risk	Program Aspects	National legal statute relevant	AfDB OS Ref	Key Mitigation	Indicator
Inclusion & equity of benefits, Infrastructure vandalism, and challenges around non-payment of services	Regularization; metering; connection charges	Constitution (right to access sufficient water); Water Services Act 108/1997; Municipal by-laws on tariffs; Promotion of Equality and Prevention of Unfair Discrimination Act	OS10, OS7	Social inclusion; gender-responsive outreach; tariff communication; Engagement and grievance systems to instill trust, equity, and social stability in affected communities.	% women-headed households connected; grievance resolution times
Stakeholder engagement & information	Multi-site works; service disruptions	Promotion of Access to Information Act (PAIA); Municipal Systems Act (public participation obligations); NEMA (EIA public participation); NWA (Public Participation requirements of water-use license applications)	OS10	SEP with vulnerable mapping; multilingual notices; service outage calendars	SEP implemented; attendance logs; service outage notices and calenders; # timely notices issued
Grievance redress mechanism (community & workers)	Province-wide activities	PAIA & PAJA (administrative justice & information access); Labour law (worker grievance protections); Municipal by-laws on public participation	OS1, OS10	Tiered GRM; hotline/SMS; worker GRM; service-level standards (ack/close-out)	GRM operational metrics (ack <5 days; close <60 days); disclosure
Cultural heritage (chance finds)	Trenching in historic towns	National Heritage Resources Act 25/1999 (SAHRA / provincial heritage resources)	OS8	Chance-find procedures; stop-work & notify; authority liaison	% teams trained; # finds managed per protocol; no damage incidents

1.6 Estimated E&S Risk Management Costs

A preliminary budget estimate for human resources, budget of E&S risk management (preparation and implementation of specific E&S documents for program sub-projects, monitoring and reporting) has been developed, with expectations to allocate sufficient resources (proportionate to total program cost) to support implementation quality and safeguard effectiveness. The estimated costs for E&S risk management are embedded within the Program budget and will include and breakdown is given in Annex 5. The program includes a budget for these activities, to be undertaken by and through the PMO on behalf of the municipalities

- Preparation of sub-project ESMPs / OHS Plans: approx. ZAR 12 million.
- Monitoring, reporting, and auditing: approx. ZAR 2,400,000.
- Training, capacity building, and stakeholder engagement: approx. ZAR 500,035.

Total indicative allocation: ZAR 15 million (USD 805 million).

1.7 Implementing, Executing Agencies and Partners

The program will be implemented through a multi-tiered governance structure encompassing national, provincial, municipal, and sub-municipal levels, supported by key partners including the African Development Bank (AfDB), the UK Foreign, Commonwealth & Development Office (FCDO), other financiers, private sector contractors, and an Independent Verification Agent (IVA) to ensure technical support, compliance, and verification of results. Development partner coordination is strong, with the FCDO providing a UK Government guarantee aligned with South Africa's Just Energy Transition (JET) and offering technical assistance for program design and implementation. A MURP Oversight Committee chaired by CoGTA and comprising the AfDB, GoRSA, and UK officials will oversee progress. Other development partners, including Germany, France, Japan, Switzerland, and the World Bank, contribute expertise and financing in the energy and water sectors. To date, over $557 million in grant funding has been tracked, and approximately $2.6 billion of the $9 billion pledged by JET partners has been disbursed. Technical and strategic collaboration continues with FCDO, the JET PMU, National Treasury, CoGTA, and SALGA, with additional engagement planned with parallel funding bodies to enhance project sustainability and impact.

Program implementation will follow the governance structure and institutional arrangements of the GoRSA, in line with Results-Based Financing (RBF) principles. The GoRSA, through National Treasury, is the Borrower, with the Development Bank of South Africa (DBSA) acting as the Program Executing Agency through a dedicated Program Management Office (PMO). Loan proceeds will be transferred to DBSA and then to municipalities via a Conditional Grant Framework. The PMO will oversee the implementation of water and energy sub-projects across target municipalities, managing governance, procurement, contract administration, performance monitoring, enabling and supporting environmental and social safeguards, financial management, and disbursement activities throughout the program lifecycle. National Treasury will sign a program agreement with CoGTA, DBSA, and municipalities outlining roles, responsibilities, reporting requirements, and oversight mechanisms.

The PMO will be governed by a MURP Oversight Steering Committee, chaired by CoGTA and comprising National Treasury, DBSA, FCDO, JET PMU, AfDB, DEE, DWS, Municipal Project Officers, SALGA, and MISA. An Independent Verification Agent will be procured to verify program results against Disbursement-Linked Indicators (DLIs). The PMO will provide detailed monthly progress and results reports to National Treasury and CoGTA, with quarterly reports submitted to the MURP Oversight Committee and the AfDB. The Bank will conduct two supervision missions annually to support program implementation. Overall, DBSA has demonstrated sufficient capacity and experience to manage the program, while National Treasury has proven its ability to oversee grant transfers to municipalities effectively.

1.8 Borrower's E&S Experience

South Africa has a robust legal and institutional framework for environmental and social (E&S) management, anchored in the National Environmental Management Act (NEMA) and sector-specific legislation. Program agencies - including DFFE/DEA, CoGTA, DWS, DMRE, municipalities in Mpumalanga, and National Treasury - have varying experience in implementing E&S safeguards under national law and development partner programs.

- **DFFE/DEA:** Provides national oversight, policy guidance, environmental authorizations, and compliance monitoring. Experienced in reviewing EIAs and EMPs for water, energy, and municipal projects, developing guidelines for water quality, biodiversity, and stakeholder engagement. Challenges include limited staffing and technical capacity for monitoring multiple concurrent projects and enforcement at subnational levels.
- **National Treasury:** Offers fiduciary oversight and integrates E&S indicators into disbursement-linked frameworks but has limited direct technical role in environmental and social risk management.

- **CoGTA:** Supports municipalities in governance, service delivery, and institutional strengthening, including integration of E&S considerations into local planning. Facilitates community engagement, preparation of IDPs, and coordination across municipal water, sanitation, and energy programs.
- **DWS:** Experienced in implementing ESIAs and EMPs for large-scale water and sanitation infrastructure, with internal guidelines on water quality and ecosystem protection. Challenges include consistent application of E&S measures at municipal level and managing cumulative impacts with overlapping infrastructure projects.
- **DMRE:** Regulates energy projects, including renewable energy, through licensing and ESIA processes. While technical ESIA implementation is robust, enforcement at subnational level is uneven, especially regarding OHS, air quality, and community health. Energy projects in Mpumalanga may create cumulative impacts interacting with municipal services.
- **Municipalities:** Have experience implementing EMPs for service delivery projects (e.g., under MIG), but E&S capacity is highly variable. Gaps exist in monitoring, grievance redress, and social inclusion. Localized and cumulative environmental impacts arise from water, sanitation, and waste projects.
- **DBSA (PMO):** monitor E&S risks across the RBF program, coordinating implementation, monitoring and supporting EMP compliance, stakeholder engagement, grievance mechanisms, and DLI verification. Undertakes E & S responsibilities under MURP to meet the Program Action Plan.

Key national areas of experience include:

Results-Based Financing (RBF) Pilots: DARDLEA and selected municipalities have not implemented related RBF initiatives in the energy and water sectors. Some pilots related to performance-based contracts with municipal utilities, focused on measurable improvements in service delivery. Activities included utility audits, customer regularization, stakeholder engagement, and operational monitoring, which provided foundational experience for scaling up under the current RBF program.

Water Reclamation and Supply Projects: The eMalahleni Water Reclamation Plant, managed through a public–private partnership, demonstrates strong operational capacity in water treatment and E&S compliance. DARDLEA and municipal teams managed EMP implementation, monitored water quality, and ensured compliance with environmental authorizations. Other municipal water supply projects have included pipeline replacements, metering and leak detection programs, and refurbishments of water treatment plants (WTPs), all subject to environmental audits and E&S mitigation measures.

Energy Infrastructure Projects: Participation in municipal electricity infrastructure programs, including refurbishment of substations, distribution transformers, and distribution lines, installation of energy-efficient LED streetlights, and deployment of smart meters, has given DARDLEA and municipalities experience in environmental assessment, occupational health and safety (OHS), and community engagement. These projects often involved developing and implementing EMPs, conducting stakeholder consultations, and ensuring compliance with both provincial and national environmental regulations.

ESMP Implementation and Monitoring: Across these projects, DARDLEA and municipal units have been responsible for preparing EMPs, conducting environmental and social monitoring, and reporting findings to both provincial authorities and the national Department of Forestry, Fisheries and the Environment (DFFE). Their work includes addressing occupational safety risks, pollution prevention, biodiversity protection, community health, and grievance redress.

Assessment with Bank ISS: The borrower demonstrates substantial institutional experience in E&S management, though targeted capacity building, inter-agency coordination, and municipal-level strengthening are required to address cross-sectoral risks under the Mpumalanga RBF Program. There are several challenges and gaps that should inform capacity-building and institutional strengthening under the RBF Program, despite South Africa's generally robust E&S legal and institutional framework:

- DFFE/DEA and DWS have strong policy and technical frameworks but face limited staffing and technical resources to monitor multiple projects simultaneously, especially at subnational and municipal levels.
- Enforcement of E&S conditions (particularly OHS, labour, community health, and cumulative impacts) by DMRE and DWS is uneven at local level, creating risks of non-compliance. Mpumalanga faces high cumulative environmental burdens (air, water, waste, energy). Current systems address project-level compliance but lack the tools for strategic assessment of cumulative impacts and resilience measures.
- Municipal-Level E&S systems- Municipalities have variable capacity, with significant gaps in grievance redress mechanisms, social inclusion, and systematic E&S monitoring. Some municipal units lack the specialized staff (environmental officers, social specialists, OHS experts) needed to consistently implement ESMPs and monitor impacts.
- While CoGTA, DWS, DMRE, DFFE/DEA, and municipalities all have E&S roles, coordination is fragmented, particularly on cumulative and cross-sectoral impacts (e.g., water-energy interactions in Mpumalanga).
- Capacity is needed for information-sharing platforms, joint monitoring, and harmonized reporting frameworks across agencies. Within the context MURP only this capacity will be provided through the PMO.
- Borrowers and municipalities have limited practical experience with RBF-specific E&S requirements. Previous pilots provided a foundation, but institutional knowledge on integrating ESS into DLI verification, disbursement conditions, and adaptive management is not yet mature.
- While stakeholder consultations have been conducted in previous projects, structured grievance redress systems remain inconsistent.

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Capacity-building priorities should therefore include: Strengthening PMO E&S staffing, training, and resources to meet municipal obligations; Developing joint monitoring and reporting systems across national and municipal agencies; Building RBF-specific E&S integration capacity (linking ESS to DLIs, disbursement, and performance audits); Enhancing grievance redress, inclusion, and participatory engagement mechanisms; and Supporting tools and guidance for cumulative impact assessment and cross-sectoral risk management; Bank ISS, NEMA. In the context of MURP only this capacity building will be led by the PMO on behalf of the municipalities.

SECTION 2: ASSESSMENT OF THE ENVIRONMENTAL AND SOCIAL SYSTEM OF THE PROGRAM

This section presents the findings on Political and legal framework for the country's environmental and social assessment which incorporates policies (environmental, land, social protection, etc.), laws, regulations, national environmental and social assessment procedure, procedures for obtaining permits, etc; Public Consultation, disclosure, and access to information, participation of stakeholders in the preparation of specific ESA documents, in the planning of investments / sub-projects and in implementation; and finally, Grievance Redress Mechanisms and existing functional community conflict management mechanisms.

2.1 Political and legal framework for E&S assessment (overview)

South Africa has established a mature and comprehensive political and legal framework for environmental and social (E&S) assessment, anchored in its constitutional principles of environmental protection, national policy commitments, statutory obligations designed to ensure that development occurs in a sustainable, socially equitable, and environmentally responsible manner. The framework is underpinned by a rights-based approach, in which both environmental quality and the protection of human dignity, health, and well-being are recognized as fundamental. This provides the overarching mandate for the development of environmental and social safeguards across sectors and spheres of government.

At the national level, the policy framework emphasizes the integration of satisfactory environmental, social, and economic considerations into planning and decision-making. Environmental governance is structured around the precautionary principle, the polluter pays principle, equitable access to natural resources, intergenerational justice, and public participation. These principles collectively guide the development of environmental assessment procedures and ensure that development projects are implemented in a manner that minimizes adverse impacts while maximizing socio-economic benefits.

Guiding Principles: The framework is underpinned by a set of well-recognized environmental and social governance principles. These include:

- Sustainability and integration: Development must balance social, economic, and environmental priorities.
- Precautionary principle: Activities that may pose serious risks to people or the environment require careful assessment before authorization.
- Polluter pays principle: Those responsible for environmental harm bear the cost of remediation and mitigation.
- Equitable resource access: Communities and individuals should have fair access to natural resources and services.
- Intergenerational justice: Current decisions must not compromise the ability of future generations to meet their needs.
- Public participation and transparency: Stakeholders must have a voice in decision-making processes that affect their environment, health, and livelihoods.

Environmental and Social Assessment Procedures: The legal framework establishes the requirement for environmental and social assessments as a precondition for project authorization. It provides clear definitions of the types of activities that require assessment, the procedural steps to be followed, and the responsibilities of competent authorities. Different levels of assessment are prescribed, ranging from screening and basic assessment to full environmental and social impact assessments, depending on the scale, sensitivity, and potential significance of the proposed activity. This tiered approach ensures that resources are directed proportionally to the potential risk and complexity of the activity being assessed. Each level of assessment includes requirements for scoping, baseline studies, risk and impact analysis, alternatives assessment, and the preparation of environmental and social management plans. Approvals are contingent on the findings of these assessments, with competent authorities empowered to issue permits, set conditions, or reject applications.

Assessment with Bank ISS: The Bank's ISS (2023) and South Africa's national system (NEMA & EIA Regulations) both require E&S screening and categorisation, but they operate differently. They both require Environmental and Social Management Plans (ESMPs) once impacts are identified, public participation and disclosure are mandatory in both systems, specialist studies (heritage, biodiversity, hydrology, etc.) are required where relevant, monitoring and compliance are expected, though enforcement differs and both link approvals/financing to environmental authorisation conditions. South Africa – NEMA & EIA Regulations (2014, as amended) determine if a project triggers a "listed activity" that requires environmental authorisation. Categorisation (via Listing Notices):

- Listing Notice 1: Activities with potential but limited impacts – require Basic Assessment Report (BAR).
- Listing Notice 2: Activities with significant impacts – require full Scoping & Environmental Impact Report (S&EIR).
- Listing Notice 3: Activities in sensitive areas – require BAR or EIR depending on context.

Projects either (i) require an Environmental Authorisation (with EIA/EMP conditions) or (ii) are "unlisted" and may proceed without EIA, still subject to general duty of care under NEMA Section 28.

Similarly, the Bank classify projects according to their potential environmental and social risks/impacts and determine the scope of assessment and safeguards required. Categories:

- Category 1 – High Risk: Significant, diverse, irreversible E&S impacts. Full ESIA, ESMP, RAP (if applicable).
- Category 2 – Moderate Risk: Site-specific, predictable impacts, usually reversible. Category 2 ESIA with ESMP.
- Category 3 – Low Risk: Negligible impacts; no ESIA needed, but basic management measures may apply.

Differences: NEMA is strong on environmental impacts, less explicit on labour, GBV/SEA, and vulnerable groups. AfDB OSs explicitly require social themes (OS2 labour, OS4 community safety, OS5 displacement, OS7 vulnerable groups). NEMA may consider cumulative impacts, but inconsistently. AfDB ISS explicitly requires cumulative and indirect impact assessments. NEMA relies on regulators (DFFE, provinces, municipalities) for compliance audits. AfDB requires independent verification (IVA) and strong evidence for DLI disbursements. NEMA requires public consultation but not always structured GRMs. AfDB requires a formal GRM, including worker grievance and protection from reprisals.

Country E&S Institutional Arrangements: Institutionally, the framework is designed to operate across multiple levels of government national, provincial and municipal. The framework is supported by a multi-tiered governance structure:

- National level: Responsible for policy formulation, standard setting, and regulatory oversight. National authorities coordinate cross-sectoral issues, enforce compliance, and ensure alignment with international standards.
- Provincial level: Plays a critical role in permitting, compliance monitoring, and project-specific decision-making, particularly for activities located within provincial boundaries.
- Municipal level: Implements local environmental and social management responsibilities, including service delivery planning, land use management, and community engagement.

- Specialized agencies and sectoral institutions: Address thematic areas such as water resource management, energy systems, cultural heritage, occupational health and safety, and labour standards.

This institutional architecture is adequate and ensures that environmental and social considerations are mainstreamed at every level of governance.

Public Participation and Grievance Redress: Public participation is a central pillar of the framework. The system requires that stakeholders and affected communities:

- Receive adequate information about proposed projects.
- Have opportunities to provide input during assessment and decision-making.
- Access grievance redress mechanisms to resolve disputes and address concerns.

These participatory processes build transparency, accountability, and trust, while ensuring that projects reflect local realities and community priorities.
Public participation is a cornerstone of the national system. The framework provides structured mechanisms for consultation and disclosure, requiring that affected communities and stakeholders are informed and have meaningful opportunities to influence decisions that may impact their environment, livelihoods, and cultural resources. This participatory element enhances transparency, accountability, and social acceptability of projects, while also providing a platform for grievance redress.

Alignment with International Good Practice: South Africa's framework reflects international norms and principles on E&S governance. It incorporates standards on biodiversity protection, climate change adaptation, labour and working conditions, occupational health and safety, cultural heritage, and gender equality. This alignment facilitates collaboration with international development partners, ensuring that programs financed by institutions such as multilateral development banks can be implemented effectively within domestic systems. South Africa's framework also integrates international good practice, reflecting global standards on biodiversity protection, climate change adaptation, occupational health and safety, gender equality, and cultural heritage preservation. This alignment allows for consistency between national systems and the requirements of international development partners such as multilateral development banks, ensuring that externally funded programs can be implemented within the domestic legal system without duplication of effort.

Overall, South Africa's political and legal framework for E&S assessment provides a robust, participatory, and adaptive system that balances development imperatives with environmental sustainability and social protection. For the purposes of the Program, this framework ensures that proposed interventions in the energy and water sectors can be systematically screened, assessed, and managed in line with both national priorities and international safeguard requirements.

2.2 Environment - applicable regulatory framework, institutions and procedures

a. Legal & regulatory instruments (environment)

- **EIA / Environmental Authorisation (NEMA)**
  - Activities listed Assessment. The Regulations set out required report content, specialist studies and public participation obligations.
- **Water use licensing (NWA)**
  - Any abstraction, impoundment, alteration of a watercourse, or disposal of water requires authorisation. Applications are lodged and tracked through eWULAAS; a technical dossier and public participation are usually required. The full list of activities that requires a WULA is as follows:

    a) Abstraction - taking water from a water resource

    b) Storing water

c) Impeding or diverting the flow of water in a watercourse
d) Engaging in a stream flow reduction activity contemplated in section 36
e) Engaging in a controlled activity identified as such in section 37(1) or declared under section 38(1)
f) Discharging waste or water containing waste into a water resource through a pipe, canal, sewer. sea outfall or other conduit
g) Disposing of waste in a manner which may detrimentally impact on a water resource
h) Disposing in any manner of water which contains waste from. or which has been heated in. any industrial or power generation process
i) Altering the bed, banks. course or characteristics of a watercourse
j) Removing, discharging or disposing of water found underground if it is necessary for the efficient continuation of an activity or for the safety of people
k) Using water for recreational purposes

- **Air quality (AQA)**
  - Projects with emissions above threshold require Atmospheric Emission Licences (AELs); provincial licensing authorities and AEL manuals guide processes.
  - **National Environmental Management: Air Quality Act, (NEMAQA), Act 39 of 2004, as amended**

  Dust Control Regulations GN R827 of 2013 , as amended" for a Atmospheric Emissions Licence. GN R893 provides a list of activities which result in atmospheric emissions which have or may have a significant detrimental effect on the environment, including health, social conditions, economic conditions, ecological conditions or cultural heritage"
- **Waste management (NEMWA)**
  - Waste streams (construction and hazardous waste, e-waste, used transformer oil, lamps) must be managed under the Act; waste licences for transfer, treatment or disposal are required where thresholds apply. If a specific activity falls under section 20(b) of NEMWA, a license would be required to commence, undertake or a conduct a waste management activity. The categories A and B are highlighted in section 20(b) with Category B requiring a Environmental Impact Assessment being conducted as part of the waste management license application.
- **Heritage (NHRA)**
  - Where development may affect heritage, heritage impact assessments (HIAs) and consents from SAHRA or provincial heritage authorities are required; chance-finds protocols must be in ESMPs.
- **National Water Resources Infrastructure Agency Act (2024)**

  Establishes a state-owned entity responsible for managing national water infrastructure streamlining development and financing.

- **Water Resources Legislation**

  Under the **National Water Act**, institutions such as Water Boards and Catchment Management Agencies (CMAs) handle water governance, resource allocation, and regional cooperation.

- **National Environmental Management: Biodiversity Act, (NEMBA), Act 10 of 2004 , as amended:** NEMBA: Revised national list of ecosystems that are threatened and in need of protection, GN R2747 of 2022 , as amended**.** Threatened or Protected Species Regulations, GN R3009 of 2023 , as amended". NEMBA Permit. NEMBA regulates management of biodiversity and intends: 1. To provide for the management and conservation of South Africa's biodiversity within the framework of the National Environmental Management Act, 1998; 2. The protection of species and ecosystems that warrant national protection.

- **Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)**
  The premier policy tool for deploying grid-scale renewables via private sector bids.

- **Integrated Resource Plan (IRP 2023)**

  National blueprint for electricity demand and generation, including renewables, efficiency, and water considerations through 2050.

- **Mineral and Petroleum Resources Development Act (MPRDA)**

  Governs land-use overlaps and conflicts between energy infrastructure projects and mineral rights via Sections 53 and 54.

- **Renewable Energy Policy (White Paper)**

  Offers policy direction and strategic guidance for South Africa's renewable energy expansion.

- **Integrated Water Quality Management Policy**

  Cabinet-approved national strategy to address water quality, aligning legislation with sustainable use and management.

- Regulations to **Phase-Out PCBs**, 2014 (GN R549 of 2014) under the National Environmental Management Act (NEMA). These regulations require the phase-out of use, production, import, export, or sale of PCB materials or PCB-contaminated materials. Holders of equipment/materials containing more than 50 mg/kg PCBs must register with the Director-General. They must also develop and implement a phase-out plan. Use of PCB materials or PCB contaminated materials was prohibited after 2023, and possession of such materials (unless properly disposed) must cease by 2026. South Africa is party to the Stockholm Convention, which calls for elimination or reduction of persistent organic pollutants (POPs) including PCBs. The phase-out regulation aligns with those international commitments. Transformer oil analysis is practiced to test for PCBs. Some companies provide decontamination services (for transformer oil) when they detect PCBs above thresholds.
- The **Asbestos Abatement Regulations, 2020** (promulgated under the Occupational Health and Safety Act, 1993) provide South Africa's legal framework for managing asbestos risks in workplaces and the built environment. Their mandate is to protect workers, the public, and the environment from exposure to asbestos. Employers / building owners must identify all asbestos-containing materials (ACMs) in their facilities. A written inventory of ACMs must be prepared and regularly updated. A risk assessment must be conducted to evaluate the condition of ACMs and potential for fibre release. Based on the risk assessment, duty-holders must prepare and implement an Asbestos Management Plan (AMP). The AMP must outline measures to prevent exposure, monitor ACMs, ensure safe removal/maintenance, and provide emergency procedures. Certain asbestos work (Type 2 and Type 3, i.e., maintenance, repair, or removal involving disturbance of ACMs) requires notification to the Department of Employment and Labour (DEL). Asbestos removal contractors must be licensed, and work must be conducted by trained and competent persons. ACMs must be clearly

labelled and marked. Asbestos waste must be collected, sealed, and disposed of at licensed hazardous waste facilities in accordance with the Waste Act.

- **Municipal PPP Legal Framework**

  Includes the Municipal Finance Management Act (MFMA), Municipal Systems Act, and related Municipal PPP Regulations enabling private sector participation in municipal service delivery (e.g., energy, water). Municipalities also align their planning and implementation with multiple frameworks: the National Spatial Development Framework, Integrated Environmental Framework, Spatial Development Framework (SPRU), Urban Development Framework, District Development Model, and Expenditure Framework.

- At municipality level, the **Municipality Integrated Development Plans** (IDPs) generally reflect an awareness of environmental and social issues, though the depth of detail on specific E&S capacities and plans varies. Some municipalities have integrated environmental considerations into their planning, while others acknowledge service delivery challenges but provide limited detail on concrete E&S initiatives. Gaps remain in aligning IDPs with the requirements of the National Environmental Management Act (NEMA), including limited evidence of comprehensive EIAs for local projects, inconsistent depth and effectiveness of community engagement in environmental decision-making, and weak mechanisms for monitoring compliance and enforcing regulations. In addition, many municipalities require enhanced training and capacity-building to enable staff to effectively implement and enforce environmental laws and standards.

b. Institutional responsibilities & decision-making levels

- **National level**
  - Department of Forestry, Fisheries and the Environment (DFFE) is a competent authority for many environmental authorisations, national policy, and oversight of EIA regulations and Listing Notices. DFFE issues guidance and supports provincial authorities. The Department of Environmental Affairs (DEA) is under DFFE.
  - Department of Water & Sanitation (DWS) regional offices and national structures process Water Use Licence Applications (WULAs) and oversee water resource management. eWULAAS is the DWS digital platform for WULAs.
  - National Energy Regulator of South Africa (NERSA) Regulates electricity, gas, and pipelines under the Electricity Regulation Act and related legislation.
  - Presidential Climate Commission Oversees the just energy transition and climate response, coordinating across government, labour, business, and civil society.
  - DWS and Water Boards Provide bulk water services and oversee water supply and quality, especially when municipal capacity is limited.
  - National Water Resources Infrastructure Agency (New) Manages national water assets and infrastructure financing, reducing fragmentation.
  - Department of Cooperative Governance and Traditional Affairs (COGTA)- Provides oversight and coordination for municipalities, including service delivery in water, electricity, and sanitation.

- **Provincial level**

In provinces, some environmental authorisations may be delegated from DFFE (national) to the provincial department, depending on the NEMA Listing Notices and the type of activity. Mpumalanga Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA) / Department of Economic Development, Environment & Tourism (DEDEAT) (names vary with restructuring)- is responsible for provincial environmental management, enforcement, and some authorisation powers where delegated. Provincial EMIs (Environmental Management Inspectors) carry out inspections and enforcement activities. The province oversees EIA processes for activities not directly handled by DFFE nationally. They coordinate with municipal environmental officers and DFFE on listed activities, permit compliance, and enforcement. While provincial-level statutes aren't always distinct, Mpumalanga's relevant actors include:

- Mpumalanga Department of Economic Development and Tourism and Department of Cooperative Governance and Traditional Affairs (COGTA) Oversee development authorizations, and municipal support.
- Provincial Environmental Management Inspectors (EMIs) Enforce compliance with NEMA and related laws at the provincial scale.
- Catchment Management Forums/CMAs in Mpumalanga Play critical roles in local water resource oversight and stakeholder engagement.

- **Municipality and Sub-Municipal level**

Municipal environmental units, town planning offices and municipal engineers manage local permits, implementation of IDPs/SDFs, by-laws, and local stakeholder management. Municipalities are often the implementers and are responsible for day-to-day monitoring of infrastructure works in their jurisdiction.

- **Municipal Environmental Management Unit (EMU):** This is often situated under a Department of Environment, Planning, or Community Services, depending on the municipal structure. Ensures compliance with the National Environmental Management Act (NEMA) and municipal by-laws. Screens municipal projects for environmental authorisation requirements. Oversees pollution control, prevention and waste management, manages open spaces, wetlands, and natural resources within the municipality, runs community outreach on recycling, energy saving, pollution prevention, provides input into EIAs, Water Use License Applications, and development planning (SDFs, land-use schemes), tracks environmental indicators, reports to DFFE and provincial departments. Local Municipalities (eMalahleni, Lekwa, Govan Mbeki, etc.) screen the projects under a municipality project steering committee. Responsible for EIA authorizations (for low to moderate projects), municipal PPPs with national mandates.
- **A Project Steering Committee (PSC)** is a multi-stakeholder oversight body mandatorily established under the municipalities to guide, monitor, and support the implementation of municipal projects, particularly infrastructure, water, energy, or local development projects. PSC membership usually includes, municipal officials (technical, finance, planning, and social/environmental officers, Community liaison officer etc.), representatives from provincial and/or national sector departments (e.g., DWS, COGTA, DFFE), project implementing agents (consultants or contractors), community representatives or ward councillors, sometimes development partners or funders (e.g., AfDB, World Bank). They monitor overall project progress against objectives, milestones, and budget, ensure alignment with municipal IDP (Integrated Development Plan) and national/provincial policies, review reports submitted by project managers or consultants.

In addition, they approve project plans, designs, and adjustments, authorize budgets or reallocation of funds within project scope, decide on mitigation measures for social, environmental, or technical risks, ensure that Environmental and Social Management Plans (ESMPs) are prepared and implemented, monitor compliance with regulations (water, environment, occupational health and safety), address grievances, disputes, or land access issues. Serve as a liaison between the municipality, communities, and funders, Facilitate communication between national/provincial authorities and local communities, engage local business forums, community groups, and vulnerable populations, track KPIs or outputs agreed under different contracts, ensure timely submission of monitoring reports to municipal management, funders, or provincial oversight, provide guidance to municipal staff involved in project implementation and identify training needs for environmental, social, and technical compliance.

Assessment with Bank ISS: Municipality PSCs would be central the program as implementation agents for municipal governance and oversight. They oversee GRM implementation (community grievance redress) and they ensure E&S safeguards are integrated into municipal planning and operations.

c. Internal review & authorisation procedures

- **EIA procedure**:
  - **Basic Assessment:**
    - Undertake a pre-application meeting with relevant authority to discuss the project and align on the reporting requirements (optional but recommended)
    - Submit Environmental Authorisation (EA) Application form along with the DFFE National Screening Report
    - Competent Authority confirms that the project requires a Basic Assessment
    - Compile a draft Basic Assessment report (BAR) along with relevant specialist studies and environmental management programme report (EMPr) highlighting impact mitigation measures
    - Public participation
    - Receive comments from public and relevant authorities
    - Update BAR and compile a comments and responses report.
    - Submit final BAR to Competent Authority for decision-making
    - Disclose Final BAR and EMPr to the public
    - Competent Authority issues a record of decision /environmental authorisation (with conditions).
    - Disclose environmental authorisation to the public
  - **EIA:**
    - Undertake a pre-application meeting with relevant authority to discuss the project and align on the reporting requirements (optional but recommended)
    - Submit EA Application form along with the DFFE National Screening Report
    - Competent Authority confirms that the project requires a Scoping and EIA
    - Compile a draft scoping report (SR) outlining potential high-level impacts that require assessment during the EIA phase
    - Public participation
    - Receive comments from public and relevant authorities
    - Update SR and compile a comments and responses report.

  - Submit final SR to Competent Authority for decision-making
  - Disclose Final SR to the public
  - Competent Authority indicates that SR meets requirements and EIA phase may commence.
  - Compile a draft EIA report (EIAR) inclusive of specialist studies and an EMPr highlighting impact mitigation measures
  - Public participation
  - Receive comments from public and relevant authorities
  - Update EIAR and compile a comments and responses report.
  - Submit final EIAR to Competent Authority for decision-making
  - Disclose Final EIAR to the public.
  - Disclose environmental authorisation to the public

- Timeframes and procedural steps are detailed in the EIA Regulations.
- **Water Use Licence (WULA)**: application submitted to DWS → technical review, public participation, specialist studies → decision → WULA issued with conditions; emergency/temporary authorisations may apply for urgent works but standard process is lengthy.
- **AEL / Waste Licences**: applications to relevant provincial licensing authority or national agency; technical reports and public participation required depending on scale.

c. Monitoring & surveillance

Monitoring is typically mandatory in environmental authorisations (conditions require compliance monitoring, periodic reporting, and specialist audits). Competent Authorities and EMIs may require independent audits. For RBF the Program should include IVA verification of E&S DLIs which is not part of NEMA.

2.3 Social - regulatory framework, responsibilities and procedures

a. Social regulatory instruments and rights

- **Constitutional & administrative law**: the Constitution guarantees rights relevant to E&S (environment, access to water, administrative justice) and establishes obligations for fair administrative processes (PAJA). PAIA supports access to information for affected parties.
- **Land, tenure & resettlement**:
  - **Expropriation Act** and **Restitution of Land Rights Act** govern compensation and restitution; municipalities must follow legal procedures for land acquisition and compensation. There is no single “Resettlement Act” - resettlement is managed through a combination of legislation and policy, and typically through project RAPs aligned with national law and international good practice.
  - **SPLUMA and municipal by-laws** govern land use changes, approvals and development permissions at local level.
- **Labour & OHS**: OHSA, Basic Conditions of Employment Act, Labour Relations Act, COIDA set out labour rights, safety, compensation and collective relations. These statutes govern contractor labour practices and worker grievance procedures on construction sites.
- **Social protection & vulnerable groups**: social assistance policies (national grants, poverty alleviation programs) are implemented by Social Development; there are also national guidelines on gender equality and disability access. The Employment Equity Act and other policies address non-discrimination.

b. Institutional responsibilities for social management

- **Implementing Municipality and PMO**: lead on stakeholder engagement, documentation of land rights, resettlement issues, GRM implementation, reporting and contractor oversight for labour issues, updating of social registries.
- **Provincial Departments**: provide social officers, mediate land issues and support community engagement for larger works.
- **National Departments**: DFFE/DWS may require social mitigation measures as part of environmental authorisations (e.g., livelihood restoration measures, community health plans).
- **Traditional leadership and community structures**: play a significant role in rural land access and dispute resolution; engagement with chiefs and community forums is essential.
- **The Speaker's Office:** Custodian of legislative functions of the municipal council. Ensures council proceedings are conducted democratically, lawfully, and in line with the Municipal Structures Act. Has oversight of council decisions and ensures environmental and social issues raised in council are debated and resolved fairly. Leads on mechanisms for public involvement in governance, including IDP consultations, which often deal with environmental and social service delivery (water, sanitation, waste). Ensures that councillors (including ward councillors) report back to communities on environmental and social project impacts. Provides an institutional platform for grievances raised by communities on E&S issues to reach council debates.
- **The Mayor's Office:** Provides political and executive leadership of the municipality. Accountable for implementation of council policies and service delivery. Ensures municipal projects (energy, water, waste, housing) are aligned with IDP, SDF (Spatial Development Framework), and environmental regulations. Authorises budgets and resources for environmental management (e.g., environmental officers, waste management, pollution control). Intergovernmental coordination and represents the municipality in engagements with national/provincial departments (DFFE, DWS, COGTA) on E&S matters. Ensures that vulnerable groups benefit from municipal projects (gender, youth, poor households) and is ultimately accountable for failures in service delivery compliance.
- **Ward Councillors**: are political representatives, not technical specialists. Represent community interests in municipal decision-making on projects with environmental and social impacts. Raise community concerns at municipal council meetings. Ensure the needs of vulnerable groups (women, youth, elderly, informal settlements) are included in project planning. Act as a bridge between communities and the municipality, ensuring information flow on projects, EIAs, and environmental authorisations. Mobilise community participation in public consultations, hearings, and IDP processes. Disseminate updates on environmental and social mitigation measures, project schedules, and grievance channels. Monitor service delivery projects. Act as first point of contact for local complaints and grievances related to land access, resettlement, pollution, or project disruption, and escalate unresolved grievances to the formal municipal GRM or council structures.
- **Municipal Social Development / Community Services Department:** is a core local government unit responsible for implementing social aspects, managing community grievances, protecting vulnerable groups, monitoring resettlement, and facilitating stakeholder engagement. While the department may be named differently across municipalities, its functions are similar- overseeing programs for women, youth, the elderly, people with disabilities, and indigent households, while ensuring equitable access to basic services such as water, sanitation, housing, and electricity. It works closely with Health and Environmental Health divisions to promote public health and safety, and coordinates with ward councillors, the Speaker's Office, and NGOs to ensure effective community consultation in development projects. The department operates a grievance redress mechanism (GRM) for employees and communities, with complaints logged via online platforms or hotlines, escalated to provincial level when necessary, and closed once resolved.

c. **Key social procedures and safeguards**

- **Resettlement & land acquisition**: where acquisition is needed, standard practice is to conduct a Resettlement Action Plan (RAP) that documents affected persons, entitlements, consultation, grievance procedures and budget for compensation and livelihood restoration. Compensation eligibility draws on legal title, customary rights and occupancy claims; municipalities must ensure fairness and documentation. No resettlement is envisaged under MURP.
- **Vulnerable groups**: screening to identify women-headed households, persons with disabilities, the elderly and other vulnerable groups is done under the social unit; SEP measures must ensure meaningful participation and special assistance where needed.
- **Social conflict & dispute resolution**: municipal GRMs, community forums, and traditional dispute mechanisms exist but capacity varies; formal legal recourse through courts remains available.

  Assessment with Bank ISS: the Program must mainstream safeguards into PBC contracts (environmental permits, grievance handling, gender targets, OHS compliance) and ensure municipal/PMO capacity to manage environmental and social processes.

2.4 African Development Bank (AFDB) ISS, 2023 Operational Safeguards Requirements

The AfDB Integrated Safeguards System (ISS, 2023) is central in the ESSA for the RBF program because it provides the benchmark against which the borrower's own national environmental and social systems are assessed. The ISS sets out minimum E&S requirements the program must meet, regardless of local variations in capacity or enforcement. It ensures that RBF-financed activities uphold international good practice while aligning with national systems. It guides Risk Identification and Management providing a framework for screening, assessing, and categorizing risks. It helps the ESSA systematically identify gaps between South Africa's frameworks and AfDB safeguards. It ensures Borrower system strengthening since RBF programs rely on country systems, the ISS highlights where institutional, regulatory, or capacity gaps exist. Since RBF disbursements are linked to performance results, the ISS also supports the design of E&S indicators. The ISS Operational Safeguards (Oss) are shown in Table 6 below:

Table 6:AfDB ISS, 2023 Operational Safeguards and Relevance to the RBF Program

Operational Safeguard (OS)	Key Requirements	Relevance to the RBF Program
OS1: Assessment & Management of E&S Risk and Impact	Requires screening, E&S risk assessment including gender vulnerabilities, mitigation hierarchy, ESIA/ESMP preparation, stakeholder engagement, and disclosure.	Mandatory for all sub-projects (water, sanitation, energy). Supports standardized risk screening, robust environmental planning, and inclusive stakeholder consultations.
OS2: Labour and Working Conditions	Ensures fair labour standards, worker protections, occupational health and safety, and addresses risks such as SEA, GBV, modern slavery.	Relevant for contractors and workers involved in project construction and operations. Supports safe and equitable working environments in line with South African labour and safety laws.
OS3: Resource Efficiency & Pollution Prevention and Management	Encourages efficient use of resources and mandates pollution and hazardous material management.	Important for minimizing resource waste and controlling emissions and waste-particularly relevant in infrastructure upgrades and mining-legacy contexts.

Operational Safeguard (OS)	Key Requirements	Relevance to the RBF Program
OS4: Community Health, Safety & Security	Covers public safety, emergency preparedness, and security measures; includes universal access considerations.	Critical in densely populated areas and service delivery in informal settlements; ensures infrastructure does not endanger communities.
OS5: Land Acquisition, Restrictions on Access to land and Land use and Involuntary Resettlement	Requires addressing restrictions on land access.	NA. Would apply if pipeline routes, substations, or reservoirs affect land rights; ensures fair treatment and minimal disruption.
OS6: Habitat and Biodiversity Conservation and Sustainable Management of Living Natural Resources	Prescribes protection of biodiversity using mitigation hierarchy and restoration where needed.	NA but is relevant where sub-projects intersect sensitive ecosystems-important for compliance under NEMA and for biodiversity safeguards.
OS7: Vulnerable Groups	Protects disadvantaged populations, ensures inclusive participation, and addresses risks and impacts.	Key in designing RBF interventions-ensures that women, disabled persons, and informal settlers are not excluded and benefit equally.
OS8: Cultural Heritage	Safeguards cultural and heritage sites through consultations and mitigations.	Important for avoiding or managing impacts on heritage areas, including chance-find procedures for unexpected discoveries.
OS9: Financial Intermediaries	Requires ESMS alignment and E&S screening in programs implemented via financial intermediaries.	NA. If intermediaries administer project funds, ensures they follow E&S protocols within their financing systems.
OS10: Stakeholder Engagement & Information Disclosure	Guarantees systematic stakeholder engagement, information disclosure, inclusive and safe consultations, and functioning grievance mechanisms.	Essential for transparency, building community trust, and ensuring grievances are managed appropriately throughout RBF implementation.

2.5 Identified gaps in the legal and policy framework and AFDB ISS

The identified gaps between national legal framework for the program and the Bank ISS are given in the table 7 below:

Table 7:Comparison of E&S National legal framework with AfDB ISS OS1–OS10

OS Standard	Relevant National Legal Instrument / Policy in Section 2	Gaps Identified	Recommended Actions
OS1 – Environmental and Social Assessment	National Environmental Management Act (NEMA, 1998), EIA Regulations 2014 (Listing Notices 1–3), Environmental Impact Assessment (EIA) procedures; Mpumalanga Provincial Environmental Management Regulations	Limited integration of cumulative impact assessment; insufficient detail on potential indirect impacts of multiple sub-projects	Include cumulative impact assessment in the Program Action Plan (PAP); establish monitoring of indirect impacts; ensure alignment with OS1 during project design and implementation
OS2 – Labour and Working conditions	Occupational Health and Safety Act (1993), Basic Conditions of Employment Act (1997),	No site-level health and safety plan for construction workers and	Develop Health and Safety Plan integrated with ESMP; assign responsible officers

OS Standard	Relevant National Legal Instrument / Policy in Section 2	Gaps Identified	Recommended Actions
	Compensation for Occupational Injuries and Diseases Act (1993)	contractors; gaps in enforcement mechanisms	
OS3 – Resource Efficiency and Pollution Prevention and Management	NEMA Waste Act (2008), Air Quality Act (2004), National Water Act (1998), Hazardous Substances Act (1973)	-	-
	NEMA, National Energy Efficiency Strategy, Municipal By-laws on water and energy use	-	-
OS4 – Community Health, Safety and Security	Occupational Health and Safety Act (1993), Basic Conditions of Employment Act (1997), Compensation for Occupational Injuries and Diseases Act (1993)	No site-level health and safety plan for the community; gaps in enforcement mechanisms	Develop Community Health and Safety Plan integrated with ESMP; assign responsible officers
OS5 – Land Acquisition, Restrictions on Access to land and Land use and Involuntary Resettlement	Expropriation Act 1975, NEMA Section 24 (environmental authorization for land affecting projects), Municipal Land Use and Property Management Regulations	NA	NA
OS6 – Habitat and Biodiversity Conservation and Sustainable Management of Living Natural Resources	National Environmental Management: Biodiversity Act (NEMBA, 2004), Protected Areas Act (2003), Conservation of Agricultural Resources Act (CARA, 1983)	-	-
OS7 –Vulnerable Groups	NEMA, Constitution of South Africa (1996) – Section 25 and Bill of Rights, Promotion of Equality and Prevention of Unfair Discrimination Act (2000)	Require that social impacts be assessed, including effects on communities and stakeholders. But does not explicitly require identification of vulnerable groups	Conduct stakeholder mapping; integrate inclusive consultation, participation, and benefit measures
OS8 – Cultural Heritage	National Heritage Resources Act (NHRA, 1999), Provincial Heritage Regulations	No detailed standardised chance finds procedure	Develop Cultural Heritage Management Plan; train contractors; establish chance-find procedures
OS9 – Financial Intermediaries	Not applicable	N/A	N/A
OS10 – Stakeholder Engagement	Promotion of Access to Information Act (2000), NEMA Section 24 (public participation), Municipal Public Participation By-laws	Limited detail on frequency, format, and inclusivity of consultations after EIA approval; GRM operational details not fully defined	Develop Stakeholder Engagement Plan with clear timelines, responsibilities, and reporting; operationalize GRM with clear procedure

2.6 Public consultation, disclosure and access to information

South Africa's framework establishes strong obligations for transparency and access to information in environmental and social governance. Two key regulatory instruments apply:

- National Environmental Management Act (NEMA) Regulations: These regulations mandate the disclosure of environmental authorisations, impact assessment reports, and related documents to the public. They require project proponents and authorities to ensure that affected communities and stakeholders can access relevant E&S information during planning, assessment, and decision-making stages. Disclosure must occur through multiple channels, including public notices, community meetings, and publication on official provincial and national government portals.

- Promotion of Access to Information Act (PAIA): This statute provides a legal right for any person to access public documents, including environmental and social impact assessment (ESIA) records, environmental authorisations, monitoring reports, and compliance documentation. PAIA ensures that information held by government authorities or private bodies performing public functions can be requested and must be disclosed, subject only to limited exemptions (e.g., national security or commercial confidentiality).

Assessment with Bank ISS: Together, these instruments create a legally enforceable framework for transparency, ensuring that environmental and social information is not only publicly available but also accessible to communities directly affected by projects. This promotes accountability, informed participation, and trust in the environmental governance system similar to the Bank ISS. It should specify languages, venues, vulnerable-group engagement (women, elderly, disabled), use of local media, notice boards, and electronic disclosure (municipal websites). However, the Bank requires a distinct Stakeholder Engagement Plan (SEP) for high risk and moderate risk projects.

Stakeholder Engagement

Effective stakeholder engagement is essential for ensuring that environmental and social (E&S) risks are identified, mitigated, and managed throughout the Results-Based Financing (RBF) Program. This section outlines the approach, mechanisms, and responsibilities for engaging stakeholders, addressing concerns, and disclosing information in compliance with national legislation and AfDB ISS standards.

i. Objectives of Stakeholder Engagement

- Ensure inclusive participation of all relevant stakeholders, including municipal authorities, communities, civil society, and vulnerable groups.
- Facilitate transparent communication on program activities, potential impacts, mitigation measures, and decision-making processes.
- Establish mechanisms for collecting and addressing feedback and grievances in a timely and effective manner.
- Strengthen the ownership of E&S management processes by local authorities and communities.
- Ensure compliance with national legislation (NEMA, Municipal Systems Act, etc.) and AfDB ISS OS requirements.

ii. Stakeholder Identification

The identified preliminary program stakeholders are presented in table 8:

Table 8:Key stakeholders identified

Stakeholder Category	Role in the Program	Engagement Approach
National and Provincial Government	Oversight, regulatory compliance, capacity building	Regular meetings, reporting, review of ESMPs and PAP
Municipalities (eMalahleni, Lekwa, Govan Mbeki, Mbombela)	Sub-project implementation, GRM facilitation, monitoring	Workshops, site visits, community liaison officers, PMO municipal liaison officers
Local Communities and Vulnerable Groups	Beneficiaries, potential affected parties	Public consultations, focus group discussions, surveys
Civil Society Organizations / NGOs\ Local Business forums	Advocacy, independent oversight	Consultations, review of reports, participation in workshops

Independent Verification Agent (IVA)	Verification of DLIs and E&S compliance	Field audits, documentation review, stakeholder interviews

iii. Consultations held during ESSA

Consultations were held with various government stakeholders during the ESSA with 25 men and 33 females participants in August to October 2025 in Pretoria and Mpumalanga. Subsequent discussions of the draft ESSA and action plan were held with the stakeholders and the feedback was incorporated in the final ESSA and action plan.

iv. Disclosure of ESA Instruments

Program Action Plan (PAP) and ESSA full report with stakeholder feedback will be disclosed on both the Borrower's and AfDB websites and a stakeholder workshop further to Bank ISS requirements. Annex 2. Timing is in line with AfDB RBF disclosure timelines for Category 2 projects (prior to appraisal).

2.7 Grievance Redress Mechanisms (GRM) and access to justice

South Africa has a multi-layered system of grievance redress that operates at municipal, provincial, and national levels, underpinned by constitutional rights to administrative justice and access to information. Overall, the GRM system in South Africa reflects a blend of administrative, traditional, regulatory, and judicial pathways. While these mechanisms are comprehensive, challenges remain in ensuring timely resolution, capacity at municipal level, and awareness among affected communities.

Legal enablers:

The Promotion of Administrative Justice Act (PAJA) guarantees citizens the right to challenge unfair, unreasonable, or procedurally flawed administrative decisions. This provides a legal basis for communities or stakeholders to request reviews of environmental authorisations or permit decisions. The PAIA ensures that affected persons can obtain the information necessary to substantiate grievances or pursue legal remedies, thereby strengthening the transparency of redress mechanisms.

Existing mechanisms:

- **Municipal grievance procedures** are usually the first point of entry for community complaints related to service delivery, environmental nuisances, or local project impacts. Municipalities are mandated to maintain accessible channels such as customer service offices, hotlines, and written submissions for receiving and addressing grievances from residents. Some municipalities have these but others do not. PAJA provides recourse for review of administrative decisions; civil remedies and criminal sanctions are available for non-compliance. At the community level, grievances are addressed through ward committees, ward councillors, and traditional leaders, with escalation possible to municipal technical services, the Speaker's Office, or courts. Oversight is provided by CoGTA and civil society actors, while pollution violations are enforced through statutory fines by DFFE.
- **Traditional leadership forums** provide culturally appropriate avenues for grievance handling in rural and peri-urban communities. Chiefs and headmen often mediate disputes and escalate unresolved matters to local government or relevant sectoral agencies.

- **Provincial complaint desks** are established within provincial environmental departments, enabling citizens to lodge concerns about environmental authorisations, land-use decisions, or project compliance. EMIs and provincial environmental units have enforcement powers (inspect, issue directives, impose fines). These offices function as intermediate grievance platforms before escalation to national authorities.
- **National regulatory complaint channels** exist within the Department of Forestry, Fisheries and the Environment (DFFE), the Department of Water and Sanitation (DWS), and the National Energy Regulator of South Africa (NERSA). These agencies operate hotlines, online portals, and dedicated compliance units that receive and process complaints about environmental damage, water pollution, and energy service delivery, respectively.

Assessment with Bank ISS: South Africa's grievance redress landscape is broadly aligned with the AfDB OS1 requirement for accessible, transparent, and responsive GRMs**,** as it provides multiple entry points for communities to raise concerns. However, gaps remain in implementation, standardisation, and effectiveness**,** particularly at municipal level, where limited technical and financial resources hinder timely grievance resolution. Moreover, there is no unified monitoring framework for grievances across municipalities and sectors, making it difficult to evaluate effectiveness and feed lessons back into program implementation. Rural communities may rely on chiefs or councillors and protection from retaliation and confidentiality for complainants (especially GBV cases) is inconsistent. At present, grievance handling mechanisms operate in parallel- traditional leadership forums provide culturally accessible entry points, while formal provincial complaint desks and environmental enforcement mechanisms provide statutory redress. The risk of operating these systems separately is that complaints may be double counted, lost, no accountability or not systematically tracked through to closure.

The Program will comply with and reinforce each municipality's tiered GRM (community & worker channels), ensure confidentiality and anti-retaliation measures, publicise the mechanism (local languages), maintain complaint registers, ensure contractor compliance. The program should support a unified, transparent, culturally appropriate grievance management protocol within the municipality that links traditional structures with municipal and national systems, ensuring that all complaints whether lodged through chiefs, municipal offices, or provincial desks are captured in a single tracking register.

Provide through the PMO GRM sensitization on its existence and procedures before start of activities and ensure capacity-building and training within the MURP scope as necessary for traditional leaders and municipal officers on how to document and forward complaints into the formal system without losing cultural legitimacy. Set clear roles and escalation pathways so that communities know when and how a complaint moves from traditional forums to formal enforcement bodies in the GRM. Integrate monitoring and reporting to ensure complaints lodged at community level are not only acknowledged but also tracked to closure and fed back to complainants.

A structured GRM should be implemented across all municipalities as shown in Table 9 below aligned with Bank ISS requirements:

Table 9:Proposed GRM implementation Responsibility

GRM Component	Description	Responsibility
Complaint reception	Multiple channels including hotline, municipal offices, email, and suggestion boxes	Municipal GRM Focal Points\ PMO
Acknowledgment and registration	Complaint logged and assigned tracking number	Municipal GRM Focal Points\ PMO
Resolution	Investigation and corrective action within defined timelines (e.g., 15–60 days)	Municipal GRM Team with Provincial and National oversight
Escalation	Unresolved or serious complaints escalated to PMO / AfDB	PMO, Bank E&S Team
Documentation & Reporting	Quarterly summary of grievances received, resolved, and pending	PMO, Borrower, Municipalities, IVA
Disclosure	Information on resolution shared publicly, respecting confidentiality	Municipalities, Borrower, Bank

For the RBF Program, a robust and multi-level GRM must be established to address both community and worker-related grievances, in line with AfDB's Integrated Safeguards System (ISS) and international good practice. The mechanism should be:

Tiered and Accessible:

At the community level, grievances can be submitted through local entry points such as municipal offices, ward committees, or traditional leadership forums to municipal level. At the worker level, employees engaged under performance-based contracts (PBCs) should have a confidential internal channel (separate from community channels) to report labor-related concerns, including occupational health and safety (OHS) issues.

Confidentiality and Anti-Retaliation:

The GRM must guarantee confidentiality for complainants and adopt explicit anti-retaliation provisions, ensuring that workers or community members can report issues without fear of reprisal. Anonymous submissions should be permitted and treated with equal seriousness.

Public Awareness and Accessibility:

The mechanism must be widely publicised in all project-affected communities. Awareness-raising should use multiple platforms (radio, ward-level meetings, community flyers, and municipal websites) and be available in local languages, with simplified instructions on how to lodge grievances.

Record-Keeping and Registers:

Municipalities and contractors must maintain grievance registers, recording the date of submission, type of grievance, actions taken, and resolution/closeout date. These records will serve as evidence of responsiveness and feed into program monitoring and reporting.

Integration with RBF Monitoring (DLI-linked):

GRM performance must be embedded in the Disbursement-Linked Indicators (DLIs) or PAP to ensure compliance is tied to financing.

2.8 Monitoring, enforcement and institutional capacity

Nationally, DFFE usually experiences staff shortages for compliance monitoring; DWS regional offices face major backlogs in WULA approvals. SAHRA is under-resourced relative to the volume of infrastructure projects. Provincial authorities (DARDLEA, DWS) are adequately staffed at central level but often overstretched given the number of project reviews and compliance monitoring required. Municipalities often lack dedicated environmental and social safeguards officers. Responsibilities are typically handled by engineers, town planners, or community liaison officers with limited E&S training, and external service providers. Provincial EMFs (environmental management frameworks) are outdated in some areas. Many municipalities lack dedicated environmental officers; capacity often sits in Community Services or Speaker's Office, with limited technical depth, and skills on social safeguards, gender, and stakeholder engagement required under Bank ISS are limited.

South Africa's NEMA provides a robust monitoring and enforcement framework that is broadly consistent with the AfDB's ISS. The Act requires project developers to conduct ongoing monitoring of environmental impacts and compliance with Environmental Management Programmes (EMPrs), with regular audit reporting to authorities. Independent audits are often mandated for higher-risk projects, which aligns with the ISS requirement for objective verification of safeguards performance, though ISS requires audits even for moderate risk projects. NEMA also establishes strong enforcement provisions through EMIs, known as the "Green Scorpions," who can issue compliance notices, suspend or revoke authorisations, and initiate civil or criminal proceedings. The duty-of-care principle embedded in NEMA obliges all entities to take reasonable measures to prevent, minimise, or rectify environmental harm, consistent with the ISS emphasis on the mitigation hierarchy and adaptive management. In addition, South Africa's judiciary provides ultimate recourse. Citizens and civil society organisations can bring environmental matters before the High Courts, with constitutional provisions guaranteeing the right to an environment that is not harmful to health and well-being.

However, some gaps remain when compared to AfDB ISS standards. While NEMA mandates environmental monitoring and compliance audits, it does not systematically require monitoring of social impacts, such as those affecting vulnerable groups, labour conditions, or community health, unless specifically raised in project EIAs or from complaints. The AfDB ISS requires a more integrated Environmental and Social Management System (ESMS), with clear provisions for monitoring both environmental and social risks. Furthermore, while grievance mechanisms exist through environmental hotlines and community-level structures, they are not always formalised or standardised at the project level as required under the ISS. Enforcement of monitoring and compliance also varies across provinces and municipalities, with capacity constraints leading to inconsistent follow-up, particularly in smaller jurisdictions which may only monitor high risk projects.

SECTION 3: ASSESSMENT OF PROGRAM [IMPLEMENTING ENTITY] CAPACITY AND PERFORMANCE

3.1 Institutional Organization and Division of Labour

The National Treasury (NT) will manage program financing flows, ensure disbursement of funds to the Program Management Office (PMO) and municipalities, and maintain financial accountability in line with government regulations. The Department of Cooperative Governance and Traditional Affairs (CoGTA) will ensure that municipalities embed E&S risk management into their service delivery and planning functions, provide technical oversight to strengthen municipal capacity for implementing the Results-Based Financing (RBF) Program, and support coordination across all levels of government. Development partners, notably the AfDB and the FCDO, will provide co-financing, targeted technical assistance, and independent support to strengthen E&S capacity within the program while ensuring that Disbursement Linked Indicators (DLIs) are met. The DBSA through the PMO will serve as the Executing Agency, coordinating program delivery, preparing and consolidating E&S reports on behalf of municipalities within MURP scope, ensuring adherence to safeguards, managing verification processes, and working with the Independent Verification Agent (IVA) to validate results prior to disbursement.

Municipal Level: At the local level, the PMO, Municipal Environmental Units/Planners and Project Steering Committees will operationalize E&S risk management, including the initial screening of sub-projects, implementation of ES measures, monitoring of compliance on construction sites, management of grievance redress mechanisms (GRM), and facilitation of public consultations. Municipal Water Departments will directly implement water-related interventions, including pipeline replacements, water loss management programs, meter installations, and maintenance of water treatment plants under the program. Municipal Energy/Electricity Departments and through their contracts the PBCs will be responsible for energy interventions, including substation refurbishments, and LED streetlight upgrades, ensuring occupational safety and environmental compliance throughout. The Municipal Social Development and Community Services Departments, supported by Mayor and Speaker’s Offices, will ensure that social safeguards are integrated into program implementation while contractors will be obligated to be fully compliant.

Assessment with Bank ISS: Overall, the division of labour reflects a strong alignment with the Bank’s ISS principles by establishing multi-level accountability and embedding E&S management into program delivery. Despite the strengths, there are notable gaps in the division of labour. Municipalities vary considerably in their capacity, with some Environmental Units or Planners lacking sufficient staffing, expertise, or a clear separation of roles between development planning, ESMP implementation, and compliance oversight. Furthermore, the PMO will lead on the collection of data and consolidate reporting so that municipalities with uneven institutional capacities do not deliver fragmented or delayed E&S data. Coordination mechanisms between CoGTA, municipalities, and the PMO, although established, require strengthening to avoid duplication of roles, driven by the PMO.

3.2 Adequacy of Institutional Capacities

CoGTA provide policy oversight and guidance, but their limited staff-to-municipality ratio restricts the depth and frequency of technical support. Municipal-level capacity remains uneven, with larger municipalities such as Mbombela and eMalahleni demonstrating some level of dedicated E&S staffing, while smaller municipalities lack permanent personnel and sufficient budgetary resources to effectively implement mitigation measures, operate grievance mechanisms, and sustain monitoring activities. These weaknesses risk undermining consistent safeguard application across municipalities.

The DBSA, through its ESG Unit acting as the PMO, provides an important balancing mechanism by consolidating program oversight, deploying dedicated E&S staff, and leveraging prior experience with Results-Based Financing programs. The PMO's structured approach to capacity building, standardized monitoring tools, and technical support helps to bridge municipal capacity gaps and align implementation with AfDB safeguard requirements. As necessary DBSA will act on behalf of municipalities in delivering E & S obligations.

Assessment with Bank ISS: while institutional capacity at the national and municipal levels remains constrained, the presence of a well-resourced PMO within DBSA provides sufficient assurance that E&S risks can be adequately managed in line with AfDB's ISS and national requirements due to their extensive experience. Nonetheless, sustained capacity building, inter-agency coordination and direct management as required by DBSA are essential to ensure uniform compliance. Capacity building priority areas are given under section 1.8.

3.3 Inter-Agency Coordination

The Mpumalanga RBF Program involves a multi-tiered governance and institutional framework, requiring robust coordination among national, municipal, and program-level actors to ensure effective environmental and social management. E&S integration into energy and water programs is often project-specific rather than programmatic. For the program, inter-governmental relations approach is spearheaded by the Department of Cooperative Government and Traditional Affairs (COGTA) and National Treasury (NT). CoGTA facilitates linkages between national and municipal actors. There is limited structured engagement with National Treasury on E&S risk management. Municipal-level coordination relies on Environmental Units, Planners, Project Steering Committees, Water and Energy Departments, and Social Development/Community Services units. The DBSA PMO E&S Specialists, will coordinate with other parties by consolidating reporting from municipalities, managing E & S obligations as required, liaising with DFFE, CoGTA, National Treasury, and AfDB, and overseeing DLI verification. The PMO will convene regular coordination meetings, provides technical assistance, monitoring and reporting tools, and ensures alignment of program activities with national systems and AfDB ISS requirements and reports to the financiers. The Independent Verification Agent (IVA) further reinforces coordination by validating DLI results and providing feedback to the PMO, municipalities, and national authorities and the financiers.

Assessment with Bank ISS: A clear framework exists for inter-agency coordination, the effectiveness of implementation relies heavily on CoGTA and DBSA PMO's facilitation role, structured communication channels, and capacity support to municipalities, ensuring that program objectives are achieved consistently across all levels. While CoGTA, DWS, DMRE, DFFE/DEA, and municipalities all have E&S roles, coordination is fragmented, particularly on cumulative and cross-sectoral impacts: Each agency tends to manage E&S risks within its own mandate, with limited coordination. Cumulative and cross-sectoral impacts (like energy projects affecting water use, or multiple overlapping infrastructure projects affecting ecosystems and communities) often fall through the cracks, e.g. In Mpumalanga, coal power plants, water treatment, municipal waste, and renewable energy projects all interact but no agency ensures holistic risk assessment and mitigation. The PMO will have authority to take on the management of E & S risks to ensure that the requirements of the ISS are satisfied.

SECTION 4: ENVIRONMENTAL & SOCIAL SAFEGUARDS SYSTEM STRENGTHENING ACTION PLAN

2.9 This section includes a summary of the main actions to be undertaken during implementation. Recommended actions include, assisting program actors to improve the performance of their system within their own defined procedures. This also includes specific mitigation measures to deal with particular risks and impacts, and organizational measures to improve the overall effectiveness of the implementation. The recommendations will be incorporated into the Program Action Plan (PAP). DLIs are tied to E&S performance, therefore, payments to the Borrower include funding for E&S measures once agreed conditions are met. The implementation of the E&S action plan should be included as a DLI and part of the project's action plan. The budget to implement the E&S action plan is an estimated 15 million ZAR (≈ 1805,406 USD), refer to Annex 5. ESSA Action Plan

The Action Plan in Table 13 below addresses the gaps identified in Sections 1-3 of the Report. The Action Plan prioritizes:

- Capacity strengthening (staffing, training, tools).
- Safeguards compliance (instruments, OHS, pollution prevention).
- Inclusion and equity (gender, vulnerable groups, stakeholder engagement).
- Monitoring and accountability (GRM, disclosure, reporting).

Table 10:Environmental and Social Safeguards Strengthening Action Plan

Category	Strengths	Gaps / Issues	Recommended Actions (PAP Measures)	Responsible Entity	Timeline	Payment-Linked Indicator	Indicative Cost	Total
Regulatory Framework	Strong national legislation and E&S governance; codified EIA and licensing processes	Partial alignment with AfDB ISS in health and safety, cultural heritage, vulnerable groups and labour	Prepare site specific ESMPs and program monitoring to integrate OS1–OS10 safeguards	PMO, DARDLEA Municipal E&S Units	Prior to works	Per ESMP approved & verified (4 municipalities × 12 packages = 12 ESMPs)	1,000,000 ZAR ≈ 54,000 USD (per sub-project, 12 sub-projects)	12,000,000 ZAR ≈ 648,000 USD
Institutional Capacity (Refer to Annex 4- Draft capacity building plan)	National and provincial departments structured with clear roles; municipal E&S units exist	Limited municipal-level technical capacity; insufficient staff/resources	Municipality ES Focal Officer / Consultant Appointment and training	PMO / Municipalities	Year 1	Appointed & active in municipalities	292,000 ZAR ≈ 23,360 USD	500,035 ZAR ≈ 27,000 USD
		Gaps on ES implementation and grievance redress	Full Training Session (Year 1) Capacity building on NEMA requirements for municipality staff and contractors.	PMO / Municipalities	Year 1	Session delivered	62,100 ZAR ≈ 4,968 USD	
			Full Training Session (Year 2)	PMO / Municipalities	Year 2	Session delivered	62,100 ZAR ≈ 4,968 USD	
			Refresher Trainings (Years 2–6, six sessions)	PMO / Municipalities	Years 2–6	Session delivered	83,835 ZAR ≈ 6,707 USD	
Inter-Agency Coordination	Defined responsibilities across national and provincial levels	Continuous coordination across agencies and jurisdictions	Establish coordination procedures; schedule regular coordination meetings	PMO	Before start of project implementation; then throughout project implementation	Frequency of inter-agency coordination meetings; procedures adopted	Within CoGTA and PMO tasks	

Category	Strengths	Gaps / Issues	Recommended Actions (PAP Measures)	Responsible Entity	Timeline	Payment-Linked Indicator	Indicative Cost	Total
Monitoring & Reporting	Some prior experience in monitoring PBC pilots and ESMP compliance	Incomplete M&E for social outcomes, cumulative impacts; inconsistent reporting	Municipal & PMO E&S site audits Implement PAP	PMO / Municipal E&S Units	Quarterly	Per audit verified	300,000 ZAR ≈ 16,200 USD (×4 audits = 1,200,000 ZAR)	1200
			Annual updating of social documentation (GRM, social registers)	Municipal Social Units	Annual	Per annual update verified	200,000 ZAR ≈ 10,800 USD (×6 events = 1,200,000 ZAR)	1200
			ES quarterly implementation reports	PMO / IVA	Quarterly	Per IVA report / lab monitoring submitted	Within IVA cost	
Public Participation & GRM	Legal provisions for stakeholder engagement; community grievance mechanisms exist	Unharmonized across municipalities, accessible to all communities, with escalation process	Establish and operationalize unified, functional Grievance Redress Mechanism (GRM) Establish a program SEP, which is inclusive.	Municipalities\PMO,	Implementation	Worker and program GRM systems and channels in place and publicized. Time taken to acknowledge grievances (within 7 days); % of grievances resolved to complainant satisfaction; % of grievances logged, and resolved within 60 days; and Established SEP.	included within the above amount	

Category	Strengths	Gaps / Issues	Recommended Actions (PAP Measures)	Responsible Entity	Timeline	Payment-Linked Indicator	Indicative Cost	Total
Reputational Risk	Program aligned with national and AfDB safeguards; prior RBF experience	Moderate risk due to municipal capacity and potential delays	Implement ES PAP measures; monitor compliance; adaptive management	Bank, Borrower, Municipalities, PMO	Implementation	% compliance with ES PAP actions verified by IVA	-	
Adaptive Management	RBF mechanism allows results-based adjustments	None identified	Use PAP and monitoring results to adapt program practices	Bank, Borrower, Municipalities	Implementation	Annual review reports showing ES adaptations made	-	
Total								14,900,035**ZAR** (≈805,406**USD)**

Table 14 indicates the other E&S actions part of safeguards specific measures:

Table 11:Safeguard-Specific Measures (ESSA-Linked) Action Matrix

Aspect	Action	Responsible Entity	Timeline	Indicators
Cumulative Impacts	Conduct cumulative impact assessment for all sub-projects	PMO, as agent for municipalities; DARDLEA	Pre-construction	CIA completed and approved; # of sub-projects assessed cumulatively; % of implemented management measures
Pollution Prevention	Water, air, and soil monitoring program; train municipal staff, Risk assessment and inventory preparation and approval; Waste inventories; licensed transporters/disposal; PCB-free specs; e-waste take-back clauses; if PCBs above thresholds (e.g. >50 mg/kg), it must be registered; develop a phase-out plan and submit audits to the regulator. Adhere to national PBC deadlines, properly dispose if authorized as waste by licensed handlers and handlers and decontamination / purification plants; install leakage collection system for oils. Asbestos: A competent person must identify all asbestos-containing materials (ACMs) in the pipes to be removed; Prepare an asbestos inventory and risk assessment; Notify the Department of Employment and Labour (DEL) before the work is commenced, particularly for Type 2 or Type 3 asbestos work; Engage a licensed contractor for that type with the Chief Inspector; Develop an asbestos	PMO, Municipal E&S Units	Pre-construction during implementation	# of monitoring reports submitted; % staff trained; proper PCB management and transformer oil spill control system. % of sites with ACM identification conducted by DEL; No. of asbestos inventories per site; % of DEL notifications submitted prior to works % of sites with classification done; % of removal works undertaken by DEL-registered contractors;

Aspect	Action	Responsible Entity	Timeline	Indicators
	management plan. For Type 2 or Type 3 asbestos work, obtain an "asbestos clearance certificate". Dispose of waste only at sites designated for asbestos waste and monitor sites for airborne asbestos (for Type 2/3 work).			% of approved asbestos management plan; % of Type 2/3 asbestos sites with clearance certificate issued; % of asbestos waste disposed.
Vulnerable Groups	Map vulnerable groups; integrate participation and benefit measures	PMO, Municipalities	Pre-construction	Vulnerable group mapping completed; % of vulnerable groups engaged in SEP
Cultural Heritage	Implement chance-find procedures; site-specific plans; stop-work & notify; authority liaison	Municipalities, Heritage Authorities	Before construction & ongoing	# of chance-find cases reported/resolved; CHMP implemented; % teams trained; # finds managed per protocol
Stakeholder Engagement / GRM	Operationalize SEP and GRM; define procedures, feedback timelines	PMO, Municipalities	First 3 months & ongoing	# of stakeholder engagements conducted; attendance logs; service outage notices and calenders; # timely notices issued; % of grievances resolved on time;
Disclosure	Ensure program-related ES documents (ESIAs, ESMPs) are disclosed publicly and consultations documented	DEA, Municipalities	Throughout project cycle	# of disclosures on municipal/national websites and local notice boards; consultation records available
Occupational Health & Safety (OHS)	Require contractors to submit and implement site-specific CESMPs and Occupational Health and Safety Management Plans (CHSMPs)	PMO, Contractors, Dept. of Labour	Throughout implementation	% of contracts with CEMPs\CHSMPs; # of quarterly OHS audits completed
Labour & Working Conditions	Ensure compliance with national and international labour standards (fair wages, no child/forced labour, worker GRM operational); Local hiring plans; code of conduct; camp management rules	PMO, Contractors, Dept. of Labour,	Throughout implementation	# of worker GRMs established; % of workers covered by contracts with fair labour clauses; % local hires; CoC signed by 100% workers; zero camp-related incidents
Safeguards action plans	Ensure compliance with E&S action plans in the ESSA Incorporate mitigation actions in the ESMPs and other sub project instruments	PMO, Municipalities	Throughout implementation	% of implemented ES actions

SECTION 5: ASSESSMENT OF THE REPUTATIONAL RISK TO THE BANK

Based on the conclusions on the strengths and weaknesses of the program's E&S system and the measures recommended in section 4, an estimate of the overall E&S risk to which the borrower and the Bank are exposed if the Program was not performing satisfactorily is presented here. This estimate will factor into the overall risk of the program. The reputational risk assessment evaluates the likelihood that weaknesses in the program's environmental and social (E&S) system could expose the Borrower (Government of South Africa) and the African Development Bank (AfDB) to criticism, stakeholder opposition, or reputational harm. This assessment is based on the gaps identified in Section 2 (system assessment) and the strengthening actions in Section 4 (Action Plan).

4.1 Risk Drivers

1. **Environmental Risks**
   - *Risk of non-compliance with national legislation requirements*: If municipalities do not conduct proper environmental screening and licensing, the Bank may be perceived as financing projects with unmitigated environmental damage.
   - *Pollution or resource mismanagement*: Failures in waste management, water resource protection and permits could attract civil society criticism and penalties.
2. **Social Risks**
   - *Pipeline and Powerline Works in Informal settlements:* Can result in access disputes, community resistance, protests, and reputational damage for AfDB, reputational risks given its focus on water and energy service delivery in vulnerable contexts.
   - *Exclusion of vulnerable groups and Business forums*: If program benefits bypass local commercial forums involvement, vulnerable households, women, the Bank could face criticism of inequitable development, vandalism and work stoppage.
   - *Labour and OHS risks*: Poor management of worker safety or unfair labour practices could trigger negative media coverage or complaints through the GRM accountability mechanisms.
   - *Regularisation of informal illegal connections:* Vulnerable groups may face exclusion given outdated social registries and if services are tied to formal tenure, while affordability challenges could lead to significant financial burdens at household level leading to debt and disconnections. Communities may resist or protest against formalisation, particularly given previous service delivery issues and also if upgrades and interventions perceived as punitive or revenue-driven, creating reputational risks for government and the Bank.
3. **Governance and Institutional Risks**
   - *Weak inter-agency coordination*: Overlaps or gaps in responsibilities may delay implementation of safeguards.
   - *Limited municipal E&S capacity*: If municipalities cannot meet safeguard requirements despite the Action Plan and inadequate E&S related DLIs if the PMO is not involved earlier in program design, the Bank's credibility could be undermined.
4. **Stakeholder and Community Relations Risks**

- *Ineffective grievance handling*: If grievances are ignored or delayed, communities may escalate disputes through courts, media.
- *Transparency concerns*: Failure to disclose program information could be seen as non-compliance with AfDB ISS and South African access-to-information laws.
- *Vandalism and gain by local Construction mafias:* Construction mafias are local syndicates that may sabotage public water infrastructure for profit. As these groups deliberately damage pipelines, pumps, valves, and other water assets, then exploit the resulting scarcity by selling water via tanker services at inflated prices. Bank-financed water infrastructure (pipes, boreholes, treatment plants, storage tanks) could become a target for vandalism by syndicates seeking to maintain control of water supply markets.
- *Service Delivery Failures:* If mafias disrupt infrastructure, RBF program targets (e.g., improved access to clean water, reduced non-revenue water) may not be achieved despite disbursements, weakening the credibility of the RBF model.

The risk matrix is shown in Table 15:

Table 12: ***Risk Likelihood and Consequences***

Risk Category	Likelihood (Low/Moderate/High)	Potential Consequences
Non-compliance with NEMA/licensing	Moderate	Delays in sub-project approval, legal disputes, reputational criticism of AfDB
Land disputes\informal settlements	Low	Protests, litigation, negative publicity, AfDB reputational harm
OHS incidents (accidents, fatalities)	Moderate	Media scrutiny, reputational risk, liability concerns
Exclusion of vulnerable groups	Moderate	Criticism from NGOs, reputational risk, complaints to IRM
Weak municipal E&S capacity	Moderate	Implementation delays, reputational damage to AfDB as “financing without safeguards” and inadequate E&S related DLIs
Ineffective GRM and mafia regimes	Moderate	Escalated disputes, loss of community trust, reputational harm, vandalism
Lack of transparency	Low	Reduced stakeholder confidence, NGO criticism

4.2 Overall Risk Rating

- Overall Environmental Risk: *Moderate*, given that South Africa has a robust legal framework (NEMA, water and waste regulations), but municipal enforcement capacity is uneven.
- Overall Social Risk: *Moderate*, due to potential access-related disputes in informal settlements, vandalism, OHS risks, and uneven protection of vulnerable and community business groups.
- Institutional Risk: *Moderate*, as provincial coordination is strong but municipal-level implementation capacity is variable.
- Aggregate Reputational Risk to AfDB: Moderate – If the Program is not implemented satisfactorily, the Bank could face criticism for insufficient due diligence, inadequate oversight of local implementation, and financing projects that cause harm to communities or the environment.

4.3 Risk Mitigation Measures (linking to Section 4 Action Plan)

While the reputational risk to AfDB is assessed as moderate, it is manageable. To reduce reputational exposure, AfDB and the Borrower must ensure full implementation of the environmental and social safeguards Action Plan as aligned to MURP’s activities and impact.

SECTION 6: PROGRAM MONITORING AND IMPLEMENTATION SUPPORT

The effective monitoring and support of the environmental and social (E&S) aspects of the RBF Program and Monitor the performance of the program's E&S system, including the implementation of the strengthening measures agreed in the program action plan require a collaborative framework between the Borrower (Government of South Africa, Mpumalanga Department, and municipalities) and the African Development Bank (AfDB). This section outlines the mechanisms, key indicators, and processes for tracking performance, resolving issues, and adapting management practices throughout the Program lifecycle.

4.1 Monitoring Objectives

The objectives of Program monitoring and implementation support include:

1. **Tracking E&S due diligence compliance:** Ensure that all sub-projects adhere to national E&S laws and the AfDB ISS safeguards.
2. **Monitoring the performance of the Program's E&S system:** Evaluate compliance with the Program Action Plan (PAP).
3. **Identifying and mitigating emerging risks:** Detect new or evolving environmental and social risks and ensure timely corrective actions.
4. **Adaptive management:** Adjust operational practices to align with RBF principles, addressing implementation challenges without compromising safeguards.
5. **Accountability and transparency:** Facilitate reporting, stakeholder engagement, and disclosure of E&S performance.

6.2 Key Indicators for Monitoring

Monitoring indicators should be measurable, relevant, and linked to both program implementation and safeguard compliance. Some of the indicators for the Program as aligned to program scope should include the following in Table 16:

Table 13: Monitoring indicators

Monitoring Area	Key Indicators	Frequency	Responsibility
E&S Compliance	Number of sub-projects with approved environmental licenses and ESMPs,; % compliance with NEMA, municipal regulations, and AfDB safeguards	Quarterly	PMO
Institutional Capacity	Number of trained staff in municipalities and provincial departments; % of staff implementing PAP actions	Quarterly	PMO
Stakeholder Engagement	Number of community consultations held; % of grievances addressed within established timelines	Quarterly	PMO, municipalities
GRM Performance	Number of grievances received, resolved, and escalated; Average resolution time	Quarterly	PMO, municipalities
Implementation of PAP	% of agreed E&S strengthening actions completed; Number of sub-projects reviewed for ES system gaps	Quarterly	PMO

4.2 Monitoring & Verification Framework (MVF)

The MVF ensures that environmental and social actions related to DLIs are systematically tracked, verified, and reported under the RBF Program. It should align with Program framework, South Africa's national monitoring systems (NEMA, SPLUMA, Social Development monitoring frameworks) and the

AfDB's Independent Verification Protocols for RBF. The NT has demonstrated capacity and skills to provide an oversight over grant transfer schemes to Municipalities.

Regular Reporting by the PMO:

- Municipalities (as required through PMO) and provincial departments (where relevant) will submit quarterly E&S reports to the PMO. Reports will cover PAP implementation.
- The PMO will provide detailed progress and result report to NT and COGTA monthly.
- The progress on the DLI results achieved will be monitored by the PMO and independently verified by the IVA.
- The PMO through NT will provide a quarterly program progress report to the Program Steering Committee and the Bank.
- The Bank will undertake two supervision missions per year to provide support during Program implementation.

Institutional Roles in Monitoring & Verification

- **National Treasury (Program Implementing Entity)**
  - Submits quarterly consolidated E&S reports to AfDB.
  - Ensures funding is linked to verified E&S results.
- **Municipalities (PMO as agent of municipality and within contract scope only) supported by other relevant departments**
  - Implement the PAP actions at local level (screening, OHS, social registers, GRM, support).
  - Supervise the contractors and consolidate periodic E&S progress reports to support PMO report.
  - Facilitate stakeholder engagement and GRM operations and updating social registers.
- **Contractors (Construction Contractors / Independent Service Providers)**
  - Prepare nationally required E&S instruments and sub-management plans for activities and projects in MURP.
  - Implement all E&S requirements contained in the contract, including ESMPs, OHS Plans, Traffic Management Plans, Waste Management Plans, and any additional corrective actions.
  - Prepare and submit regular E&S reports (weekly or monthly depending on contract specifications) to the supervising municipality project implementation team/engineer. Reports include incidents, near-misses, grievances, labour statistics, community interactions, and mitigation implementation.
  - Ensure worker compliance with OHS, PPE use, welfare facilities, code of conduct, and labour standards.
  - Maintain site-level documentation including permits, method statements, induction records, inspection checklists, and GRM logs.
  - Notify the municipality immediately of any significant incident or non-compliance and cooperate in investigations and corrective actions.
  - Support monitoring and verification missions by providing site access, documentation, and staff for interviews during visits by the municipality, PMO, DFFE/COGTA, IVA, and the Bank.

- **DFFE with CoGTA**
  - Provides oversight on EIA, licensing, and compliance monitoring.
  - Conducts periodic environmental audits and enforcement actions.
- **Independent Verification Agent (IVA)** – appointed by AfDB/Government

  - Validates municipal and provincial reports against field evidence, will validate reported results, focusing on compliance with national E&S frameworks and the AfDB ISS.
  - Certifies whether DLIs/Disbursement-linked E&S results have been achieved.
  - Provides independent compliance assurance to AfDB.
  - IVA reports will be submitted to the Bank prior to DLI disbursements.
  - Will carry out bi-annual field verification missions.
  - Confirms whether PAP actions are met.
  - Uses a Results Verification Protocol (RVP) jointly agreed by AfDB and the Government.
- **Verification Methods:**
  - Desk review: Municipal and provincial reports.
  - Site visits: Physical inspection of infrastructure sites. Periodic site visits will verify the implementation of mitigation measures and institutional capacity on the ground. Audits will assess procedural adherence, environmental outcomes, and stakeholder satisfaction.
  - Stakeholder engagements/interviews: Local communities, workers, NGOs.
  - Document checks: Permits, ESMPs, GRM records, compensation agreements.
- **Reporting:**
  - IVA submits verification reports to AfDB and National Treasury.
  - Findings feed into AfDB disbursement decisions.

4.3 Feedback and Adaptive Management

- Monitoring results will be reviewed quarterly by the National Treasury.
- Corrective actions will be developed when gaps are identified.
- Lessons learned will be integrated into subsequent RBF cycles for the Bank.
- The Program will allow modifications to management practices based on monitoring results, ensuring alignment with RBF principles and environmental/social performance objectives.
- Any significant changes to program design or implementation affecting E&S aspects will require Bank review and approval.
- Monitoring includes reviewing feedback from community members, NGOs, and civil society to identify gaps in E&S performance.
- Adjustments to the GRM, PAP actions, or mitigation measures will be implemented based on feedback.

4.4 Reporting and Documentation

- **Quarterly Reports:** Prepared by PMO, reviewed by IVA, and submitted to the Bank.
- **Annual Environmental and Social Performance Audit Report:** Summarizes cumulative progress on E&S indicators, institutional strengthening, and mitigation measures.
- **Disclosure:** Reports will be disclosed on the Borrower and Bank websites in line with AfDB RBF disclosure timelines.

4.5 Risk Escalation and Resolution

- Any significant (in line with South African regulatory thresholds) non-compliance, incident, emergent E&S risk, or unresolved grievance will trigger an escalation procedure to the PMO, NT and AfDB within stipulated timelines under Bank ISS.
- Corrective measures, including additional capacity support or suspension of sub-project activities, will be implemented as needed and according to Bank ISS requirements.

4.6 Responsibility Matrix

Responsibility matrix for monitoring the program is shown below in Table 17:

Table 14:Monitoring responsibility matrix

Activity	**Lead**	**Support/Verification**
Monitoring PAP implementation	PMO	Municipal E&S Officers, CoGTA
Monitoring ESMP compliance	Municipal E&S Officers or PMO as agreed	Provincial E&S Unit, PMO, CoGTA
GRM tracking and reporting	Municipal GRM focal points	PMO (aggregation), IVA (verification)
Verification of RBF-linked results	Independent Verification Agent	Reports shared with PMO & AfDB
Adaptive management implementation	Municipal & Provincial E&S Officers or PMO as agreed	PMO, Provincial/National Treasury, AfDB Technical Team
Stakeholder consultation follow-up	Municipal & Provincial E&S Officers	PMO, Bank Stakeholder Engagement Team

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Annexes

Annex 1: Evidence of Public consultations

ATTENDANCE REGISTER

JET Municipal Utility Reform Project AfDB Mission: Environemtal and Social Assesment Site Visit
Date: Wednesday, 13 August 2025 Venue: eMalahleni Local Munciaplity

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	DBSA	ESG		

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JET Municipal Utility Reform Project AfDB Mission: Environemtal and Social Assesment Site Visit
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AfDB Mission: JET Municipal Utility Reform Project Environmental and Social Assessment

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AfDB Mission: JET Municipal Utility Reform Project
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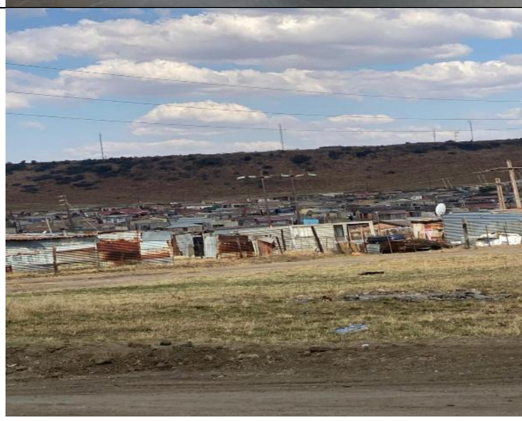
Annex 2: Evidence of Disclosures in-Country and Bank's website

Annex 3: Photos of Project Sites and Stakeholder Workshop

Water sub projects sites in Lekwa municipality	
 **Intake for pump repairs and line refurbishment**	 **Water laboratory to be improved**
 **Water treatment plant to be upgraded and old reservoirs to be decommissioned**	 **Asbestos pipes to be replaced with uPVC pipes**
 **Intake point needs refurbshiment**	

<table>
<tr><td></td><td>No filter medium in water treatment plant</td></tr>
<tr><td colspan="2">Water sub projects sites in eMahaleni municipality</td></tr>
<tr><td>
Water treatment plant for refurbishment</td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td colspan="2">Energy sub projects sites in Lekwa municipality</td></tr>
<tr><td>
Substation for refurbishment</td><td></td></tr>
<tr><td>
For transformer replacement</td><td>
Informal settlements with pole and electrical line works</td></tr>
<tr><td colspan="2">Energy sub projects sites in eMahaleni municipality</td></tr>
</table>

 **Office Building Rooftop for solar panels**	

Annex 4: Draft Capacity Building Plan for Municipality under the RBF Program (to be undertaken by PMO on behalf of municipalities)

Objective: To strengthen municipal institutions in Mpumalanga to effectively manage environmental and social (E&S) risks and opportunities under the RBF Program, in line with the AfDB Integrated Safeguards System (ISS) and the National Environmental Management Act (NEMA). This overall mapping integrates all priority areas: staffing/training, joint monitoring, RBF-specific integration, grievance redress, and cumulative impact management. Capacity-building activities are coordinated across levels: municipal (primary), provincial (support/oversight), and national/Bank (technical guidance and compliance). Primary implementers of the program DBSA Program Management Office (PMO) for the RBF program, will be responsible for designing and conducting municipal E&S training. Technical Assistance providers / consultants if engaged under the RBF project may deliver specialist training (cumulative impact assessment, GRM, OHS, pollution control, etc.).

Capacity-Building Priorities and Draft Actions

Priority Area	Capacity Gaps Identified	Capacity-Building Actions (with ISS OSs & NEMA focus)	Responsible Actors	Target Institutions	Timeline	Monitoring Indicators
1. Strengthening Municipal E&S Staffing, Training, and Resources	Municipalities lack dedicated E&S officers and technical capacity for monitoring, OHS, vulnerable groups, and cultural heritage.	- Recruit/assign municipal E&S officers. - Conduct training on Environmental & Social Assessment, Vulnerable Groups & Social Inclusion, Pollution Prevention, OHS & Labor. - Include NEMA Sec. 24 (EIA), Sec. 28 (Duty of Care).	Primary implementers	PMO, Municipalities E&S units, and National Env. Units, CoGTA	Year 1–2	# of officers trained; # of municipalities with functional E&S units
2. Developing Joint Monitoring & Reporting Systems	Fragmented monitoring and reporting between national and municipal agencies; no cumulative impact tracking.	- Establish inter-agency E&S monitoring protocols. - Develop shared monitoring templates and dashboards, capturing cumulative impacts. - Conduct joint inspections quarterly. - Training on Cumulative Impacts, Pollution Prevention, OHS and NEMA Chapter 5.	Primary implementers	PMO, Municipalities, Provincial and National Env. Units, DWS, DMRE	Year 1–3	Existence of joint monitoring reports; frequency of inter-agency inspections
3. Building RBF-Specific E&S Integration Capacity	Limited municipal experience linking E&S to DLIs, disbursement, and audits.	- Train staff on RBF modalities, linking E&S performance to DLIs and disbursement. - Develop internal DLI verification procedures.	Primary implementers	PMO, Municipalities, COGTA	Year 1–2	% of DLIs verified with E&S indicators; inclusion of E&S in audits
4. Enhancing Grievance Redress, Inclusion, and Participatory Engagement Mechanisms	Weak municipal grievance systems; lack of integration with traditional forums; poor stakeholder inclusion.	- Develop unified GRM protocol, linking traditional leaders and provincial desks. - Train on Stakeholder Engagement & Vulnerable Groups- Establish digital + manual complaint registers, accessible to communities.	Primary implementers	PMO, Municipalities, Traditional Authorities, Provincial, CoGTA	Year 1–2	# of grievances logged/resolved; % of vulnerable groups participating

Expected Outcomes

- Municipalities equipped with dedicated E&S staff and systems aligned to AfDB ISS and NEMA (as necessary undertaken by PMO on behalf of municipalities)
- Improved compliance monitoring, cumulative impact assessment, and grievance handling.
- Stronger community trust, transparency, and accountability, reducing reputational and operational risks.
- Effective integration of E&S safeguards into RBF disbursement frameworks, ensuring performance-based financing drives sustainable outcomes.

Annex 5: Estimated E&S Cost

Summary by Cost Heading (ZAR)

Heading	Subtotal (ZAR)	Subtotal (ZAR m)	Subtotal (USD)	% of Total (ZAR 14,900,035)
1) Sub-project EIAs / ESMPs & OHS Plans	12,000,000	12.00	648,649	80.54%
2) Monitoring, Reporting & Auditing (incl. IVA)	2,400,000	2.40	129,730	16.11%
3) Training, Capacity Building & Stakeholder Engagement	500,035	0.50	27,027	3.35%
Total indicative allocation	14,900,035	14.90	805,406	100.00%

1) ESMPs & OHS Plans (ZAR)

Line	Unit Cost (ZAR)	Qty	Subtotal (ZAR)
ESMP preparation (site surveys, baseline screening, ESMP, ESMP BoQ)	1,000,000	12	12,000,000
OHS planning & management plans (contractor support)	—	—	0
Standard tools: screening checklists, templates, forms	—	—	0
Cumulative aspects scoping (cross-municipal)	—	—	0
Total (ESMP & OHS)			**12,000,000**

2) Monitoring, Reporting & Auditing (ZAR)

Line	Unit Cost (ZAR)	Qty	Subtotal (ZAR)
Municipal & PMO E&S site audits & compliance inspections	300,000	4	1,200,000
Annual updating of social documentation (GRM, social registers)	200,000	6	1,200,000
IVA verifications / lab monitoring / reporting systems	—	—	0
Total (Monitoring & Auditing)			2,400,000

GRM & Social Registers — Breakdown per Annual Event (ZAR)

#	Activity	Unit Description	Unit Cost (ZAR)	Qty	Subtotal (ZAR)
1	Field visits & stakeholder meetings	1–2 days site visits; community meetings; stakeholder interviews	45,000	1	45,000
2	Data collection & social register updating	Enumerators + supervisor, data entry, GIS update	50,000	1	50,000
3	GRM case-management administration	Review open cases, close-outs, case status verification	25,000	1	25,000
4	Outreach & disclosure materials	Leaflets, posters, local radio spot	25,000	1	25,000
5	Translation, printing & accessibility	Translation to local languages; printing; accessible formats	10,000	1	10,000
6	Capacity support for local GRM focal points	Short refresher/training & per diems for focal points	15,000	1	15,000
7	Travel & field logistics	Vehicle hire, fuel, PPE, minor consumables	30,000	1	30,000
TOTAL per event					**200,000**

Aggregate for 6 annual events: 200,000 × 6 = **1,200,000 ZAR**

3) Training, Capacity & Stakeholder Engagement (ZAR)

Cost Component	Description	Cost (ZAR)	Cost (USD)

A. Focal Officer / Consultant Appointment	Fee + equipment for 4 municipalities (Year 1)	292,000	23,360
B. Full Training Sessions (Years 1–2)	1 session per year × 2 years	124,200	9,936
C. Refresher Trainings (Years 2–6)	1 session per year × 6 years	83,835	6,707
TOTAL		**500,035**	39,999

Yearly breakdown:

Year	Components Included	Annual Cost (ZAR)	Annual Cost (USD)
Year 1	Focal officers + 1 full training	354,100	28,328
Year 2	1 full training + 1 refresher	90,045	7,204
Year 3–6	1 refresher per year	27,945 × 4 = 111,780	2,236 × 4 = 8,944
Total		500,035	39,999

Indicative Allocation by Municipality (for planning)

Municipality	Share	Rationale
Mbombela	30%	Largest footprint; multiple networks & WTP refurbishments.
eMalahleni	30%	Complex legacy issues; dense loads; more audits & engagement.
Govan Mbeki	20%	Significant distribution work; moderate stakeholder spread.
Lekwa	20%	Smaller scale but requires capacity uplift and GRM support.

(Final shares to align with confirmed sub-project counts and DLI weighting.)