

Infrastructure Development Bank of Zimbabwe

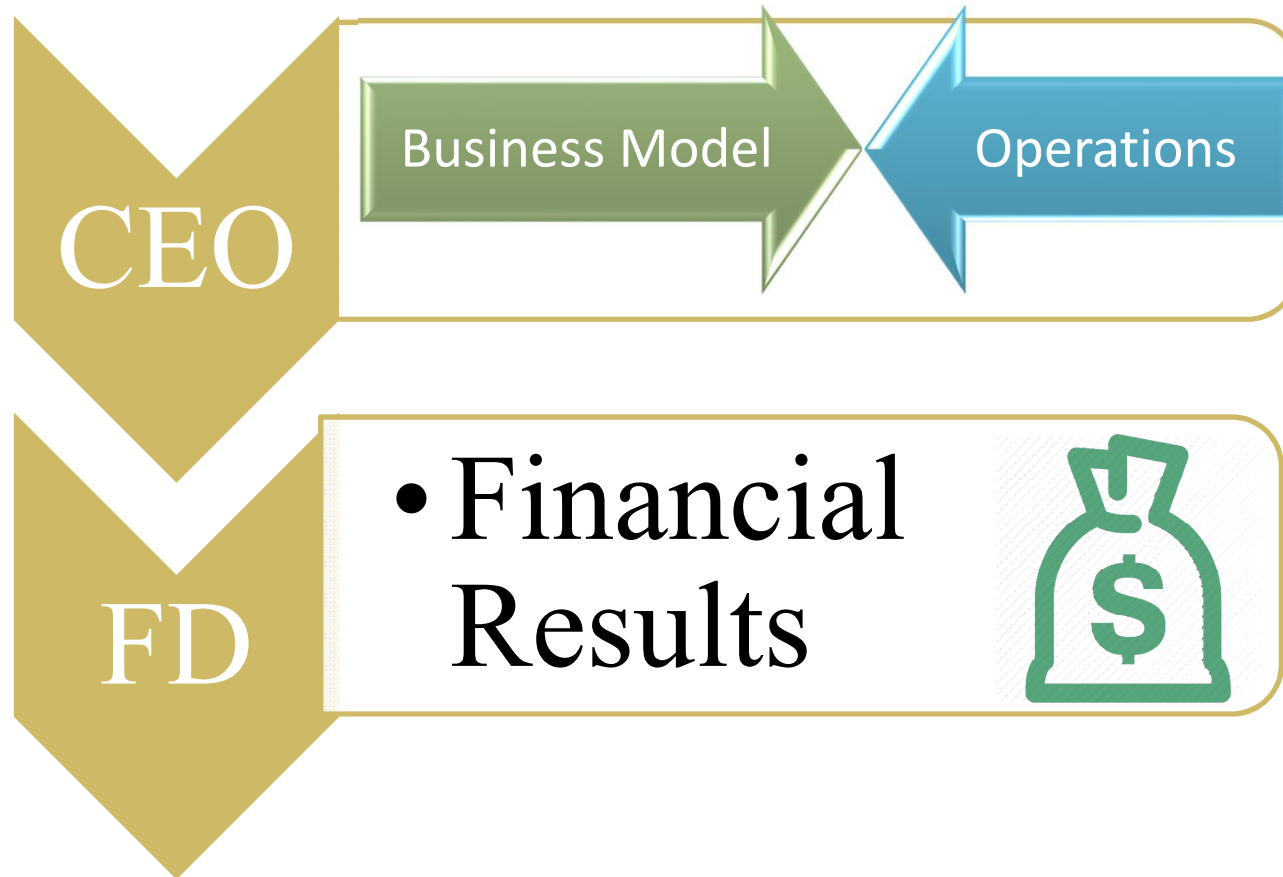
Briefing on:
FY2016 Operations and
Financial Results



National Growth and Transformation Enablers



Outline



Operations Overview



OUTLINE

1. Mandate and Sector Focus

2. Elements of Strategy and Business Model

3. Link between Infrastructure and Growth

4. Bank's Operational Activities by Sector

5. Resource Mobilisation Strategy

6. Project Preparation and Development Fund

IDBZ Profile: Mandate and Sector Focus

IDBZ's **core mandate** is that of **Infrastructure Development**

Bank's Objectives captured in the IDBZ Act [Chapter 24:14]

Why Infrastructure?

Adequate infrastructure is critical for:

- inclusive and sustainable economic development;
- national transformation;
- the upliftment of the living standards of citizens

The Bank's Interventions

- Providing a technical lead in project preparation, packaging & implementation.
- Mobilising resources for Project Financing.
- Providing Capacity Building and Knowledge Sharing.

Infrastructure Development

that is:

- Adequate
- Reliable
- Affordable
- Sustainable

Energy

Transport

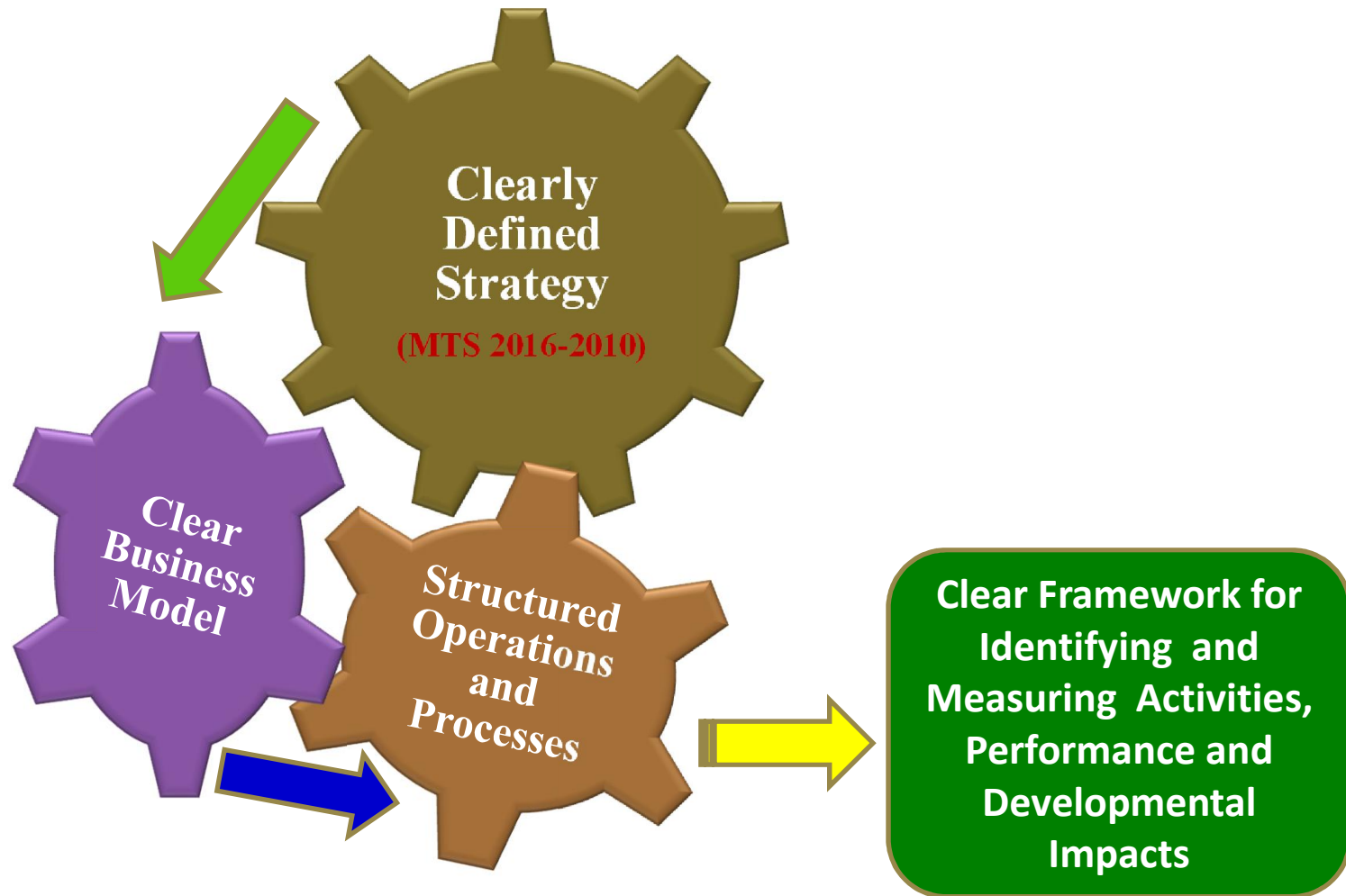
Water & Sanitation

ICT

Housing

Sectors of Focus

Defined Business Framework



Bank has a focused approach to discharging its mandate....

IDBZ Profile: Business Model

1. Project Development and Management

2. Infrastructure Financing.

3. Financial Sustainability

4. Knowledge Generation and Sharing

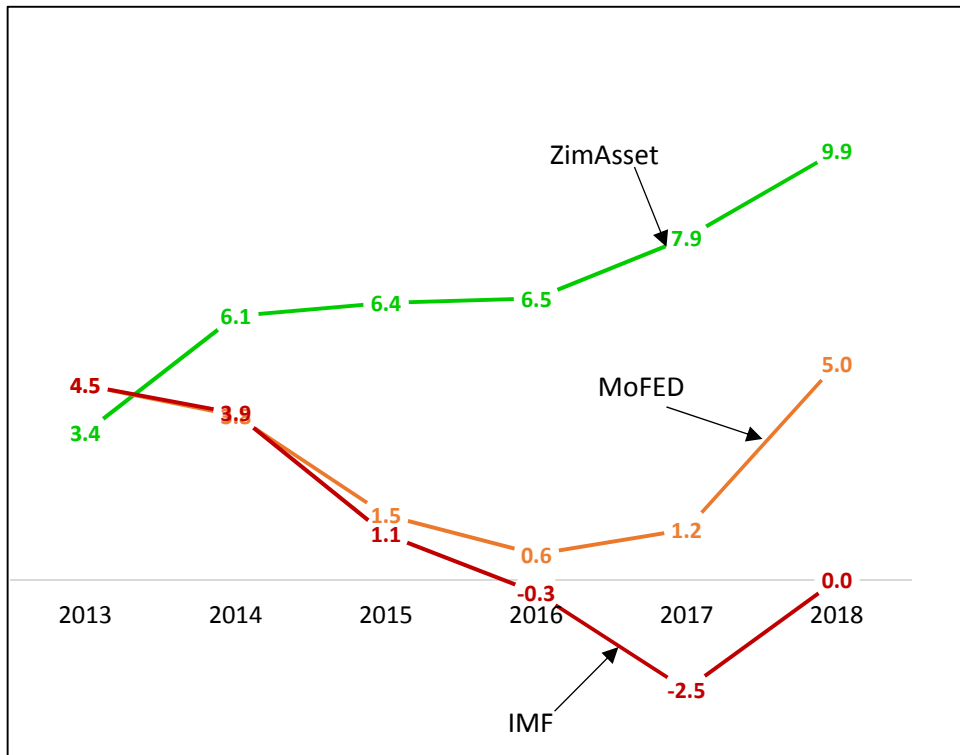
Strategy Elements



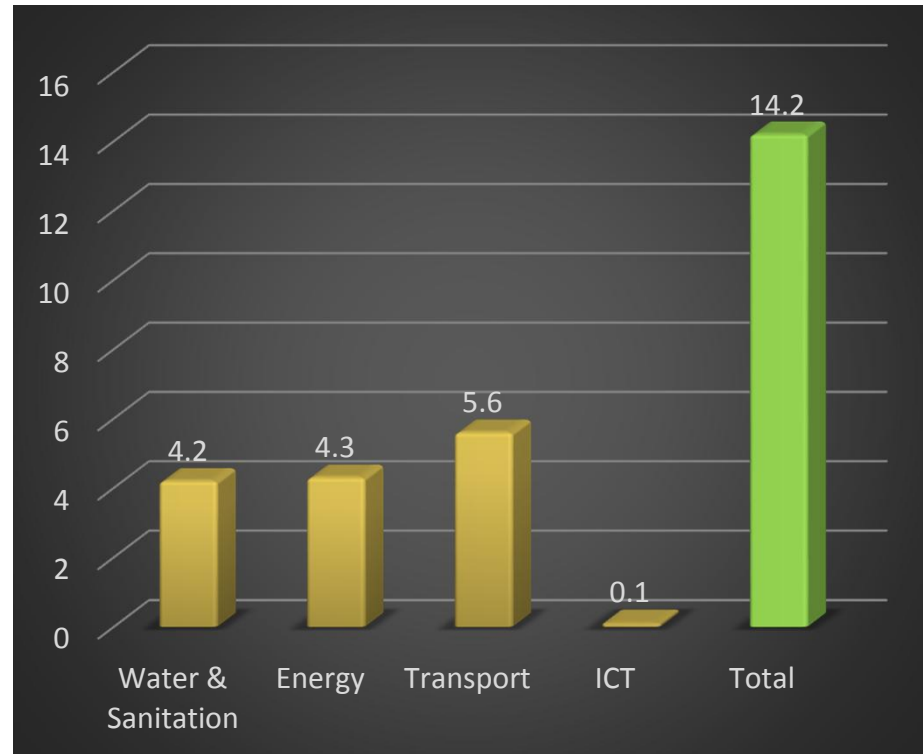
Context

Infrastructure and Economic Growth Nexus

Economic Growth Projections

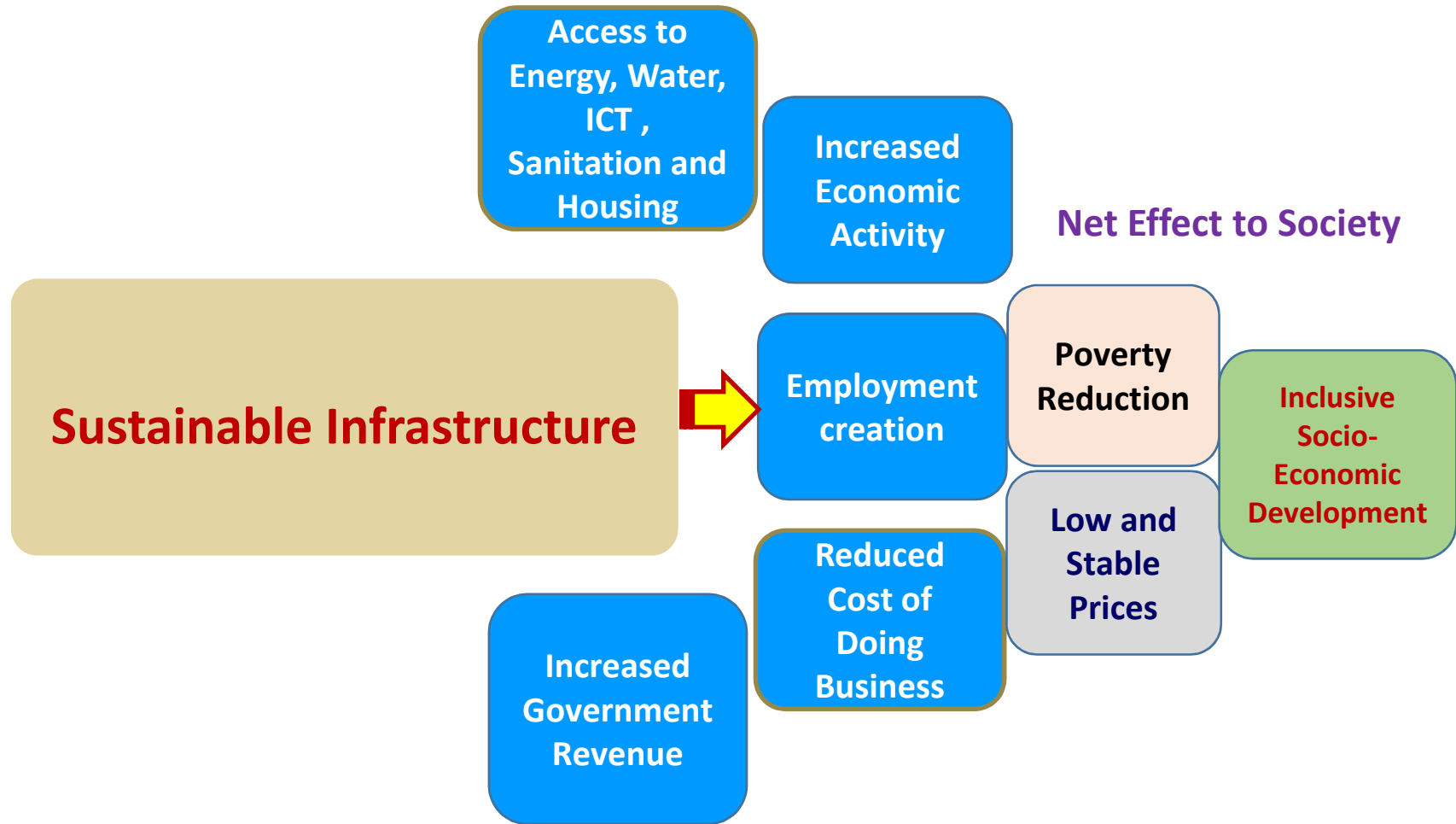


Infrastructure Requirements (US\$ billion), AfDB, 2011



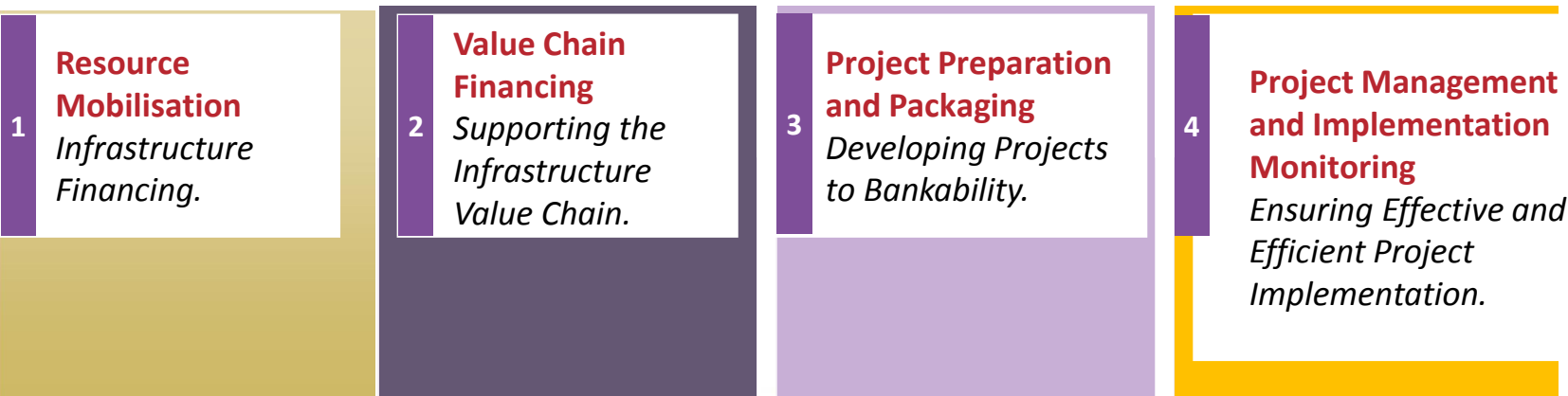
Context

Infrastructure and Economic Growth Nexus (Cont..)



Developmental Impacts

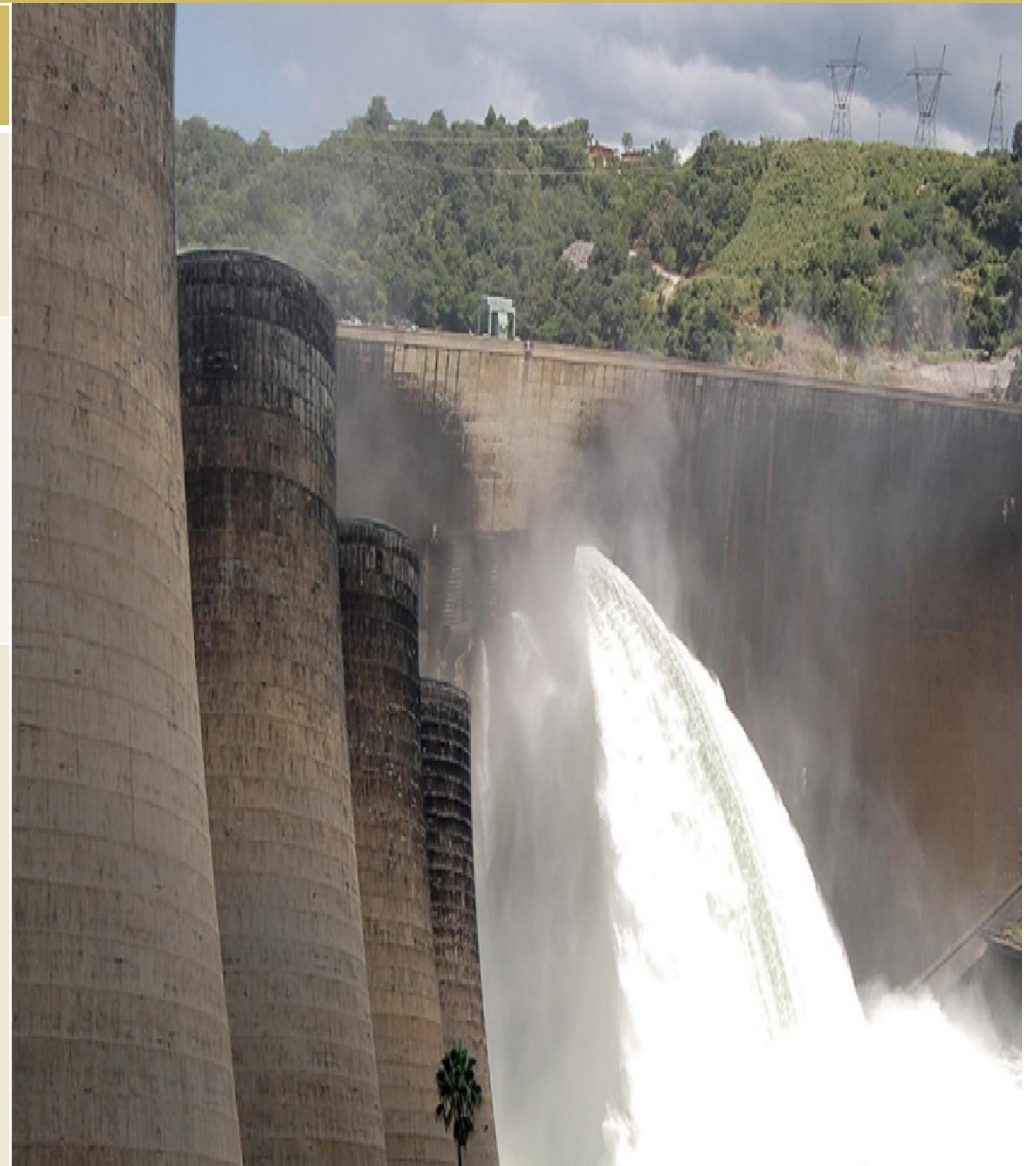
OPERATIONAL OUTTURN



<p>Outputs</p>	<p>Raised: US\$ 22.5 Million</p> <ul style="list-style-type: none"> Energy: US\$19.3m for KSPS (filled up \$50m ZPC Bond Issue) Housing – US\$3.2m – Clipsham and New Marimba 	<p>Advances- US\$5.34 Million</p> <ul style="list-style-type: none"> Transport – US\$ 340,000 ICT – US\$ 2.1 million Housing – US\$ 3 million – <i>Clipsham and New Marimba</i> 	<p>Pipeline of Projects - 15</p> <ul style="list-style-type: none"> Energy – 3 Transport – 3 Water and Sanitation- 3 Housing- 6 Project Preparation Financing – US\$ 4.9 million 	<p>Project Management (PSIP Disbursements)</p> <ul style="list-style-type: none"> Transport – US\$ 2.26m Water – US\$ 31.91m Housing – US\$ 1.75m Other – US\$ 2.87m
<p>Outcomes</p>	<ul style="list-style-type: none"> New Marimba –357 residential stands Clipsham – 704 residential stands 2980 temporary jobs 100 permanent jobs Expected beneficiaries for housing - 4 244 people. KSPS still under implementation – 300MW 		<ul style="list-style-type: none"> Energy output - 20 MW Rehabilitated Roads - 937 km Prepaid meters Water Supply Reservoirs- 5 Rehabilitated Sewer and Water Systems- 2 Accommodation – 6 564 students Residential Stands – 5 661 units 	<ul style="list-style-type: none"> Housing – 846 Stands Surfaced Roads and Drainage – 14.5 km Water reticulation – 14.1 km. Sewer reticulation – 15 km

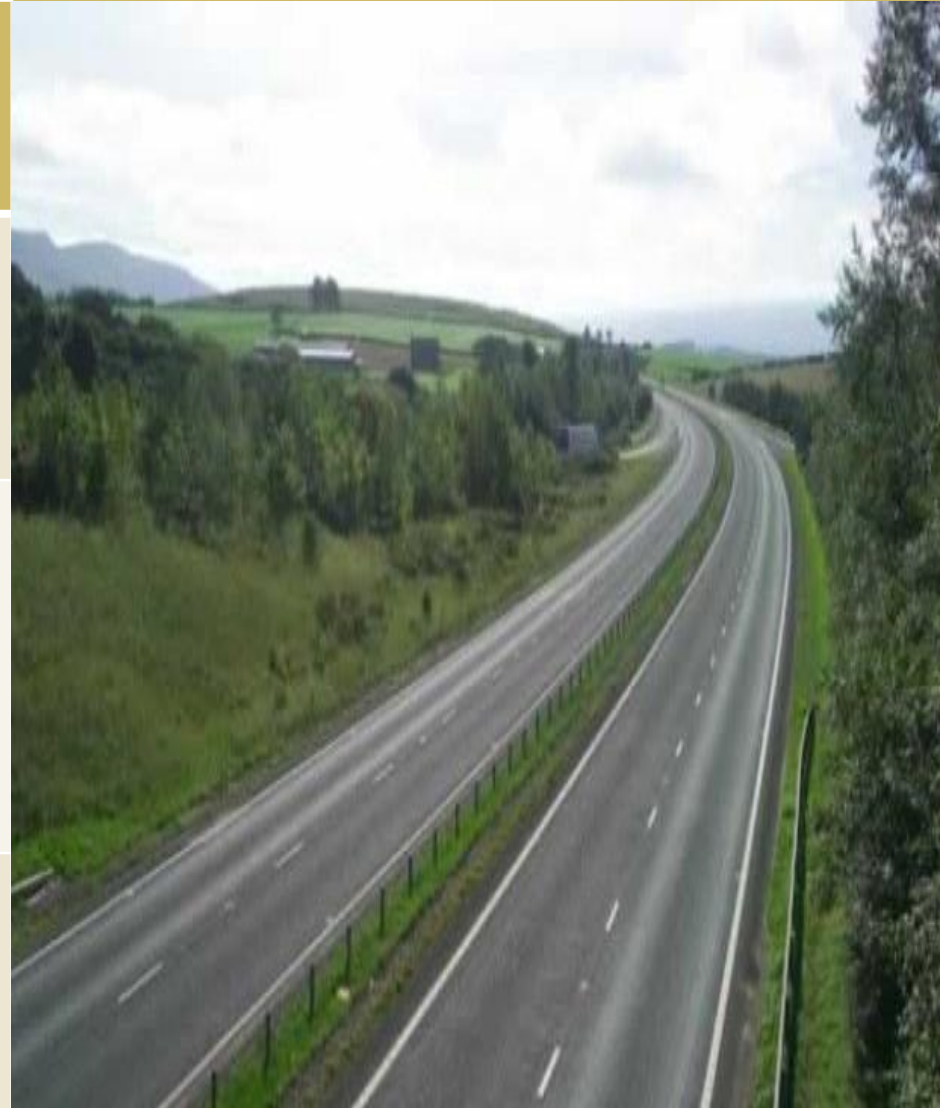
Outlook: Energy and Power Supply

Project	Type	Output (MW)	Value (million)	Status
Solgas	Solar	2.5	7.2	Advanced preparation
Osborne Dam – MiniHydro	Hydro	2.5	6.63	Advanced preparation
Tokwe Murkosi- MiniHydro	Hydro	15	±35.0	<ul style="list-style-type: none"> -Preferred investor identified. -Civil works for Power house underway. -Project implementation agreements still to be finalised.



Outlook: Transport

Project	Type	Outputs	Project Value (US\$ million)
Beitbridge-Harare-Chirundu Road Upgrading and Dualisation	Road Construction	897 km Road	2 700
Beitbridge Border Post Modernisation	Border Post Upgrading	Modern One Stop Border Post	±271
Chipinda Bridge on Runde River and Link Road (Lowveld)	Road and Bridge Construction	40km Road and Bridge	7.2



Outlook : Water & Sanitation and Irrigation



Project	Type	Cost Estimate (US\$m)	Outputs
Victoria Falls Municipality WASH	Rehabilitation of the Water and Sewer system	12	<ul style="list-style-type: none"> • Pre-Paid Meters • Rehabilitated Sewer Plant • Water Supply Reservoir
Masvingo City Water Augmentation	Revamping of the Water Supply System	9	<ul style="list-style-type: none"> • Water Reservoirs • Rehabilitated Water Supply System
Chitungwiza Water Augmentation	Rehabilitation of Water and Sewer System <i>(Institutional Arrangements to be finalised, followed by project preparation and mobilisation of funding)</i>	TBA	<ul style="list-style-type: none"> • Pre-paid meters • Rehabilitated Sewer Plant • Water Supply Reservoir

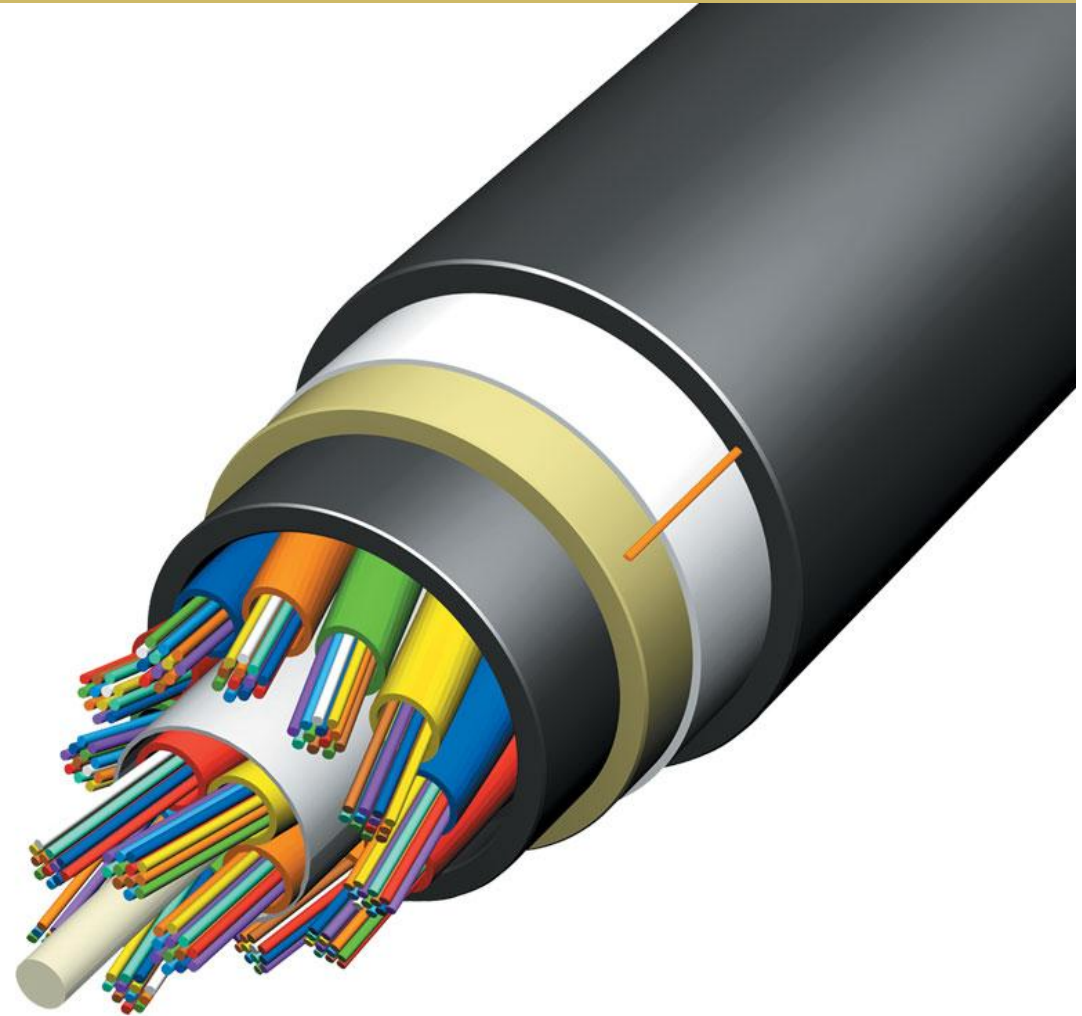
Outlook : Water & Sanitation and Irrigation (Cont...)



PROJECT NAME	IRRIGATION COMPONENT EARMARKED	FUNDING REQUIREMENTS (US\$ million)
Mutange Dam (Gokwe)	Installation of Dam Pump House	0.3
Tokwe-Mukorsi (Chivi)	Development (feasibility study)	±1.0
Ngezi-Mamina (Mhondoro)	Rehabilitation of existing facilities	1.2
Chipoli (Mash Central)	Rehabilitation of existing facilities	1.8
Silalabuwa (Esigodini)	Rehabilitation of existing facilities	2.5
Osborne –Irrigation (Mutare)	Development (feasibility study)	TBA
TOTAL		±6.8

Outlook: ICT

- Bank focuses on the development of Backbone Infrastructure
- No current projects in the pipeline.
- Country needs to address the fragmentation in ICT infrastructure within the Public Sector
(TelOne, NetOne, Powertel, Africom, Telecel, etc)



Outlook: Housing & Municipalities



PROJECT	TYPE	OUTPUTS	PROJECT VALUE (US\$ MILLION)
University Students & Staff Accommodation Program (USSAP)	Construction of halls of residence, staff accommodation and teaching facilities at 5 state universities (LSU, NUST, BUSE, UZ, CUT).	<ul style="list-style-type: none"> Accommodation for 6,564 students and 220 university staff members 	75.0
Remainder of Sumben, Harare	Servicing of low density residential and commercial stands in Mt Pleasant	<ul style="list-style-type: none"> 370 low density residential stands 	15.4- (funding gap US\$ 12.1)
Zimplats Umvovo Phase 4 & Chegutu Low Density Phase 1, Chegutu	Servicing of high and low residential stands	<ul style="list-style-type: none"> 6.35km road 5.66km water sewerage 1,426 stands. 308 core houses 	10.7

Outlook: Housing & Municipalities (Cont...)



PROJECT	TYPE	OUTPUTS	PROJECT VALUE (US\$ MILLION)
Boabab, Batonga & Kasese Residential Townships, Kariba	Servicing of high and low residential stands (ZPC is the major off-taker for Boabab & Batonga)	<ul style="list-style-type: none"> • 1,557 high, medium and low density residential stands. • Three water reinforced concrete reservoir (2ML) 	16.4
Empumalanga West Township, Hwange	<ul style="list-style-type: none"> • Servicing of high and low residential stands • Rehabilitation of a Waste Water Treatment Plant 	<ul style="list-style-type: none"> • 2,000 high density residential stands. • 1.08ML/day Waste Water Treatment Plant 	5.8
Glen Forest Memorial Park, Goromonzi District	Demarcation and servicing of grave units	<ul style="list-style-type: none"> • 11,750 grave units 	

Outlook: Resource Mobilisation Strategy

Project Financing

- Adequately resource projects in the development pipeline that reach Bankability.
- Providing sustainable funding solutions for successful project implementation.
- Escalate Bond Issues and use of PPPs.
- Increased focus on funding of Project Preparation in order to build project pipeline.



Strategic Partnerships

- Building and nurturing strategic partnerships with other DFIs and Development Partners.
- Unlock opportunities for Co-financing, Credit Enhancements and Lines of Credit.
- Exploit knowledge transfer opportunities with other DFIs in the infrastructure space.
- Joint packaging of projects and cost sharing



Bank Capitalisation

- Clear capitalization roadmap now in place to build balance sheet capacity in the short to medium term.
- Will look for strategic investors who understand the long term nature of infrastructure business.
- Foreign DFIs will also be targeted for equity or debt.

Outlook: Project Preparation

Project Preparation and Development Fund (PPDF)

- ❑ PPDF Facility launched in 2016 at US\$ 2.5m.
- ❑ Facility expected to reach US\$ 5m in 2017 and US\$ 10m million in the medium term.
- ❑ **Unavailability of Bankable Projects is the major obstacle to infrastructure investment** and the IDBZ is **seeking to close the funding gap on project preparation.**
- ❑ **Project Bankability** – aspects that make a project ready for financing and implementation:
 - Technical Feasibility* – Full technical specifications (designs), technology compatibility, etc
 - Legal Issues* – licences, permits, Govt and regulatory approvals, key agreements, etc
 - Environmental & Social Issues* - ESIA and mitigation strategies
 - Financial Viability* – cost estimates, project economics, returns, debt service capacity, etc
 - Economic Viability* – economic benefits to the country, etc
- ❑ Project preparation costs vary from 2-5 % of total project costs.
- ❑ **Revolving Facility - Costs are recovered at financial close and ploughed back into the fund** to support other projects.

Financial Results

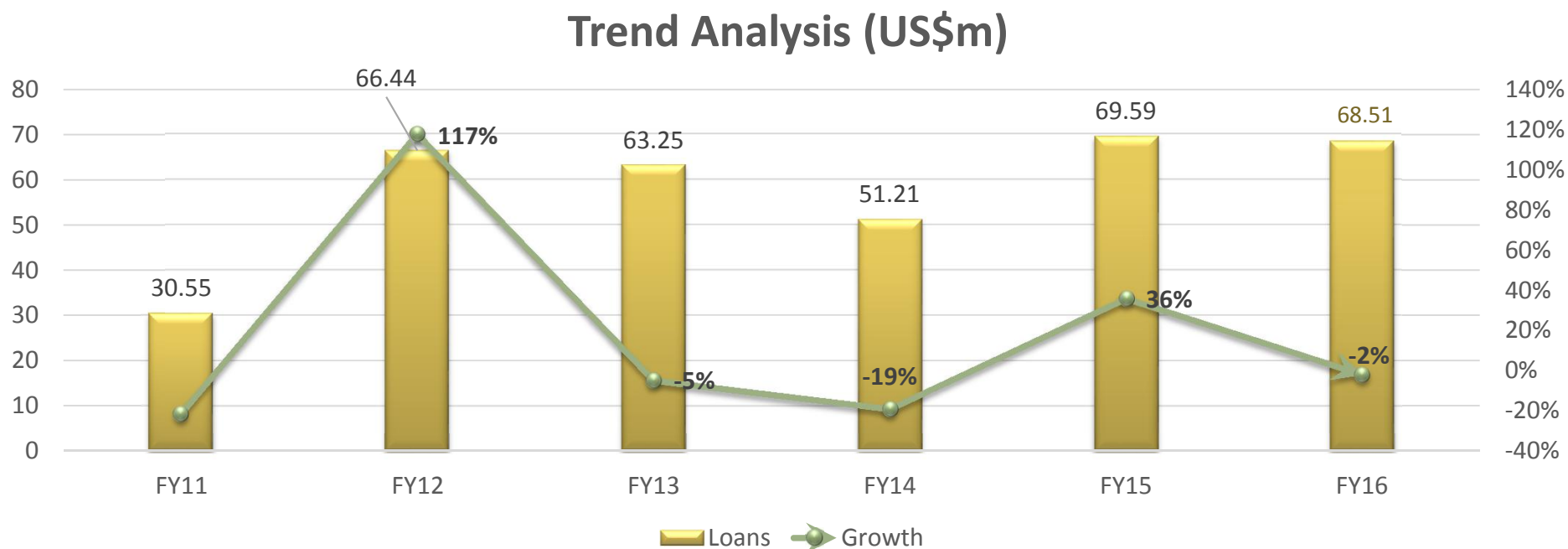
FY16 Financial Performance

	FY16 US\$m	FY15 US\$m	Change	
Total revenue	7.43	6.73	10%	↑ Driven by increased money market activity & growth in long term infrastructure business (bonds and property dvpt).
Total expenses	7.61	10.14	25%	↓ Expenses higher in 2015 as a result of \$2.3m retrenchment costs. Bank now reaping the benefits of the rationalisation.
Loan impairment	1.6	0.72	122%	↑ Mainly from non-performing exposure to a corporate in the tourism sector. NPL ratio went down from 10.4% to 9.2%.
Loss	(1.30)	(4.00)	68%	↓ Loss a result of fair value losses on property \$1.6m, NPL impairments and losses from associates \$0.2m.

FY16 Financial Position

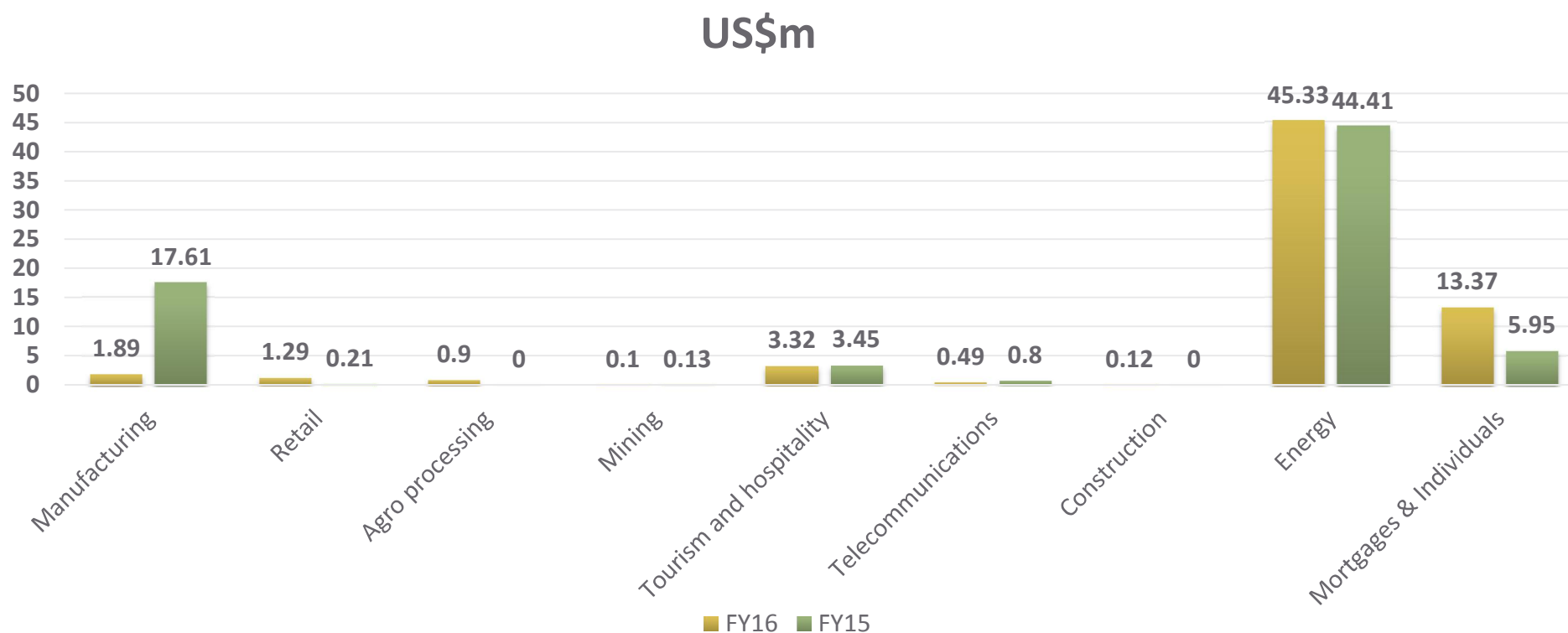
	FY16 US\$m	FY15 US\$m	Change	
Total assets	159.94	130.69	22% ↑	Growth from TBs received as capital injection from shareholders (\$23m) and the takeover of NPLs by ZAMCO (\$1.8m)
Total liabilities	111.27	102.62	8% ↑	Growth in bonds (\$22.5m raised) and presales revenue on housing stands.
Total equity	48.67	28.07	73% ↑	Capital injection from shareholders following a Rights Issue.
Loans & Advances	68.51	69.59	2% ↓	Repayments of the long term loans to the energy sector (\$18m), collections & offset by new mortgages (\$3m).
Deposits	47.00	48.61	3% ↓	Utilisation of the sinking funds to pay bond maturities and offset by increase in project funds awaiting drawdown.
Bonds	56.87	46.63	22% ↑	Bonds in issue of \$50.5m and government funds of \$6.4m for PSIP projects.

Loans and advances – Trend Analysis



- The FY16 reduction is mainly driven by repayments net of disbursements of long term infrastructure loans to the energy and housing sectors.

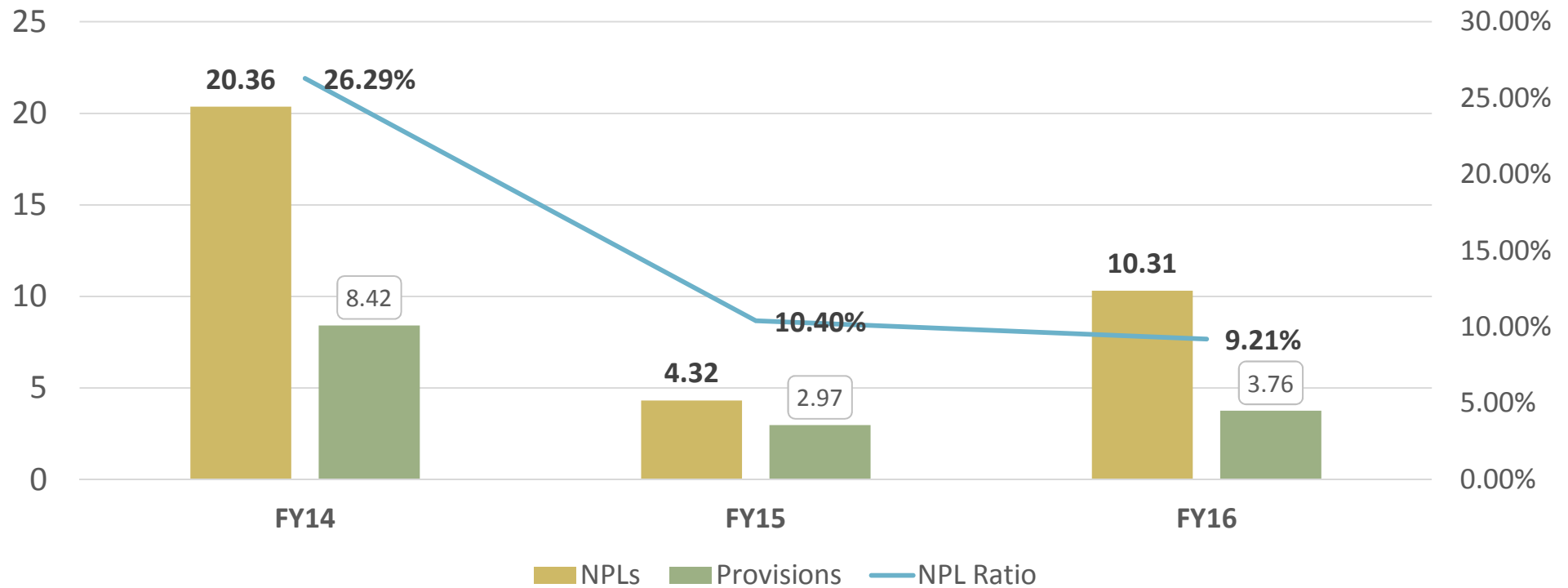
Loans and Advances - Sectorial Analysis



- The major exposures are in energy (ZPC & ZETDC projects funded by bonds).
- Manufacturing significantly reduced as a result of the Bank's intensified effort on exiting non-mandate exposures.
- Mortgages have more than doubled following sales of Graniteside flats, New Marimba and Clipsham Views stands.

Loan Impairments

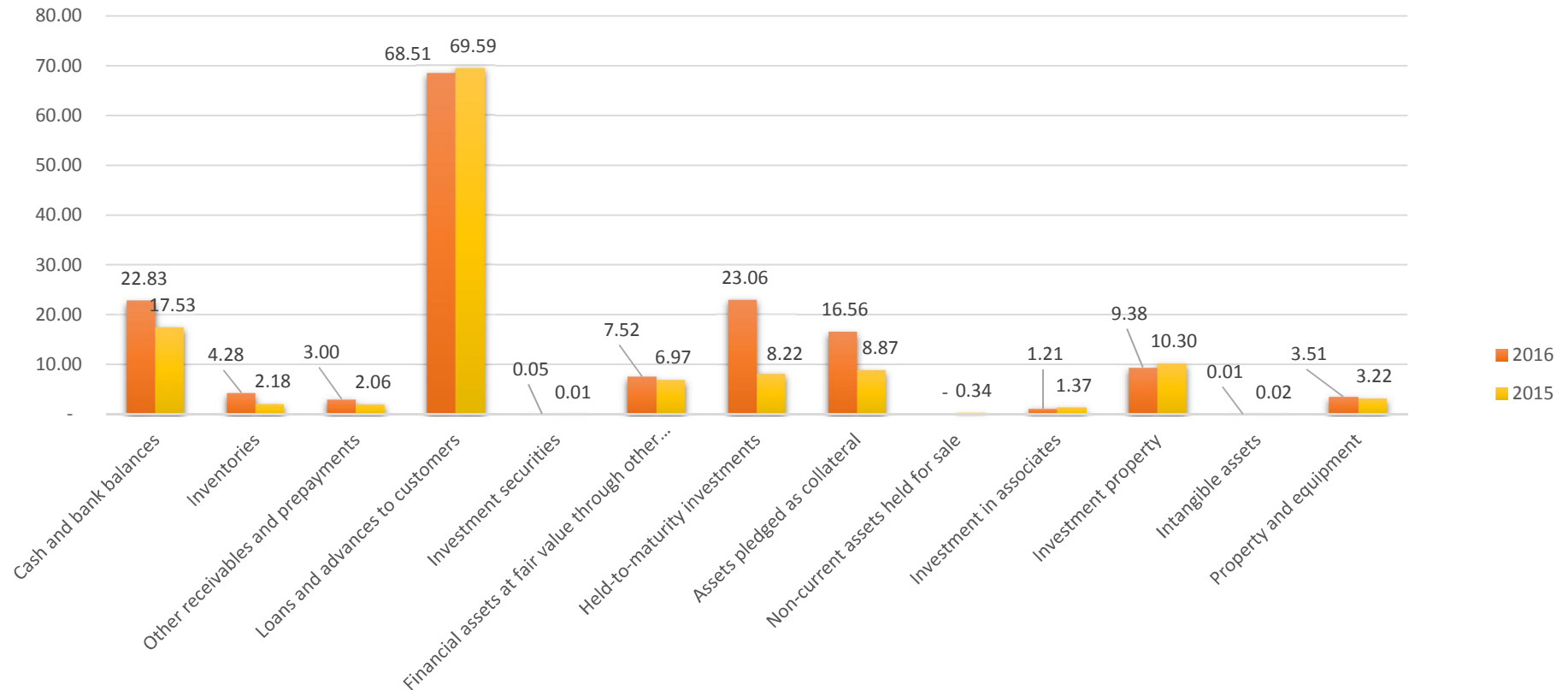
NPLs and Impairment (US\$m)



- There was an increase in loan impairment provision arising from the tourism sector exposures.

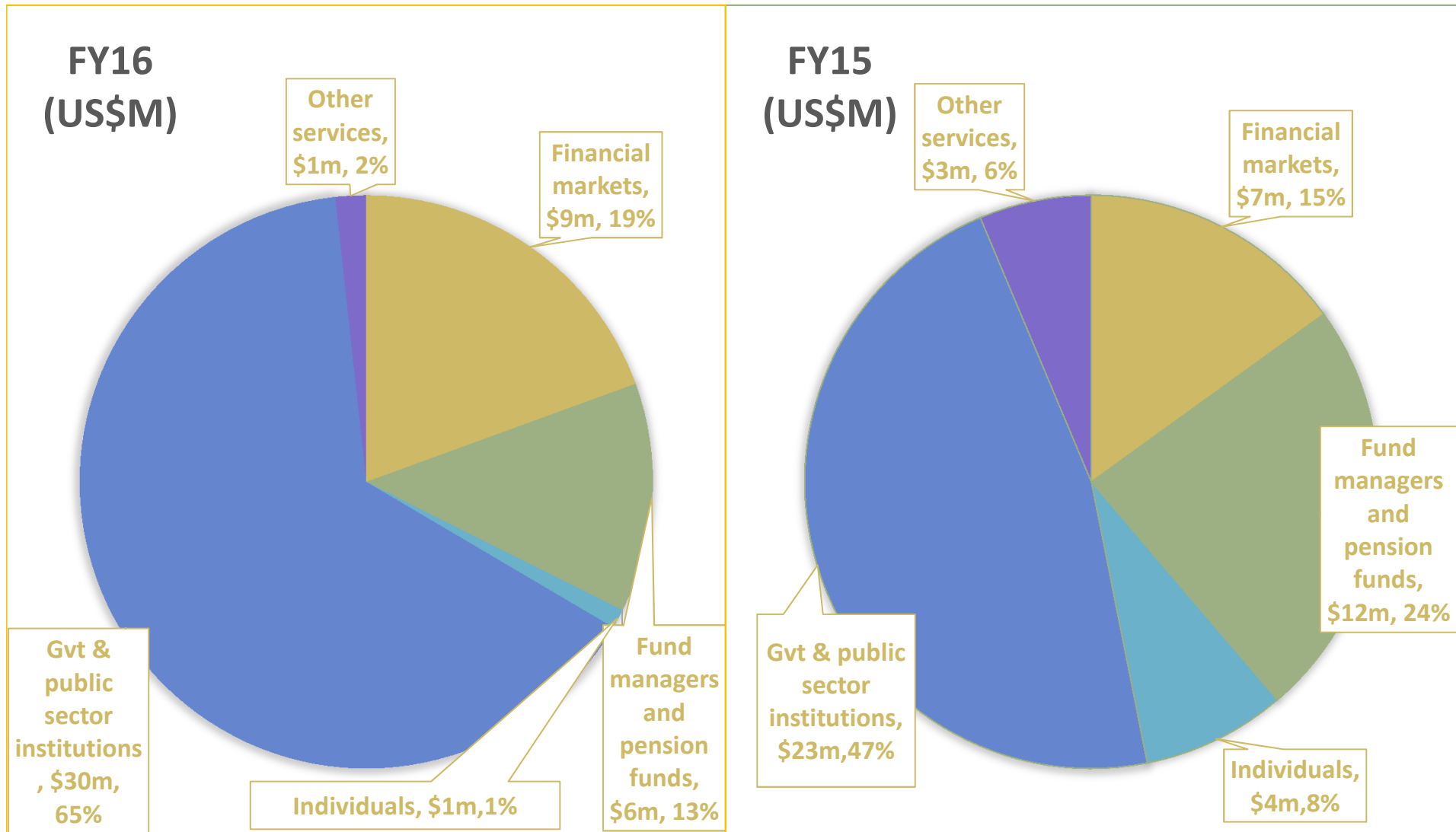
Total Assets Analysis

Assets Analysis (US\$m)

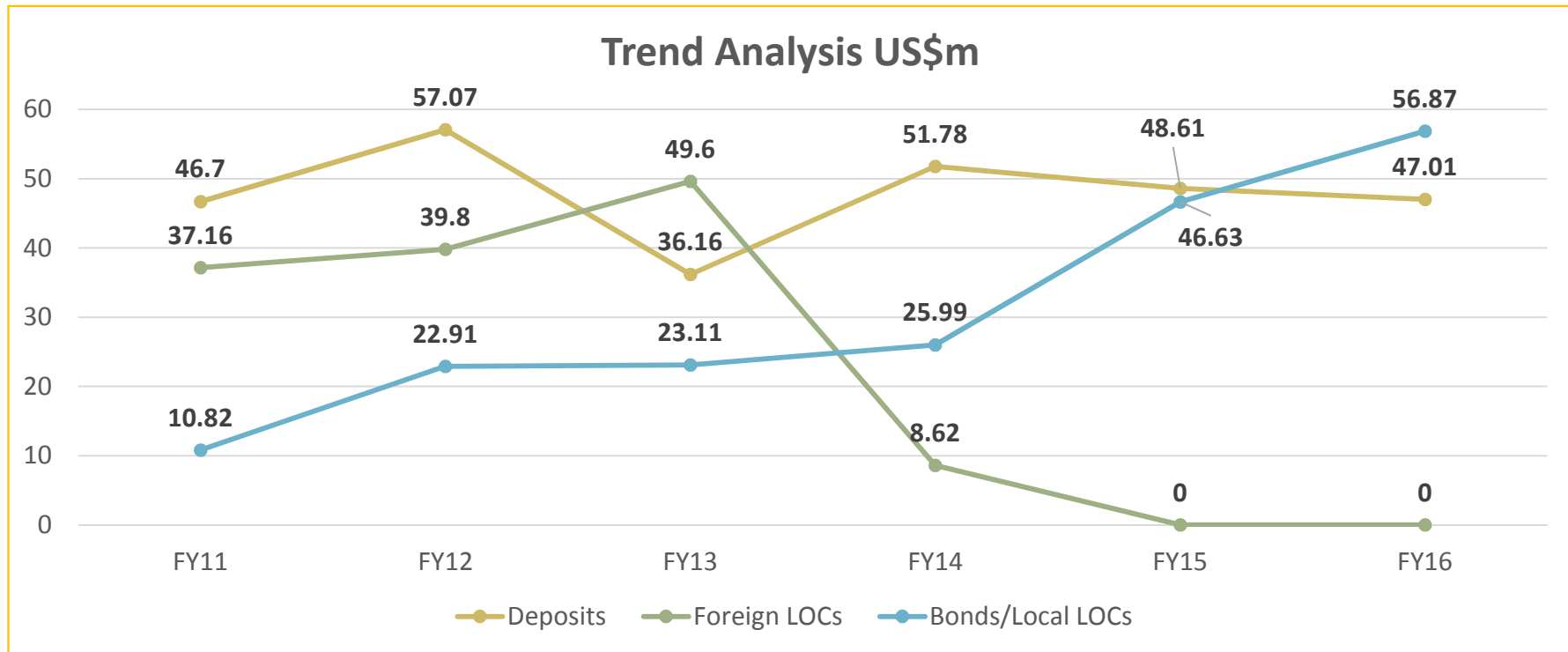


- Total Assets increased by 22% from prior year mainly as a result of increases of the Held to Maturity assets from the capital injection (Treasury Bills) by the government.

Funding sources



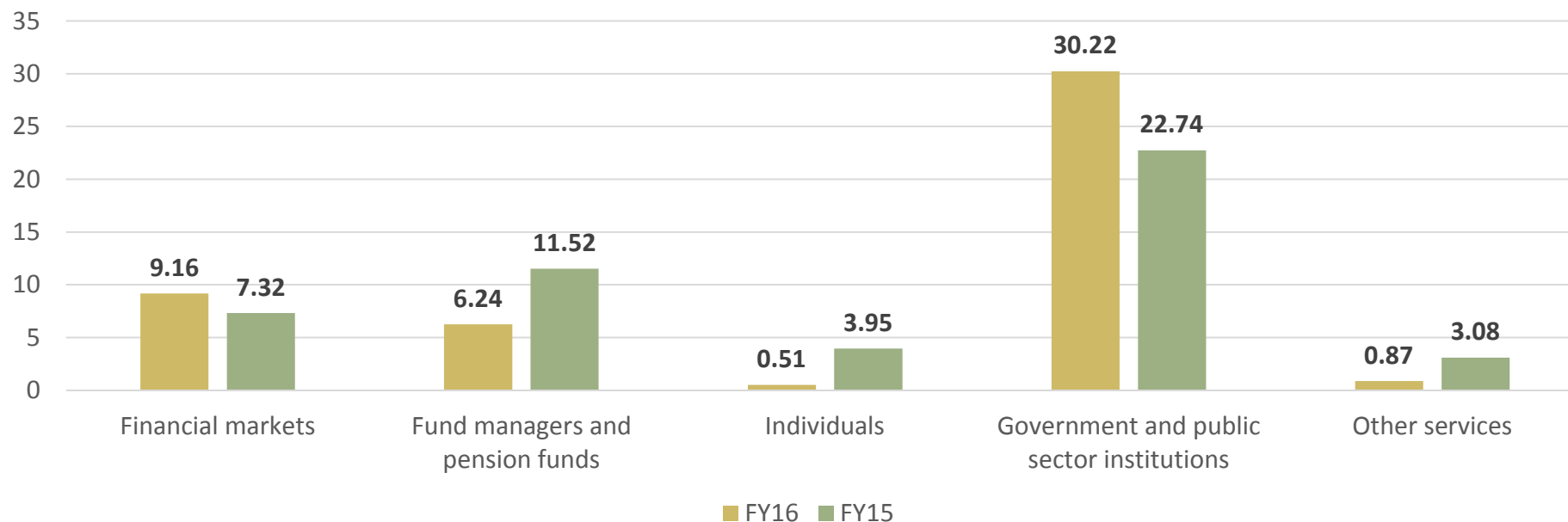
Deposits – Trend and Growth



- Increase in bonds/Local LOCs is mainly from the fully subscribed infrastructure bonds.
- No running Foreign LOCs.

Deposits By Sector

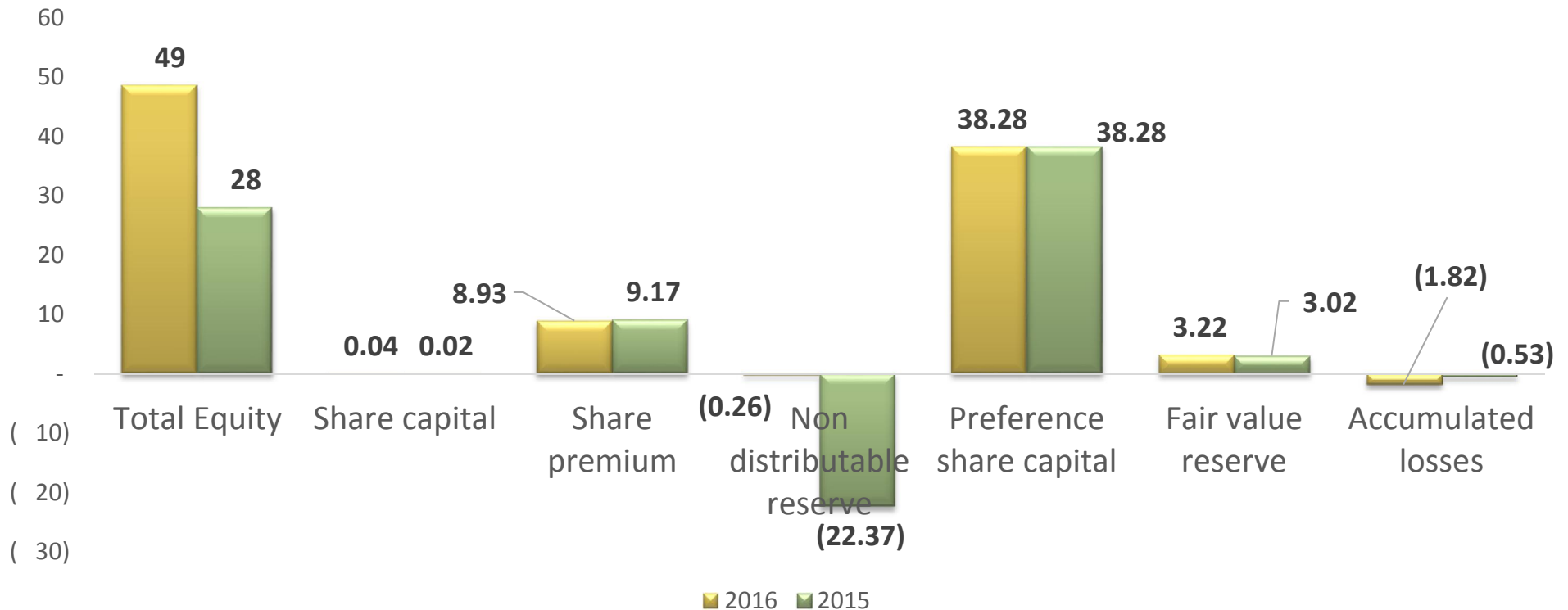
Sectorial Analysis (US\$m)



- Gvt & Public Sector Institutions are mainly sinking funds and amounts awaiting drawdown on projects being implemented (Tokwe Mukorsi Dam and the Kariba South Power Station).
- The decrease in Individuals deposits is a result of reallocation from deposits (Home Saver accounts) to housing mortgages as the bank underwrote new mortgages.
- Portfolio reallocation is evident on the fund managers and pension funds, as they subscribed more to infrastructure bonds than fixed deposits for better returns.

Shareholder Equity

Equity (US\$m)



- 2,013,044 new shares issued following a rights issue, raising a total of \$23m in equity capital
- Share premium increased by \$22.4m through a rights issue. \$22.1m was allocated to non-distributable reserve and \$0.55m fair value adjustment on Treasury Bills received for equity.

Key Ratios

	FY16	FY15	
Cost to Income ratio (CIR)	100%	152%	2016 CIR figure affected by loans provision and asset fair value adjustments. Bank now reaping the benefits of rationalisation and refocussing to core mandate.
NPL Ratio	9.2%	10.4%	NPL ratio better due to improved collections on non-mandate exposures and focus is on exiting these as they are contributing a greater proportion to NPLs.
Liquidity ratio	51%	59%	Decline, a result of the net increase in bonds. Ratio meets both RBZ 30% and IDBZ Act 10% thresholds.
Loans to Deposit Ratio	66%	73%	Decrease mainly from the utilisation of sinking funds deposits to service bond maturities.
ROE	-3%	-14%	FY16 loss improved as compared to prior, however the loss is depressing the ratios
ROA	-1%	-3%	

Key Strategic Issues

1. Sustain the financial solidity through prudent liquidity management
2. Focus is on timely project implementation to meet revenue targets.
3. Underwrite trade finance facilities in the infrastructure value chain.
4. Maintain effective cost management strategies
5. Continue to unlock value out of the remaining NPLs and exit non-mandate legacy exposures.
6. Better project preparation will result in timely financial closure on infrastructure projects
7. Ensure regulatory compliance (Bank now under the Banking Act and DPC Act).

THANK YOU

TATENDA

SIYABONGA

