

UPDATE TO STAKEHOLDERS ON INFRASTRUCTURE AND HOUSING BONDS ISSUED BY THE IDBZ

Introduction

The IDBZ’s mandate focuses on infrastructure development for the promotion of inclusive and sustainable development. In fulfilment of its mandate, the Bank mobilizes financial and technical resources towards the development of infrastructure in various sectors including the following: energy, transport, water and sanitation, information communication technology (ICT) and housing. The Bank’s resource mobilisation interventions are anchored on its technical capacity in project preparation and packaging and are aimed at facilitating the development of modern infrastructure which will contribute towards deepening and sustaining inclusive socio-economic development. The Bank uses various financing options and structures that are largely driven by project and market fundamentals.

In the energy sector, the Bank’s resource mobilisation interventions give priority to the financing of expansion and rehabilitation projects for energy infrastructure within the country covering both energy generation and transmission and distribution networks. The Bank is also making interventions towards addressing supply side constraints on housing delivery which have manifested in a huge housing backlog, swelling number of illegal housing developments and exorbitant pricing for serviced stands and houses. The Bank’s strategy in the housing sector is geared towards addressing the capital intensive bulk infrastructure which is the major bottleneck to housing delivery. In this regard, the Bank focuses on the provision of on-site and off-site infrastructure such as roads, water and sewerage facilities and electricity, and looks to partner public and private sector players who can complement its efforts on basic infrastructure by delivering the required superstructures.

Resource Mobilisation Initiatives

The Bank continues to spearhead the use of innovative financing instruments which are structured to meet the specific needs of capital market players. Through the issuance of appropriately packaged instruments, the Bank is contributing towards the development of a robust capital market whilst stimulating investor confidence and facilitating economic growth by targeting investment in key economic enablers. Through this statement, the IDBZ seeks to provide feedback to the market on how its various instruments have performed, while also raising awareness on the Bank’s activities.

Maturity of Maiden Infrastructure Bond

The Bank’s maiden Infrastructure Bond for US\$30 million (“IDB Series 1 2012B”) issued in October 2012 to jumpstart the rollout of the Prepaid Metering Project by the Zimbabwe Electricity Transmission and Distribution Company (“ZETDC”) matured on the 7th of December 2015 and was retired in full. It is noteworthy that this Bond performed in line with its terms and conditions without any incidences of missed or delayed payments. The implementation of the Prepaid Metering Project funded by the Bond has been successful and has considerably enhanced ZESA’s revenue collection capability, thus improving the utility’s access to financing for investment in new power projects.

US\$15 million ZETDC Bond

Following the success of the Maiden Bond, the Bank floated the ZETDC US\$15 million Bond (“IDB Series 1 2014B”) in November 2014 as a top-up towards funding the ZETDC Prepaid Metering Project. This Bond has a tenure of 5 years and a fixed coupon of 8% per annum. Since its floatation, the Bond has performed according to the indicated payment terms with coupon and capital payments being effected on schedule on 8 June 2015, 8 December 2015 and 7 June 2016. The next coupon and principal payment date is 7 December 2016.

US\$50 million ZPC Bond

The Zimbabwe Power Company (“ZPC”) US\$50 million Bond (“IDB Series 2 2014B”) was issued to fund two power generation projects, namely the Refurbishment of Kariba South Power Station (US\$38.8 million) and Repowering of Harare Thermal Power Station (US\$11.2 million). The refurbishment project on Kariba South Power Station, which is already underway, is critical for ensuring stable generation capacity in support of the 300MW expansion project currently under implementation by the EPC Contractor, Sinohydro, which is meant to increase power generation capacity from Kariba. The Harare Thermal Power Station Repowering Project is awaiting the finalization of full project financing arrangements with the US\$11.2 million being raised by the IDBZ going towards ZPC’s funding contribution on the project. The Bank is closely monitoring developments on the project and will keep all concerned stakeholders fully briefed.

To date, the Bank has raised US\$45 million under the IDB Series 2 2014B Bond with a headroom of US\$5 million still available for subscription. The ZPC Bond is a 5-year instrument, carries a fixed coupon of 9% per annum and has semi-annual interest and capital payments. Since its floatation, the Bond has had three coupon and principal payments which were settled timeously per the instrument’s repayment schedule on 19 June 2015, 21 December 2015 and 20 June 2016.

Maiden Housing Bond (“IDB Series 1 2015B”)

In December 2015, the Bank successfully issued its maiden Housing Bond for US\$5 million through private placement. The instrument is fully subscribed, has a 5-year tenor and carries a fixed coupon of 9.5% per annum. The proceeds of the Bond are financing the development of two housing projects, namely New Marimba Park (Harare) and Clipsham Views (Masvingo), where site servicing is currently in progress. These projects will collectively deliver 1,042 serviced residential stands. The instrument has had one coupon payment which was settled in accordance with the instrument’s payment terms in June 2016.

The Bank will be issuing additional tranches of the Housing Bond of up to US\$15 million in 2016 to fund various housing projects currently under preparation once they are ready for implementation. The Bank has authority from the Ministry of Finance and Economic Development to issue Housing Bonds of up to US\$100 million over a 5-year period and the bond issuances will be underpinned by bankable projects that demonstrate off take capacity and financial viability.

IDBZ Contacts

Local and foreign investors interested in investing in the Bank’s instruments or partnering the IDBZ in any infrastructure related investment opportunities should contact the Bank’s Resource Mobilisation team as follows:

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14 July 2016

