



CZI ANNUAL CONGRESS & INVESTMENT FORUM 2017

Growing Manufacturing Sector Competitiveness: Realities and Realignments.

"Infrastructure Realities and Realignment"

Presented by

Thomas Zondo Sakala - Chief Executive Officer
INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

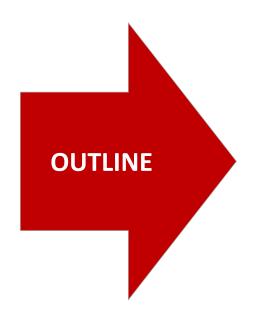
Elephant Hills Resort – Victoria Falls
03 August 2017





Presentation Outline



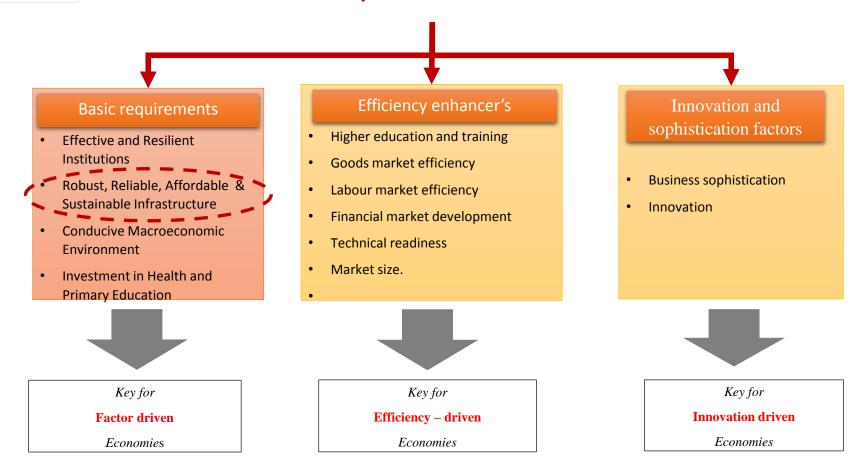


- 1. National Competitiveness Determinants
- 2. Zimbabwe Competiveness Score 2007-2017
- 3. Zimbabwe Competiveness Score and Rank compared to SADC countries
- 4. Zimbabwe Infrastructure Competiveness Score and Rank
- 5. Infrastructure pre-requisite for take off
- 6. Maintenance and Protection of Existing 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



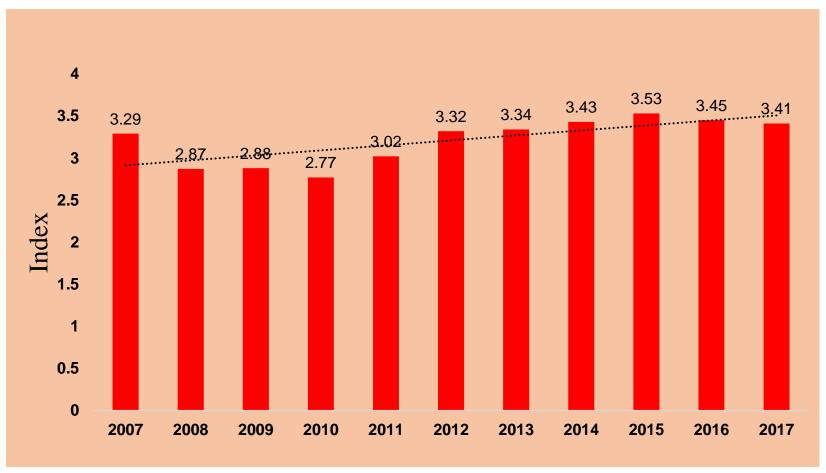


Source: World Economic Forum, 2012



Zimbabwe Competiveness Score 2007-2017



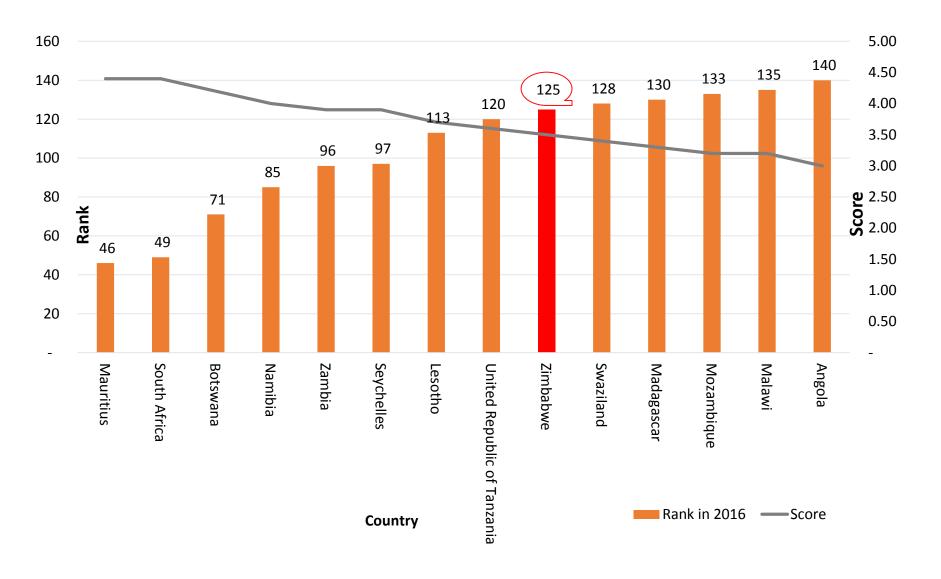


Source: https://tradingeconomics.com/Zimbabwe/compeitiveness-index



Zimbabwe Competiveness Score and Rank compared to SADC countries

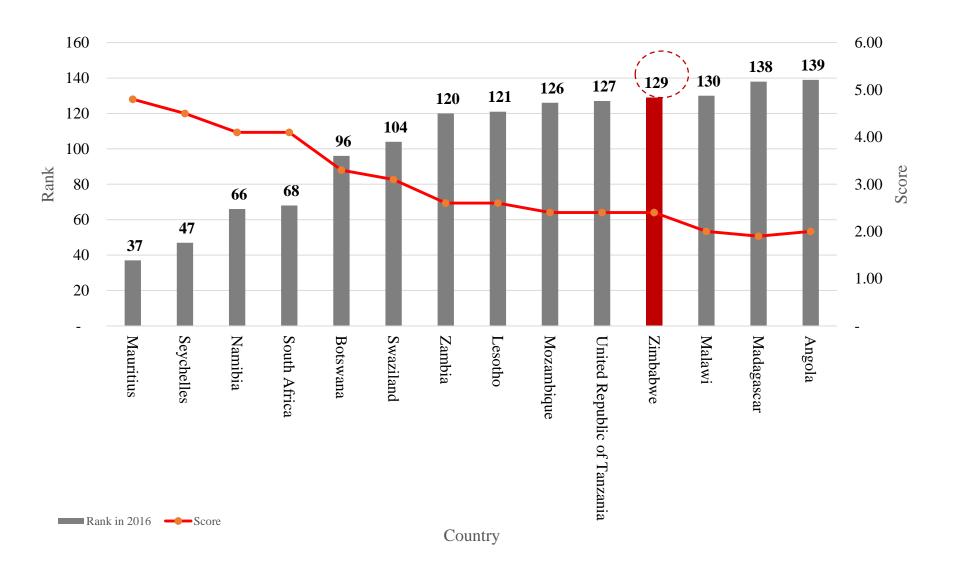






Zimbabwe Infrastructure Competiveness Score and Rank







Infrastructure – pre-requisite for take off



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

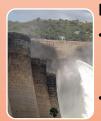
- Water charges are least competitive in the region.
- Need to address fragmentation in ICT infrastructure
- Poor performance of parastatals is the missing link in the development agenda...

Cost to the Economy The albatross to growing High cost of manufacturing competitiveness production is: Reduced Lack of Infrastructure productivity that is: Adequate Reliable Lack of competitiveness Affordable & low investment Sustainable Reduced At least 2% of Africa's annual **Employment** growth lost, AFDB, 2013 **Opportunities** 40% of productivity potential not realised, AFDB, 2013 Reduced revenue for the fiscus



Importance of Infrastructure to Competitiveness





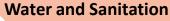
Energy

- 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





- 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



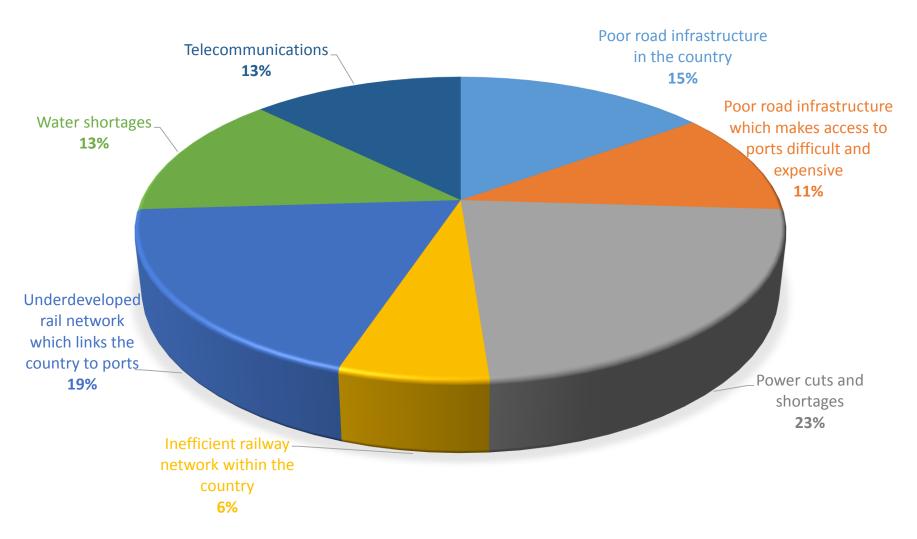
- Stimulate aggregate demand
- Gives people opportunities to build better lives.
- strengthening families, helping children finish school, and providing safe, affordable housing for seniors and people with disabilities.
- Owning a home is a powerful incentive to save, work harder and commit to strengthening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



Overview of Infrastructure Impact to Business



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





Estimated Infrastructure financing gap in Zimbabwe



o 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)

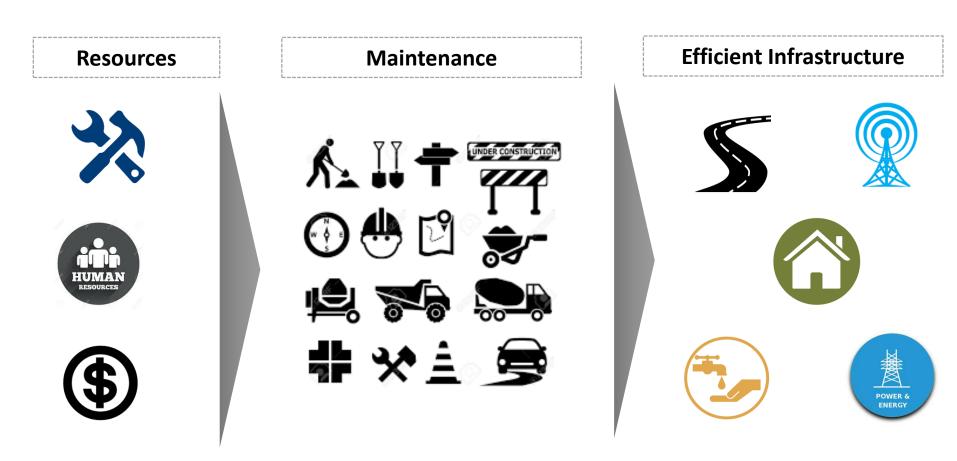




Maintenance and Protection of Existing Infrastructure



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





Situational Analysis



Strengths

- Stable ownership and secure 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 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.



Roadmap for Infrastructure Development - 1



National Infrastructure Development Strategy

- Infrastructure Development Policy
- Long term evidence-based plans for city/municipal wide infrastructure and ambitious infrastructure delivery strategies
- Fostering collaboration amongst Govt Line Ministries, Implementing Agencies, Local Authorities & Regulatory Bodies
- Institutional structures/arrangements that clearly identify roles viz regulatory role, approval role, procurement role (i.e. contracting authority);
- Clear legal framework [i.e. to grant clear powers to various bodies involved in procurement, approval and regulation (including tariff setting)].

Invest in Project Preparation

- Critical national projects need to be identified, agreed and prioritised
- Money is required (PPDF)
- Expertise is required
- Time is required
- Need for bankable feasibility studies
- Ensure transparent procurement process
- Project scope (inputs, outputs, outcomes and impact) need to be well defined.
- Local Authorities should engage project Transaction Advisors

Improve the Conditions of Doing Business to Attract Investments

- The Reengagement is a prerequisite
- Improving governance and tackling corruption
- Respecting Agreements with Financiers/Investors
- Maintaining a stable macroeconomic environment
- Building and strengthening institutions
- Promotion of reform and corporatisation of utilities and parastatals



Roadmap for Infrastructure Development - 2



- 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.

Project Preparation

- Project Concept Paper
- Appoint Transaction Advisor
- Bankable Feasibility Study
- Conceptual Designs & Cost Estimates (use consultants)
- Determine Procurement Route
- Preparation of Project Documentation (PIM)

Project Procurement

- Procurement Plan and Budget
- Prepare Procurement Documentation (RFQ, EOI, RFP)
- Transparent Tendering Process
- Evaluation of Bids (Affordability & Value for Money assessments)
- Negotiations & Contract Signing

Project Implementation

- Appoint Project Manger to oversee implementation to agreed time, cost & quality
- Handling of Project
 Disbursements to
 Contractors & Suppliers.
- Post implementation Audits (are the desired outcomes achieved?)





THANK YOU

TATENDA

SIYABONGA

