

Developments in the Infrastructure Sectors – January 2016

1. Housing

City of Harare has undertaken a clean-up campaign to rid the city of illegal houses by destroying these illegal houses. Mostly affected were cooperatives who were settling people on unplanned land which was meant for other purposes not housing. Also affected were those who failed to comply with city by-laws when building their houses. *These developments point to the fact that compliance is very critical in all housing developments. With these developments, projects championed by the Bank are likely to be more acceptable to customers.*

2. Power

The Zimbabwe Multi-Donor Trust Fund (Zim-Fund) allocated US\$12.6 million towards stabilising and improving power services in the region. In November 2015, Mpopoma and Criterion substations in Bulawayo in Zimbabwe were rehabilitated to improve energy supply to schools, universities, hospitals, clinics, irrigation schemes and water treatment plant. The power project was financed by the Zimbabwe Multi-Donor Trust Fund (ZimFund)¹.

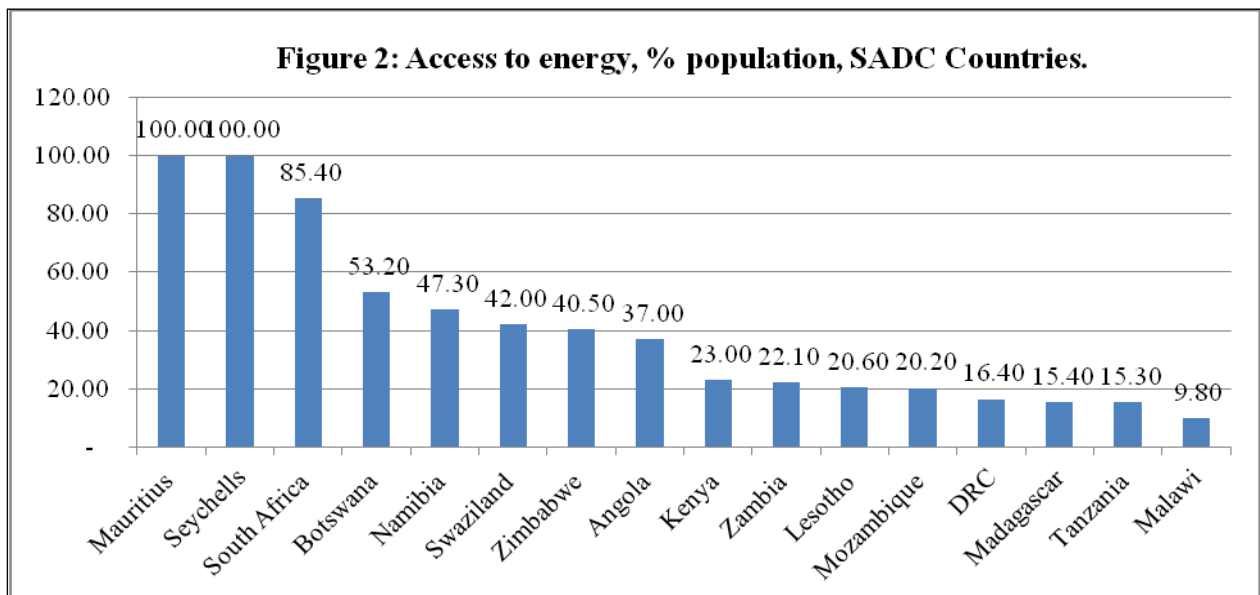
The Power Utility has applied for a tariff increase from USc 9.86 to USc 14.0. The government is proposing a 200 MW diesel plant at Dema and a 120 MW peaking plant in Mutare. There were reports indicating that the Power Utility was importing 300 MW from Eskom on pre-paid and there were plans to import 100 MW from Mozambique to augment the 1 270 MW being generated against an estimated suppressed demand of 1 400 MW.

Business leaders are opposed to the tariff increase as they argue that industry cannot afford as evidenced by the US\$ 1 billion in unpaid bills. They advocated covering increased demand for power through imports and demand side management. Industry also recommended that Hwange Power station should improve its efficiency and inefficient small thermal power stations should cease operations. Issues were also raised regarding inefficiencies of the power utility. *The issue of tariff cannot be supported with current inefficiencies in the production processes.*

¹ The contributing donors to Zim-Fund are: Australia; Denmark; Germany; Norway; Sweden; Switzerland and the United Kingdom. The total amount allocated to projects in water and sanitation and energy under Zim-Fund is US\$ 145 million. <http://foreignaffairs.co.nz>.

The African Development Bank through a US\$ 12 billion facility is championing investments in renewable sources of energy. The African Renewable energy initiative targets 330 GW by 2030 and 10 GW by 2020. The programme targets clean, affordable and appropriate form of energy. For this fund AfDB is pledging 5 billion. Other funds that support this initiative include the Least Developed Countries Fund (LDCF) of the Global Environment Facility (GEF). *The Bank should participate in raising funds for renewable sources of energy.*

Zimbabwe’s access to energy was below 50% and very low as shown in figure 2.



3. Transport

Four new tollgates are targeted to start operating by end of March 2016, out of the targeted additional 10 tollgates². The remaining six will be operational in June 2016. This increases the number of tollgates to 36. The government is targeting putting a tollgate after every 100 km on trunk roads³. In October 2014, when the new toll fees were introduced, ZINARA was targeting to raise US\$ 100 million annually from toll gates. However, average collection from

² The following tollgates are targeted: 1. Karoi (Harare-Chirundu); 2. Mufurudzi (Harare- Bindura- Mt Darwin); 3. Bulawayo- Gwanda; 4. Magamba (Chivhu- Nyazura); 5. Kazungula (Victoria Falls -Kazungula); 6. Rutenga (Masvingo-Beitbridge); 7. Deure (Mutare-Masvingo); 8. Lothiam (Matare- Masvingo); 9. Ngundu (Ngundu-Tanganda); and 10. Coleen Bawn (Gwanda- Bulawayo).

³ Toll fees; Light Vehicles – US\$2; Mini-Buses- US\$3; Long Chasis Buses- US\$ 4; and Haulage Trucks – US\$10. Light vehicles that live within a 10 km radius from a toll gate will pay US\$ 10.00 in monthly toll fees.

tollgates was estimated US\$ 3.6 million per month in 2015. The money is earmarked for road rehabilitation, however road rehabilitation require more than US\$ 2 billion which clearly shows the financing gap that exist. *Government has to leverage on the road fund to complete road rehabilitation and maintain urban roads.*

4. Water and Sanitation

The African Development Bank (AfDB) approved a US\$53,24 million grant to fund water and sewer projects in Bulawayo, which will benefit over 400 000 residents in the country's second largest city. The project main outcomes are: improved household access to municipal water supply; reduced environmental pollution from raw sewage, and improved utility efficiency.

The major donors in the water sector in the country include AfDB, Australia, Denmark, Germany, Norway, United Kingdom, Sweden, Switzerland, World Bank (WB), United Nations International Children's Emergency Fund (UNICEF) and other UN Agencies and NGOs (AfDB, 2015). Some of funds are coordinated and channelled through Zim-Fund administered by AfDB, Zimbabwe Reconstruction Fund (ZIM-REF) managed by the WB, Small Towns Water program managed by UNICEF, Rural WASH program managed by UNICEF, and German Technical Cooperation (GIZ) Urban Water Intervention (African Development Bank, 2015).

About US\$294 million has been secured to finance the Kariba Dam rehabilitation works, following the discovery of the dam's structural and stability problems in a series of assessments. Water levels in Kariba Dam were reported to have dropped to 12% of capacity, following a prolonged drought that threatens crops across the Southern African region where the United Nations has warned that 14 million people face hunger. *These are encouraging developments in the infrastructure sectors. Developments with regards Kariba Dam have serious implication on the success of Kariba South expansion project.*

5. ICTs

Madagascar enacted a law in October 2014 that provided for infrastructure sharing, and enabled all operators to launch LTE services. Israel's fixed line sector has recently undergone an important reform with the government opening up the market to wholesale rental. Zimbabwe is still lagging behind in these two issues as the infrastructure sharing bill is still to be signed into law and TelOne has maintained its hold as a monopoly for fixed

telecommunication services. *The Government could take a cue from these to improve service delivery in the telecommunication sector. Telone secured a loan from China for its fibre and broadband project.*

6. Resource Mobilisation for Infrastructure Development

Access to road in Africa is estimated at 34% as compared to the 50% in other developing regions. Irrigation agriculture constitutes 5% in Africa compared to 37% in Asia and 14% for Latin America. National electrification rate is estimated at 43% in Africa compared to 81% in developing countries in Asia and 98% recorded in Latin America. The amount of capital required to close the infrastructure gap in Africa is estimated to be in the region of US\$93 billion annually until 2020 (<http://www.polity.org.za/article/why-africa-should-turn-to-capital-markets-to-fund-its-infrastructure-deficit-2015-12-07>).

The traditional sources of finance are not adequate for the infrastructure needs of Africa. The international debt capital markets offer the best alternative. Since 2007 more than ten African countries have raised considerable amounts from the international capital market in the form of Eurobonds. Traditionally, most African countries, with the exception of South Africa, have not seen the capital markets as a critical source of finance. *The main reason has been lack credit rating.*

6.1. International Capital Markets

Africa's foreign currency bond issues between 2000-2014 totalled US\$ 20.5 billion, with US\$ 7.4 billion raised in 2014. One of the most important prerequisites for participating in these markets requires that countries obtain international credit rating. The stylised facts from the experiences of nations that participated in the international capital markets is that the funds raised should not be used for consumption but for infrastructure or intended projects.

6.2. Private – Public – Partnerships

The World Bank has established a platform to share experiences on PPP implemented worldwide and the best practices. This platform provides valuable information on types of PPPs implemented and lessons learnt (<https://pppknowledgelab.org/sectors/municipal>). The platform shares a guide on how to prepare, procure and deliver PPP projects (www.eib.org/epec/g2g/index.htm). *This is very useful for all those involved in projects as it*

provides an important PPP cycle which when fully understood teams involved in projects would improve implementation of many PPP arrangements.

6.2.1 The PPP cycle:

1. Project Identification
 - i. Project Selection Definition
 - ii. Assessment of PPP option
2. Detailed Preparation
 - i. Getting organised
 - ii. Before launching the tender
3. Procurement
 - i. Bidding process
 - ii. PPP contract financial close
4. Project implementation
 - i. Contract Management
 - ii. Ex-post Evaluation

6.3. China's new Infrastructure Bank

Asian Infrastructure Investment Bank (AIIB) is a new Bank established by China to promote infrastructure development worldwide. China now seeks to export capital and services (construction expertise on the basis of obtaining cheaper credit). *African states would be allowed to borrow.*

Conclusion

The focus on renewable energy has gathered momentum worldwide. Challenges in the housing sector have remained for a long time and now government has directed that councils should be championing developments in the new housing schemes. However, most local authorities point to lack of offsite infrastructure as a major binding constraint.