

Developments in the Infrastructure Sectors – May 2016

1. Housing

A new building society wholly owned by the National Social Security Authority (NSSA) has finally open its doors to the public on 18 May 2016 and it is expected to deliver, 2000 housing units by year end with 30% of them set aside for civil servants. It is offering 25 year mortgages at 9.5% interest.

Competition is increasing in the housing market and there is going to be a marked increase in the country's housing stock.

2. Energy

The Global Environment Facility (GEF) has partnered African Development Bank (AfDB) to avail \$ 10 million towards supporting African countries to shift toward renewable energy (RE) infrastructure through the preparation of RE projects.

In South Africa Independent Power Producers are expected to contribute about 7000 megawatts of which 47 renewable power projects are expected to be operational by mid-2016. Solar, wind, biomass, small hydro and landfill gas power plants have been going up across South Africa, feeding increasing numbers of clean energy into the national grid.

The Government energy projects has suffered from accusations that they have been awarded to people with questionable character. Some of the projects mentioned in the newspaper reports include:

- Refurbishment of the Harare Power Station;
- Munyati power station;
- Gairezi mini-Hydro-power station; and
- Solar power plant in Gwanda.

The Minister of Energy and Power Development has issued a press statement (26 May 2016) clarifying their role in the awarding of contracts and reassuring the public that Intratek's foreign and technical partner is a well-established Chinese International Company that had already successfully implemented ZIMFUND power projects which were successfully managed by AfDB.

3. Transport

CAAZ requires about US\$ 100 million for airport upgrade. A total of US\$ 400 million is estimated to be required for the country's airport facilities to bring them to international standards. The targeted airports include: Harare International Airport; Bulawayo Joshua Mqabuko Nkomo International Airport and Kariba Airport. Last year the aviation authority embarked on a US\$ 50 million airspace development programme to upgrade air traffic control system infrastructure. The scope of the work include: air-ground and ground air communication; control system; and satellite navigation system used to ensure aircraft safety.

5. Resource Mobilisation for Infrastructure Development

The World Bank (2009) estimated that Africa required over US\$ 90 billion annually to upgrade and maintain existing infrastructure and fund new projects. Investment in African Infrastructure have reached US\$ 328 billion by DFIs from 2009-2014 (Baker & McKenzie and the Economist Corporate Network (ECN), 2016). This averaged US\$ 54 billion annually short of the target by the World Bank. Major contributors include:

- World Bank – US\$ 20.8 billion;
- Development Bank of Southern Africa- US\$ 16.5 billion;
- African Development Bank (AfDB)- US\$ 16.2 billion;
- Agence Francaise de Developpement (AFD)- US\$ 9.1 billion; and
- China DFIs – US\$ 60 billion of which US\$ 13.4 billion was provided in 2013.

Funding was attracted to power and transportation projects, taking 67% of the value.

The African Export-Import Bank (Afreximbank) will seek to raise around \$3 billion this year via Eurobonds, syndications and bi-lateral and institutional lending in order to finance its activities.

Mozambique is likely to default on its obligations to service loans as it missed payment deadlines. The major lessons from the narrative is that *money for projects should be used for intended purposes to improve the capacity of borrowing institutions. There is also need to guard against corruption, rent seeking behaviour and undue political influence in projects.*

There is already a warning that African countries are facing a crisis in servicing their Eurobonds whose principle payments are expected to commence in 2021. On the list include:

- Seychelles US\$30 million bond- 2006;
- Democratic Republic of Congo (DRC)- US\$454 million,
- Gabon US\$1billion; and
- Ghana \$750 million

Annual repayments will average \$4 billion between 2021 and 2025, but they are already currently struggling to rise a total of just over \$1.5billion in annual coupon payments on these Eurobonds.

Table1: African Countries and their Eurobond Issuances since 2007. (All figures are denoted in USD' millions)

COUNTRY	2007	2010	2011	2012	2013	2014	2015	TOTA
Ghana	750				750	1,000	1,000	3,500
Gabon	1,000				1,500			2,500
DRC	454							454
Cote d'Ivoire		2,300				750		3,050
Senegal			500			500		1,000
Tanzania					600			600
Nigeria			500		1,000			1,500
Namibia			500					500
Angola				1,000				1,000
Zambia				750		1,000	1,250	3,000
Mozambique					850			850
Rwanda					400			400
Kenya						2,000		2,000
Ethiopia			1,500	1,000		1,500		4,000
Seychelles	30	168						198
	2,234	2,468	3,000	2,750	5,100	6,750	2,250	24,552

“Sub-Saharan African countries will require strong political will, prudent financial management, sustained fiscal discipline, long-term economic growth strategies, export diversification and sustained creation of employment to achieve economic emancipation” (Hambayi, T, 2016).

CABS has secured a US\$ 25 million – Trade Finance Line of Credit AfDB. The facility is targeted at supporting SMEs in importation of critical inputs such as agro-chemicals, pesticides, farm machinery, spares and equipment. Including rollovers, it is projected that the facility will finance approximately US\$ 150 million of trade over three and half year period.

6.0 Conclusion

The interest rates continue facing downward pressure and just as in many African countries, the country need to prudently utilize the money it is securing to invest in productive assets that enhances its ability to repay. Prudent management of projects is quite critical in ensuring that repayments will be done. Sticking to good corporate governance would enhance the Bank's chances to accessing private capital hence participation in projects should involve rigorous KYC.