Developments in the Infrastructure Sectors – July 2016

1. Energy

The World Bank program that aims to help governments deliver cheap and clean energy by helping them run competitive auctions and reducing investment risks have recently awarded contracts to bidders for solar power projects to Neon SAS and First Solar for construction of 45 MW plant at 6.02 c per kWh and Enel Green Power for construction of 28 MW plant at 7.84 c per kWh. These are lowest solar power tariffs seen to date in Africa among the lowest prices in the world, South Africa – 7 c per kWh and India- 12c per kWh[1]. *Zimbabwe, has to adopt the same approach to its energy projects as it brings out the advantages of competitive bidding process.*

The African Development Bank approved a US$ 135 million loan for energy project in Kenya which is projected to provide energy to about 1.5 million people. The project entails expansion of the distribution network through the extension of the low voltage network from existing distribution transformers to reach households located within a 600 metre diameter. The total project cost include phase one which was approved in November 2014 is almost US$ 900 million[2]. *There is potential to carry out a similar project in Zimbabwe given that more than half of the population is not connected to the grid.*

Zambia and Mozambique have set eyes on the planned construction of a 1200 MW joint coal fired power plant in Tete province which is rich in cooking coal reserves and the project will be funded by African Development Bank and Japan. *The country should also consider these joint energy projects where possible in line with PIDA and NEPAD priority projects.*

2. Transport

[1] (http://www.cnbcafrica.com/news/southern-africa/2016/06/02/zambia-shortlists-bidders-to-build-two-solar-plants/

[2](http://www.afdb.org/en/news-and-events/article/afdb-loan-to-provide-power-to-1-5-million-kenyans-15887/).

The Road infrastructure in Zimbabwe has come under spotlight as rural roads are said to be impassable, and regional rail traffic has been lost due to poor state of the rail. Examples of roads in deplorable state include: Binga to Bulawayo; and Kadoma to Sanyati. *Because of the state of these roads travel times are doubled and vehicles are damaged increasing transaction costs with devastating effects on the wellbeing of the population making them vulnerable to the vicious cycle of poverty.*

In light of the SDGs, the Bank also need to consider such projects and suggest suitable financing mechanism given that the fiscus is highly constrained. There is no illusion though, to the fact that the traffic volumes on these roads might not sufficient for cost recovery to ensure project viability. The other road less talked about is the Bulawayo – Victoria Falls road that need resurfacing. *Most studies have also concluded that if Africa has integrated rail network system, the cost of doing business would be reduced since distribution hubs would be linked to production centres.*

3. Water

ZINWA was reported to be owed over US$ 133 million due to unwillingness to pay of which US$ 37 million is owed by farmers and US$ 36 million is owed by Local Authorities.

4. Resource Mobilisation for Infrastructure Development

Agribank has revealed that it would soon to approach the market to raise US$ 20 million through agro-bills in July 2016. Local markets remain constrained to sustain major fundraising activities due to the prevailing liquidity challenges. Previously similar instrument by the same institution were tobacco bills with a tenure of 365 to raise US$ 10 million. Zb also issued agro-bills to raise US$ 10 million at 10% interest rate. The RBZ has proposed 8% for 1 year instrument under its proposed yield curve.

EU signed a trade deal with six African States (South Africa, Botswana, Lesotho, Mozambique, Namibia and Swaziland). The Economic Partnership Agreement (EPA) gives the African nations access to the EU single market of 500 million consumers. The EU imported goods worth almost 32 billion Euro from the region mostly minerals and metals. The EU exported goods of nearly same value, mostly engineering, automotive and chemical products. Zimbabwe, need to quickly expedite its re-engagement process so that it can also benefit from such deals. Reports indicate that negotiations are likely to start in December 2016 after the country has cleared the debt.

5. Conclusion

The deteriorating road infrastructure offers the Bank an opportunity for business which will yield greater development impacts. Given tight fiscal space partly due to drought and poor performance of the economy government's expectations on the Bank to deliver on the mandate are very high.