

CZI ANNUAL CONGRESS & INVESTMENT FORUM 2017

Growing Manufacturing Sector Competitiveness: Realities and Realignments.

“Infrastructure Realities and Realignment”

Presented by

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**Elephant Hills Resort – Victoria Falls
03 August 2017**





OUTLINE

1. National Competitiveness – Determinants

2. Zimbabwe Competiveness Score 2007-2017

3. Zimbabwe Competiveness Score and Rank compared to SADC countries

4. Zimbabwe Infrastructure Competiveness Score and Rank

5. Infrastructure – pre-requisite for take off

6. Maintenance and Protection of Existing Infrastructure

7. Overview of Infrastructure Impact to Business

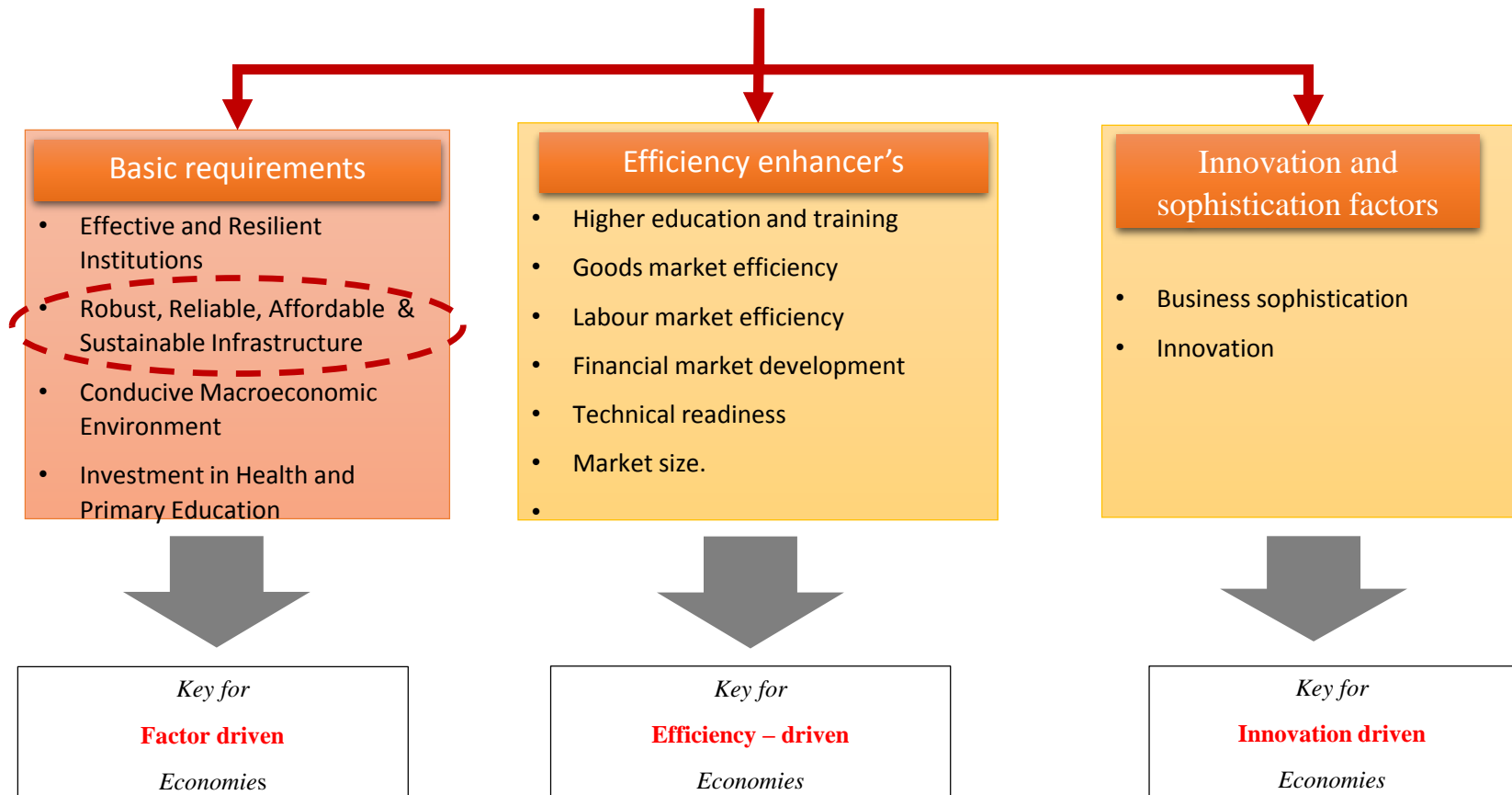
8. Estimated Infrastructure financing gap in Zimbabwe

9. Importance of Infrastructure to Competitiveness

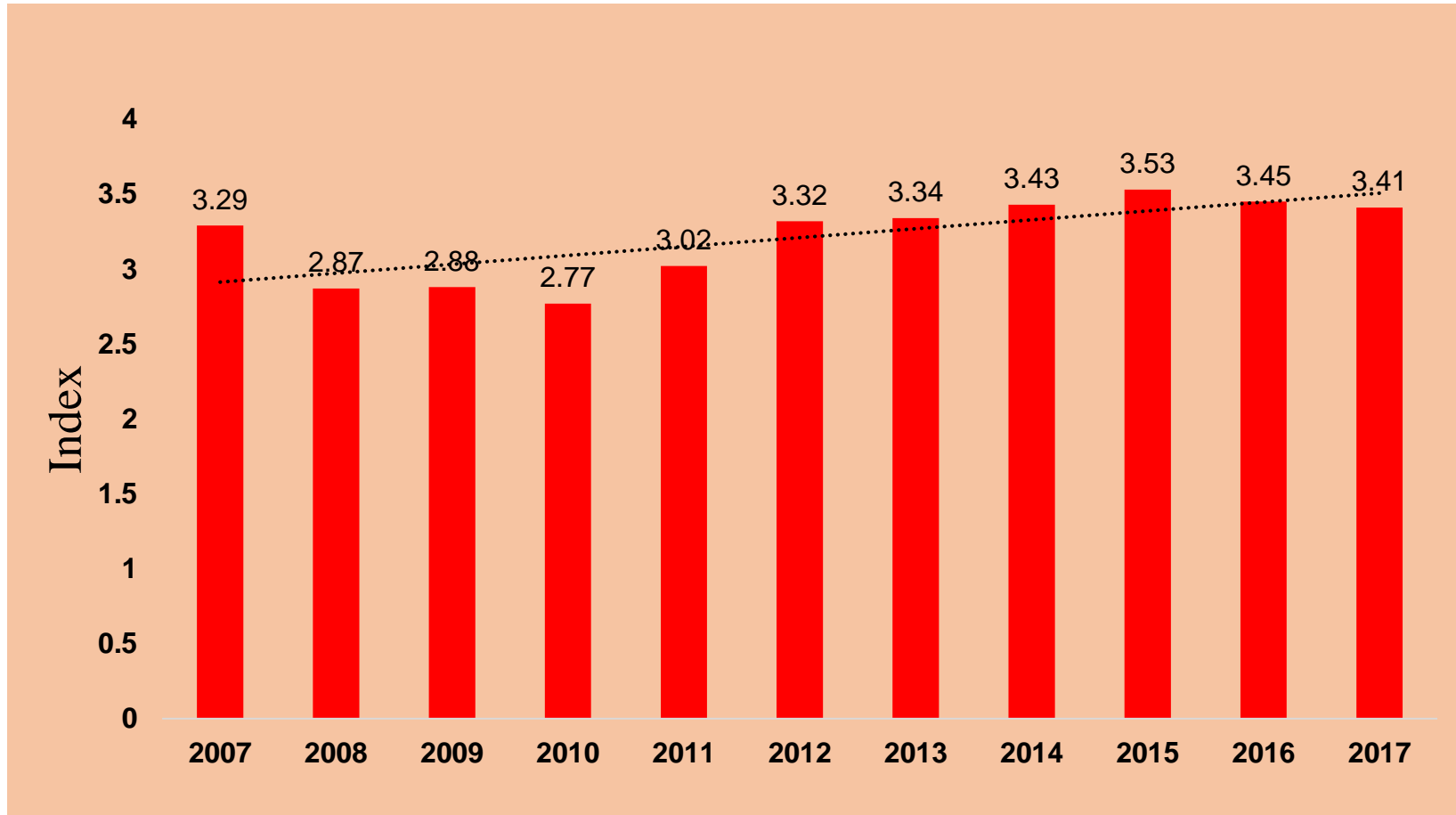
10. Situational Analysis

11. Roadmap for Infrastructure Development

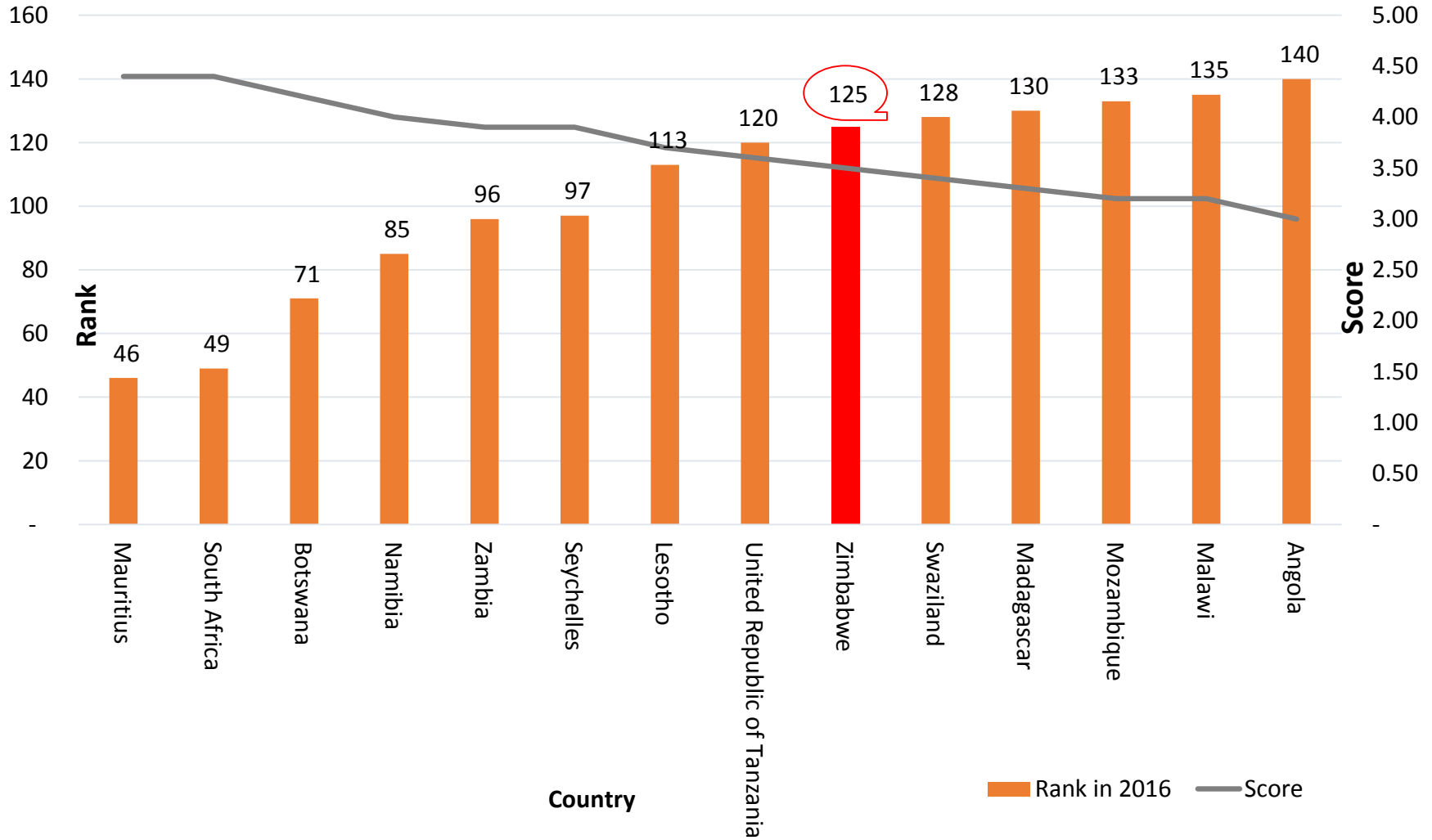
National Competitiveness – Determinants



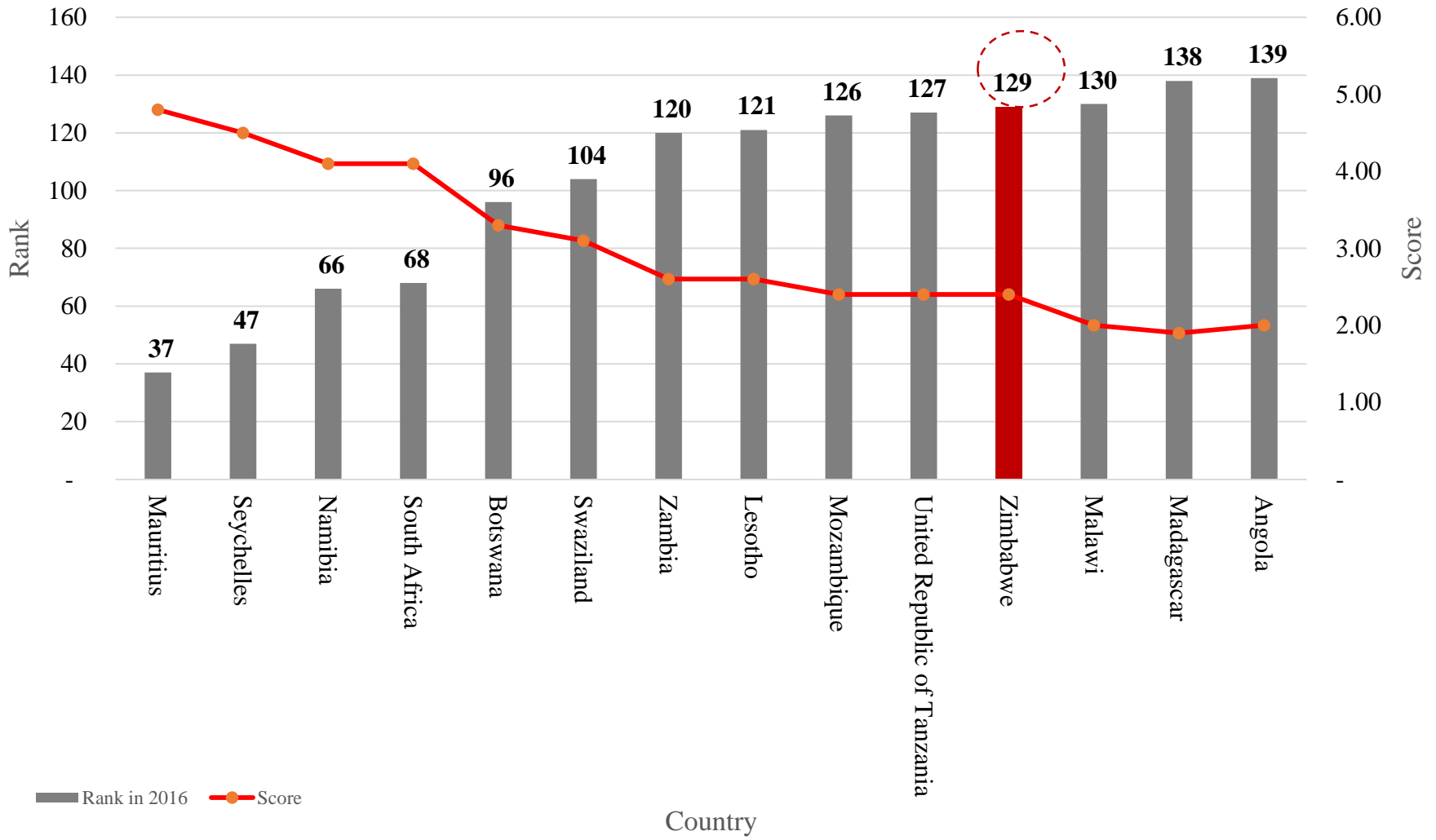
Source: World Economic Forum, 2012



Source: <https://tradingeconomics.com/Zimbabwe/competiveness-index>



Zimbabwe Infrastructure Competitiveness Score and Rank



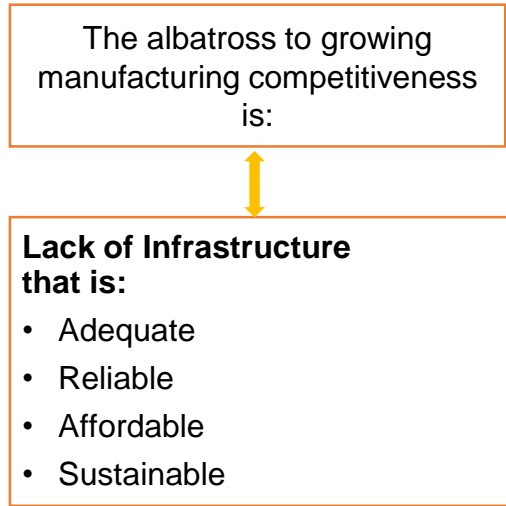
Cost to the Economy

- Energy**

 - Total Power Outage Costs in 2009 were estimated at US\$ 1.76 billion (Dr Kaseke, 2011)
 - Higher energy cost compared to regional counterparts.
 - High cost of thermal power generation due to poor coal supply and inefficient transport
- Transport (rail, road and air) (ZEPARU, 2014)**

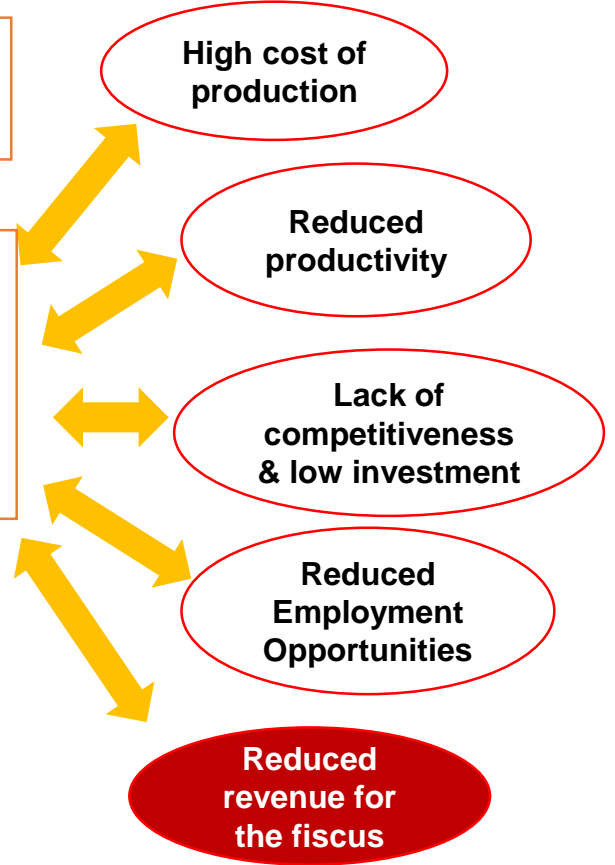
 - 2-3 percentage point cost disadvantage when exporting
 - 10 percentage point cost disadvantage compared to other countries
 - Rail transport is 40% cheaper than road transport but Zim uses Road.
- Other Infrastructure**

 - Water charges are least competitive in the region.
 - Need to address fragmentation in ICT infrastructure
 - Poor performance of parastatals is the missing link in the development agenda...



At least 2% of Africa's annual growth lost, AFDB, 2013

40% of productivity potential not realised, AFDB, 2013



Energy



- lower energy prices reduce expenses for consumers and businesses, increasing disposable income that can be spent in other ways.
- lower energy prices reduce input costs for nearly all goods and services in the economy, thus making them more affordable.

Transport



- linking less-developed communities to markets
- enhance labour mobility
- reduce cost of doing business
- lean inventories, strategic outsourcing of the distribution function

Water and Sanitation



- improved access to safe water has an additional positive impact on income equality.
- critical element in achieving social justice, empowerment and poverty reduction.
- Critical for crop and livestock watering, manufacturing industry, mining, household use (rural/ urban), power generation (hydro-electric/ thermal power), wildlife sustenance, fishing (including sustenance of aquatic life), tourism and transport

ICT



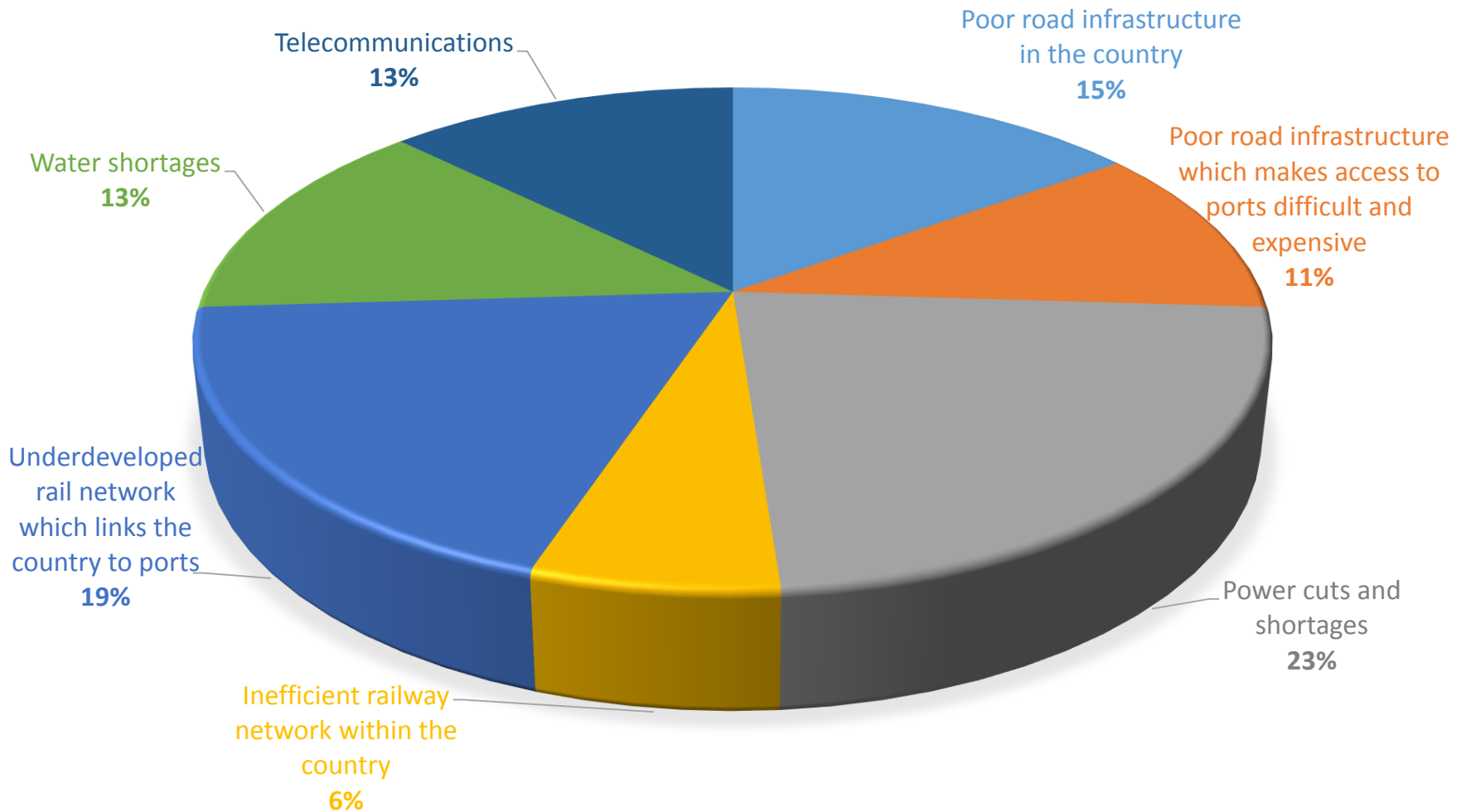
- Improves connectivity
- Reduces cost of doing business.
- Improves productivity potential
- develop the smooth flow of foreign investment, positive value of net exports

Housing



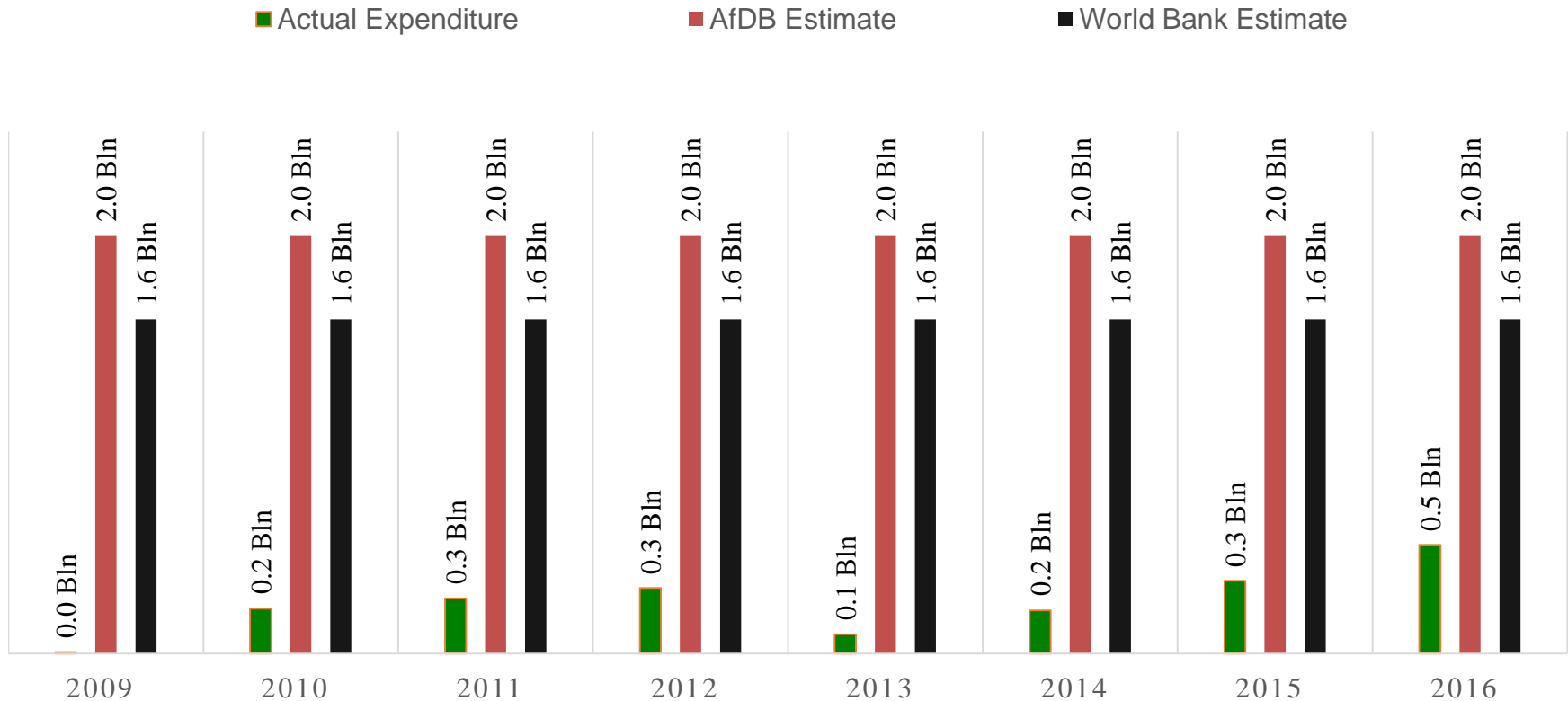
- Stimulate aggregate demand
- Gives people opportunities to build better lives.
- strengthening families, helping children finish school, and providing safe, affordable housing for seniors and people with disabilities.
- Owning a home is a powerful incentive to save, work harder and commit to strengthening community.

PROBLEMATIC INFRASTRUCTURE IMPACTING BUSINESS, RESPONDENTS PERCEPTION %, CZI, 2016

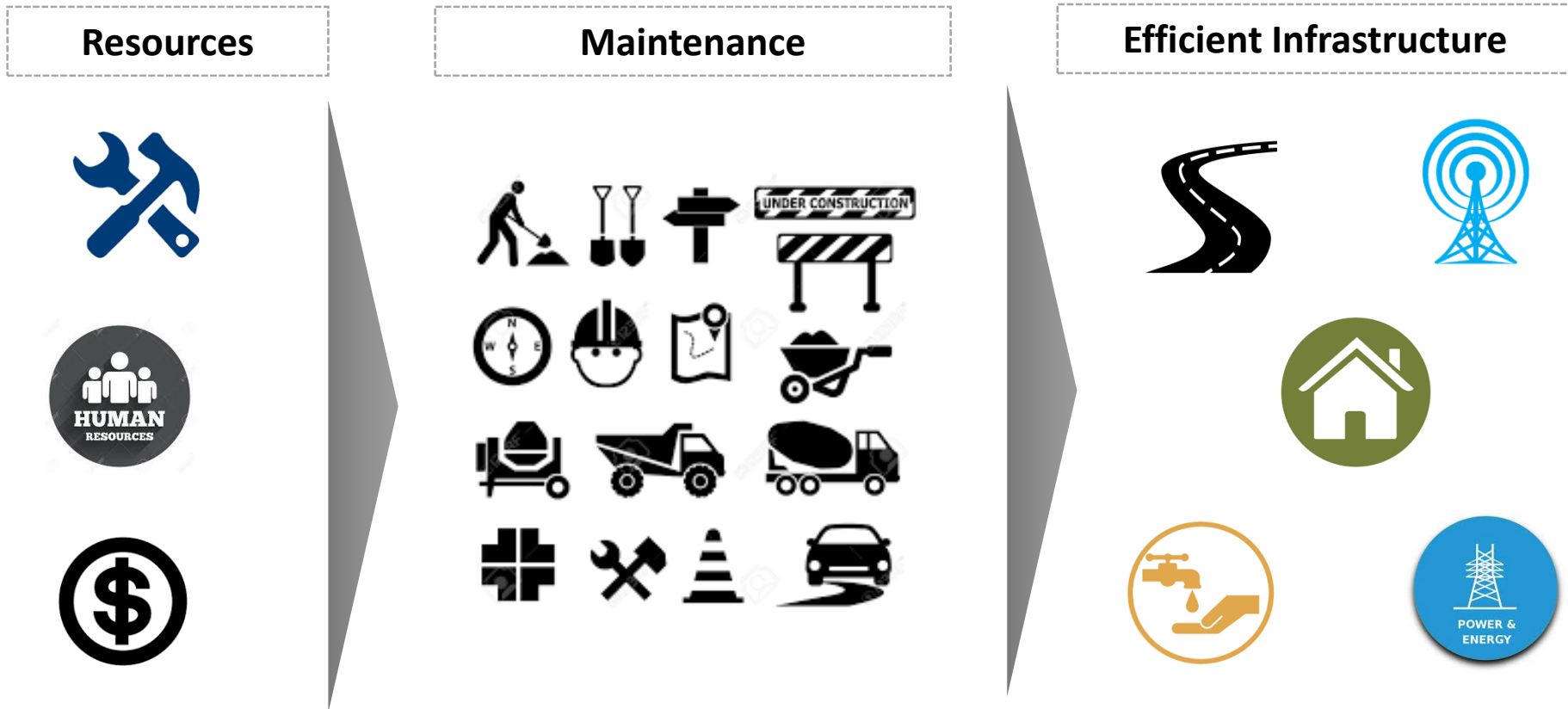


- The country has been experiencing an infrastructure financing deficit challenge over the last decade :

Government infrastructure funding against expected funding requirements (Ministry of Finance, AfDB, World Bank)



- There is need to ensure adequate resources are available for maintenance of already existing infrastructure



Strengths

- ❖ Stable and secure ownership of infrastructure assets by municipalities and government.
- ❖ A well developed base infrastructure which requires upgrading
- ❖ Well educated workforce that can easily be skilled
- ❖ Relative socio-political stability

Opportunities

- ❖ Infrastructure Development Offers Opportunities for Industry operating in the value chain – Quarry, Manufacturing Concrete Products, Steel Manufacturing, Road Surfacing Material, Road Asphalt Products
- ❖ Opportunities for Cluster Development hinging on transport and water projects.
- ❖ Water pipes and Fittings
- ❖ Industry provide assured offtake for infrastructure projects – improving their bankability – the case of NRZ
- ❖ Industry can ride on investors attracted for infrastructure – to partner in retooling.

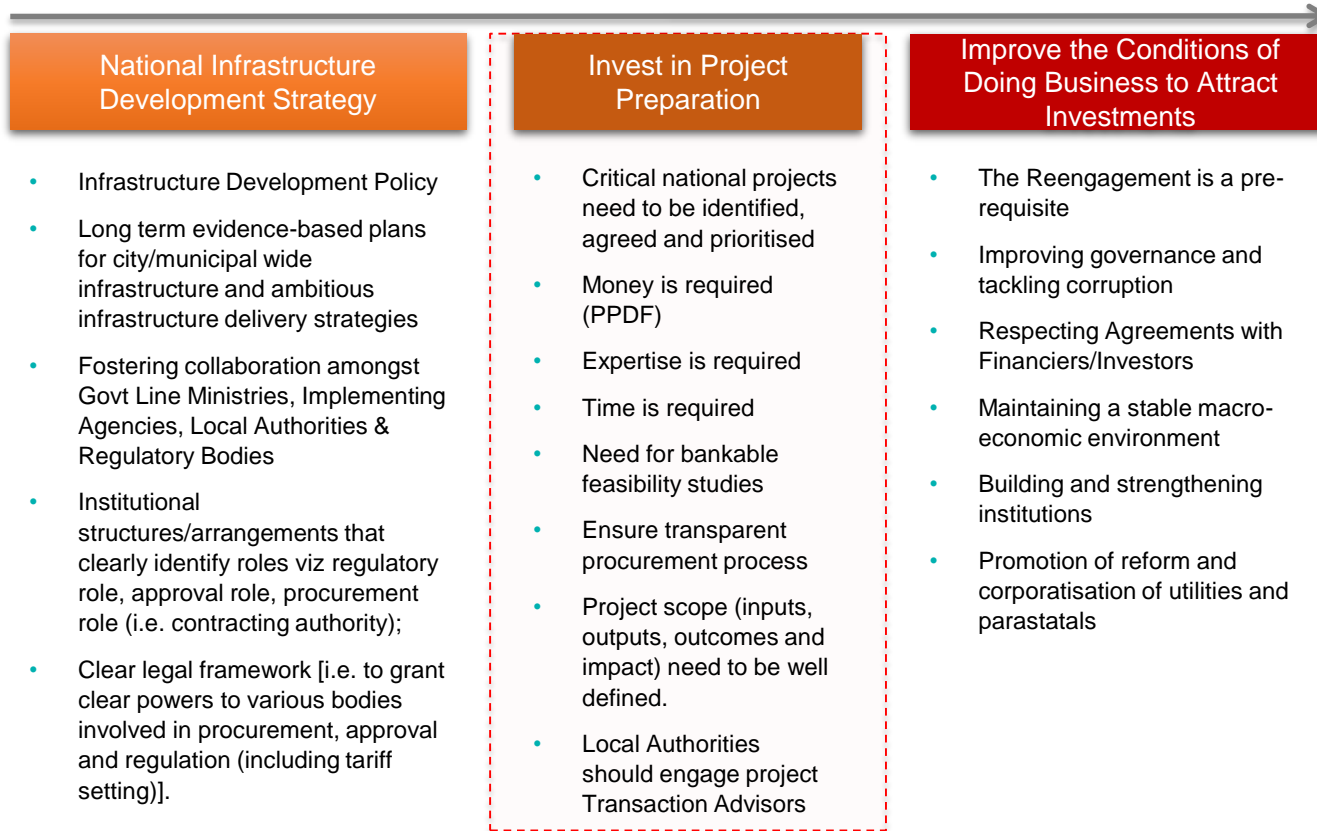
Weakness

- ❖ Lack of ambitious evidenced based infrastructure development plans
- ❖ Repair and maintenance backlog
- ❖ Lack of scientific knowledge of asset conditions
- ❖ Suboptimal pricing
- ❖ Inefficiencies and perpetual loss making
- ❖ Lack of appropriate responsiveness to disasters and extreme weather conditions
- ❖ Lack of requisite skills and appropriate levels
- ❖ Lack of transparency and accountability
- ❖ Insufficient annual budgets towards infrastructure
- ❖ Opaque procurement processes and procedures

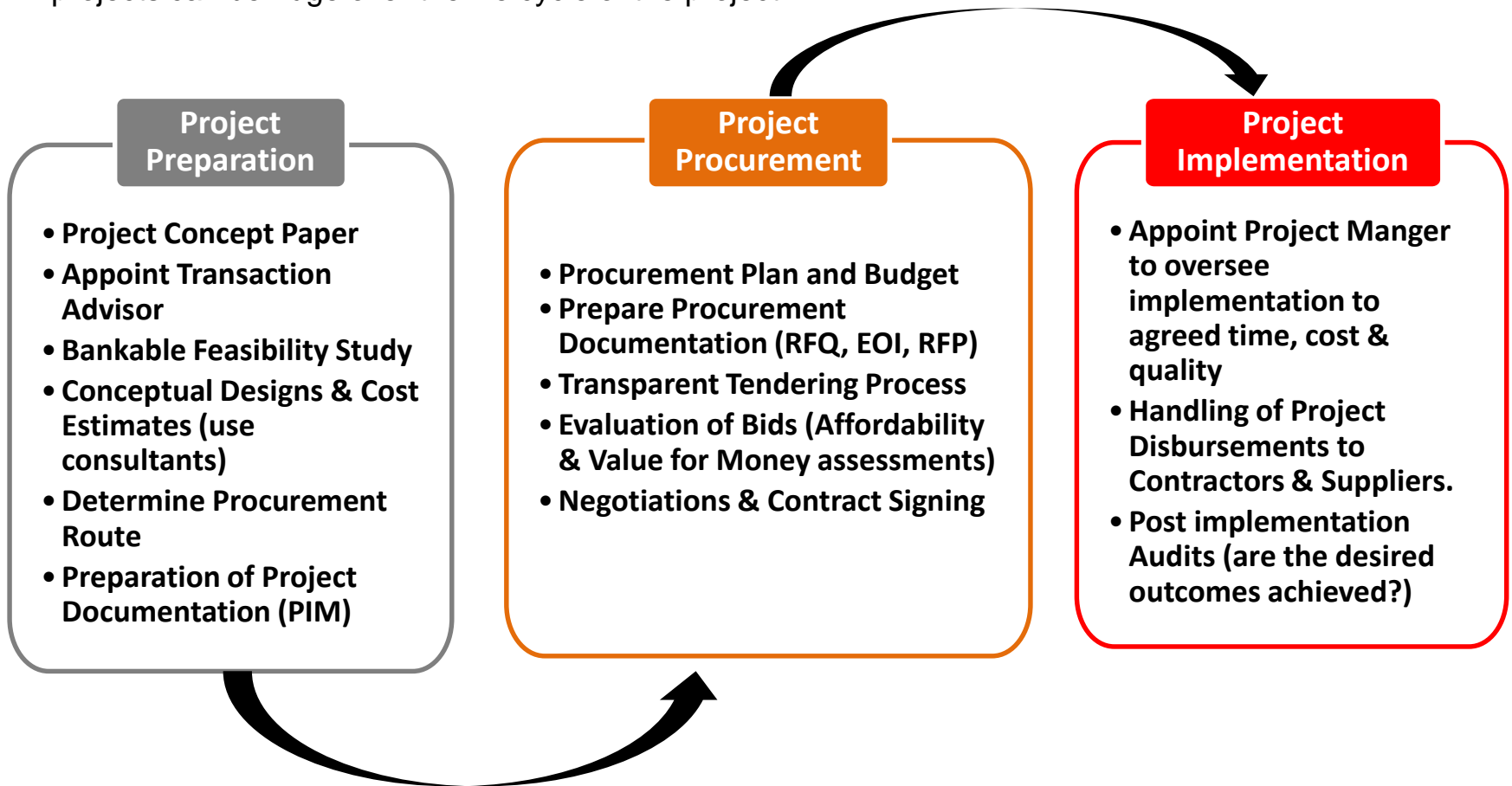
Threats

- ❖ Debtor problem due to difficult macro economic environment.
- ❖ Underinvestment in infrastructure
- ❖ Political interference
- ❖ Low savings rates
- ❖ Perceived high country risk
- ❖ Capital Flight and Fall in Foreign Direct Investment

Botched tenders are mainly a result of taking projects to the market before they are properly packaged and their bankability confirmed.



- There is need to follow best practice in Project Preparation, Procurement and Implementation.
- Transaction/Financial Advisor (TA/FA) must be appointed upfront to provide a technical lead on project preparation, structuring, procurement, negotiations and implementation monitoring over the entire Project Cycle .
- TA/FA advise should not be overruled for expediency – the cost to the country of poorly procured projects can be huge over the life cycle of the project.



THANK YOU

TATENDA

SIYABONGA

