

**Zambia
Development
Agency**

Mobilizing Private Sector Financing to Support Public Infrastructure Development: Zambia's Experience

Henry Sakala
Director – Public Private Partnerships

Presentation Outline



Strategic Location of Zambia



Economy at a glance



The Infrastructure Financing Gap



Zambia's Investment Climate



Strategic Infrastructure Projects

Strategic Located in the Region

By Road



By Air



By Rail



Nairobi – 2hrs 46mins

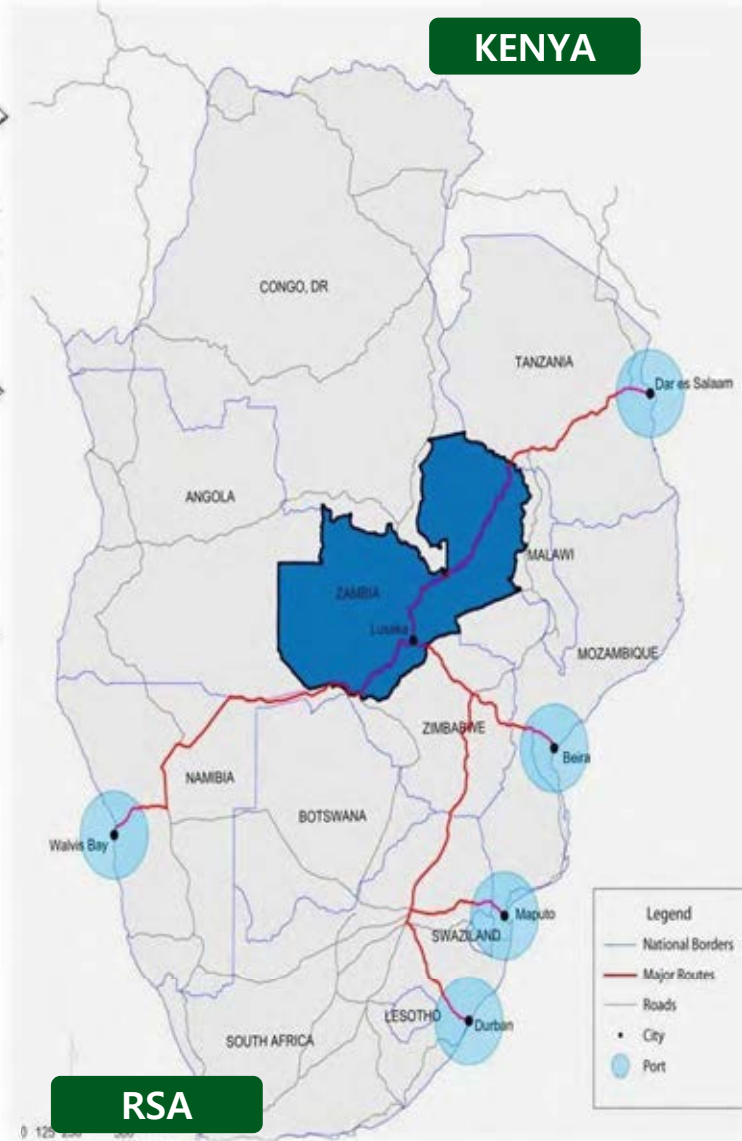
Harare – 30mins

Johannesburg – 1hr 45mins

Addis Ababa – 4hrs 9mins

Dar-es-Salaam – 2hrs 4mins

Windhoek – 2hrs



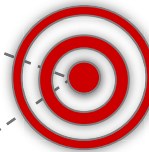
At the Centre of Two Regional Markets (Untapped growing regional markets)

Tripartite Free Trade Area will make the economic grouping the largest free trade area in Africa with a GDP of US\$1.3 trillion and a population of about 700 million people

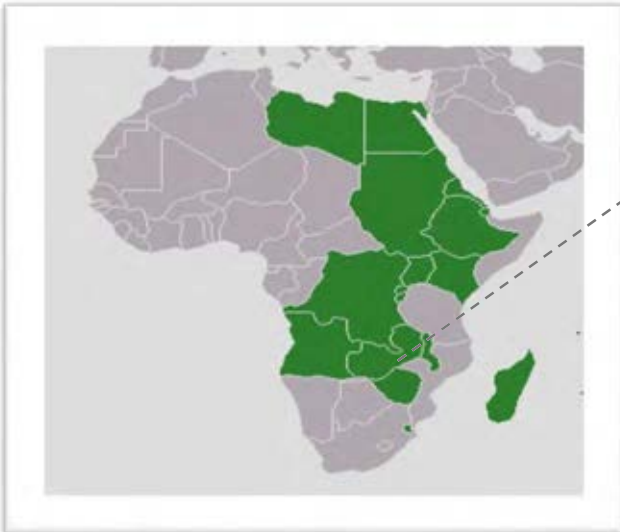


SADC - 2014

**Approx. 301 million people
Real GDP US \$ 529 billion**



Zambia



COMESA – 2014

**Approx. 482 million people
Real GDP US \$ 353.8 billion**

- Other Market Opportunities include;
- EU through EBA
 - USA through AGOA initiative
 - Canadian, Chinese & Japanese Market Access Initiatives

Stable Political & Social Environment

2014 Corruption Perception Index
175 Countries

85th – World
16th – Africa



2014 Mo Ibrahim's Index of
African Governance **52** Countries

13th



Global Competitiveness Index
2014–2015 of **144** Countries

96th – World
11th – Africa



2015 World Bank's Ease of Doing
Business Out of **189** Countries

111th – World
11th – Africa



Among the Top 10 Fastest Growing Economies

World's ten fastest-growing economies*

Annual average GDP growth, %

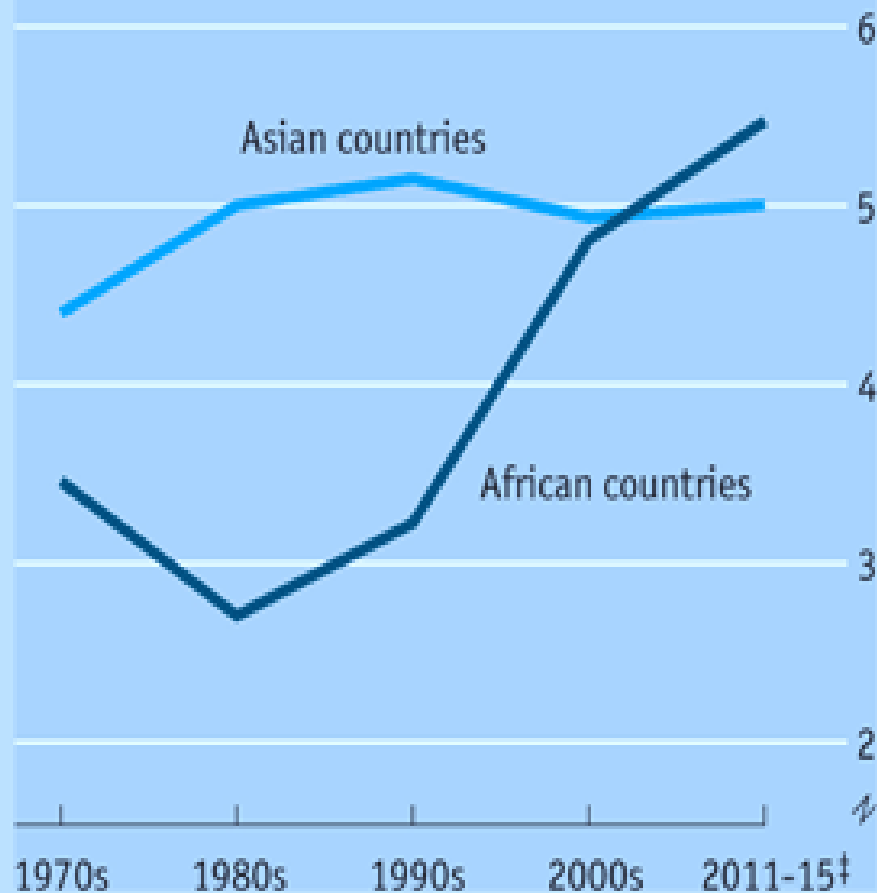
2001-2010†

Angola	11.1
China	10.5
Myanmar	10.3
Nigeria	8.9
Ethiopia	8.4
Kazakhstan	8.2
Chad	7.9
Mozambique	7.9
Cambodia	7.7
Rwanda	7.6

2011-2015‡

China	9.5
India	8.2
Ethiopia	8.1
Mozambique	7.7
Tanzania	7.2
Vietnam	7.2
Congo	7.0
Ghana	7.0
Zambia	6.9
Nigeria	6.8

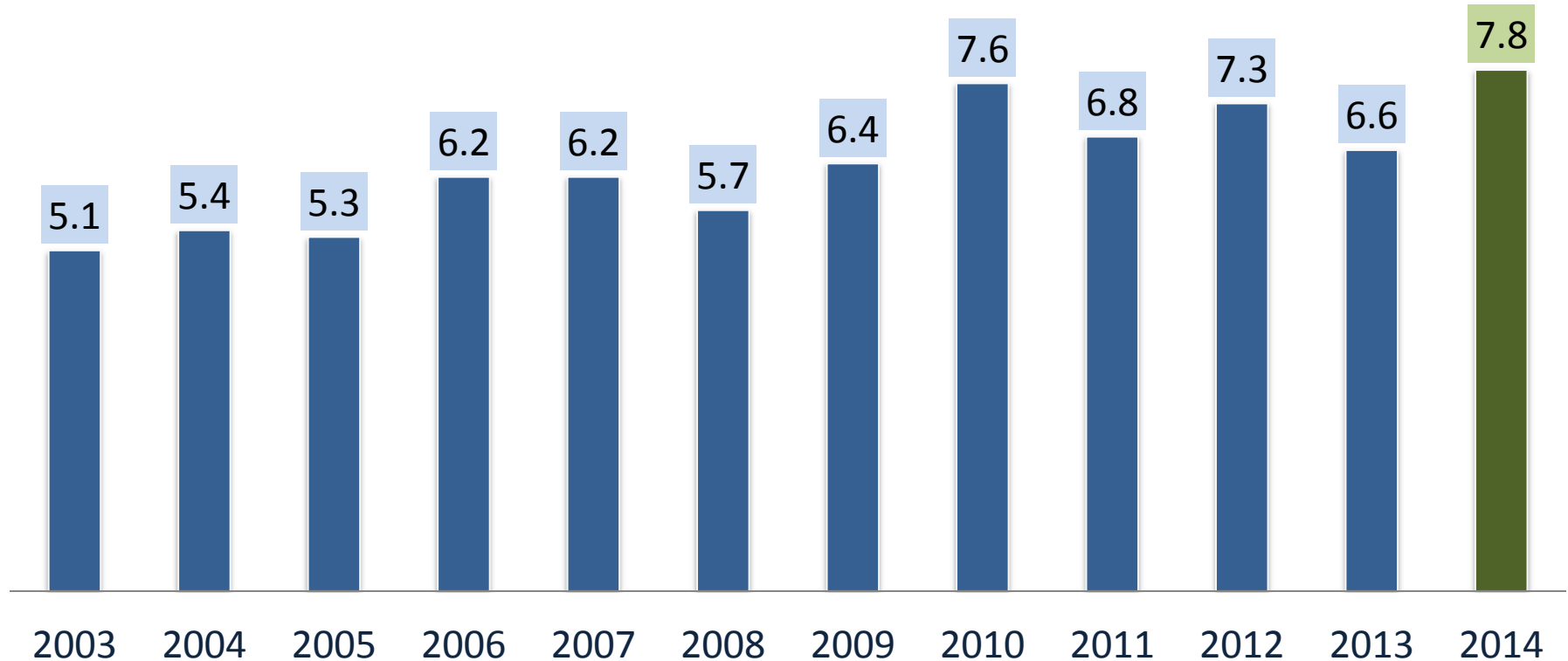
GDP growth, unweighted annual average, %



*Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast

Sources: *The Economist*; IMF

Economic Growth 2003 - 2014



Source: Central Statistics Office

GDP growth for 2014 was 6 %

Average annual GDP growth rate is about 6.6%

Infrastructure to be Financed

- “Hard” infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation, such as roads and bridges, railways, airports, ports etc
- “Soft” infrastructure refers to all the institutions which are required to maintain the economy, health, and cultural and social standards of a country, such as the financial system, the education system, the health care system, the system of government, and law enforcement, as well as emergency services

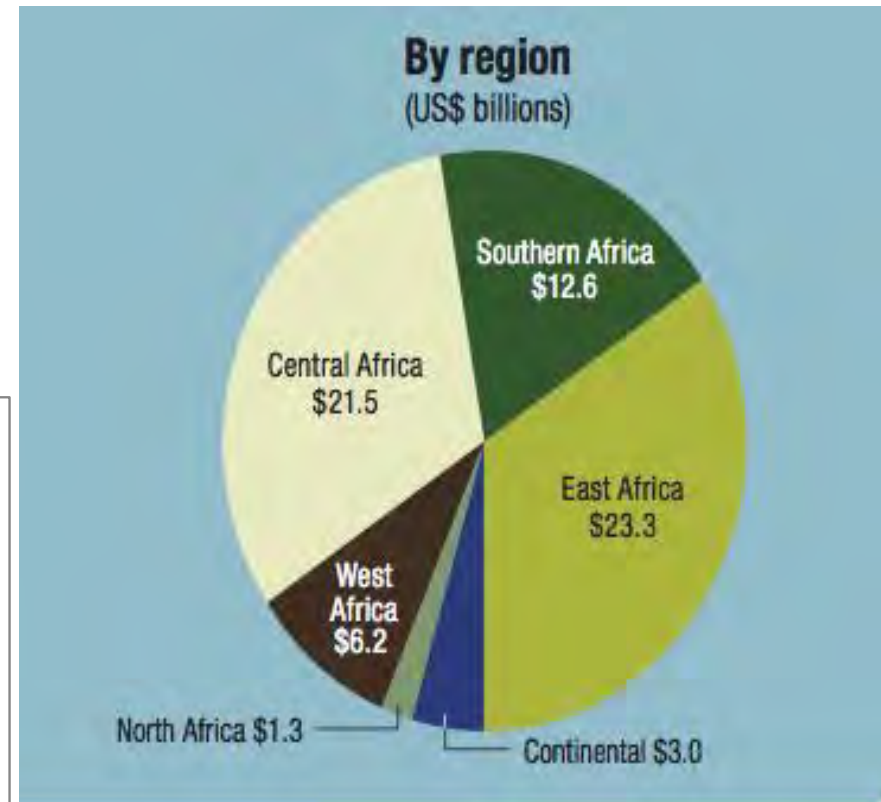
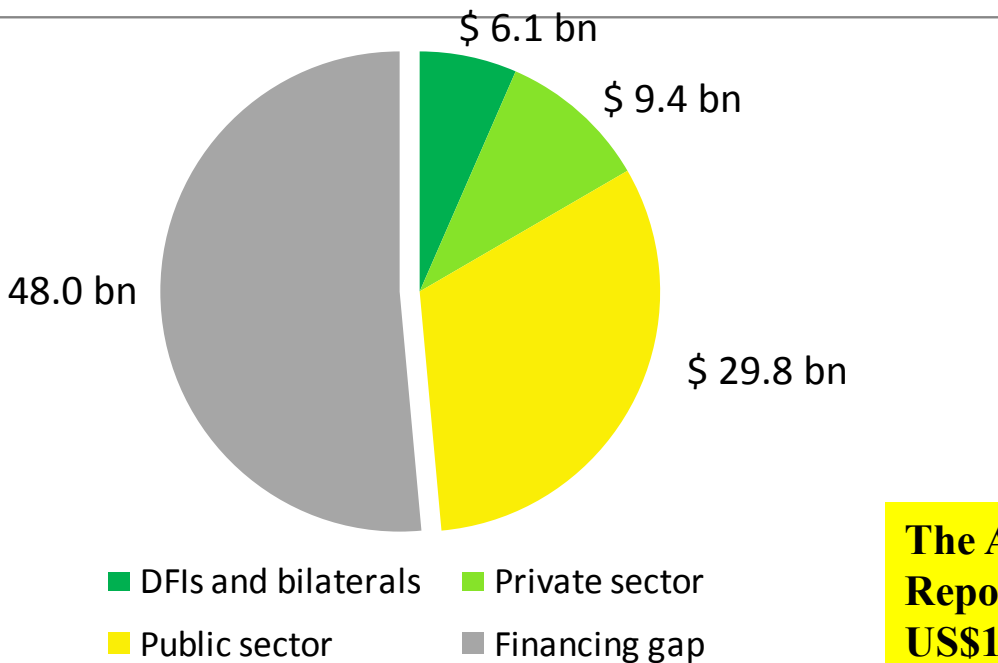
Infrastructure is THE most important contributing factor for sustainable economic growth in the developing world.

The Infrastructure Financing Gap

Africa's Annual financing needs by source

Financing needs = \$ 93.3 billion

Financing gap = \$ 48.0 bn Current spend = \$ 45.3 bn



The Africa Infrastructure Country Diagnostic Report indicated that Zambia needed to spend US\$1.6 billion a year during the period 2006 to 2015 to develop its infrastructure to the level found in the rest of the developing world. However, the report estimated Zambia's annual funding gap of US\$500 m during this period

Who Should Fill this Financing Gap and How?

- Resources from public sector and development partners are limited and can only cover part of the financing needs
- It is therefore key to mobilise private sector financing to support infrastructure development
- However, it is important that Government creates a conducive and enabling environment in which the private sector can participate in the financing and development of social and public infrastructure
- One way to achieve private sector participation in infrastructure development is through Public-Private Partnerships (PPPs)
- Through this initiative, the public and private sectors agree to give rights to the private sector to design, develop, finance, and provide the public service in exchange for user fees, availability payments or a combination of the two (*as one of the main structures*)
- Key stakeholder diverse interests:
 - Government - to ensure certainty of service provision & protection of the public interest
 - Private sector party - to generate an adequate return on investment & pay loans
 - Taxpayer's and user- to get value for money & adequate services.

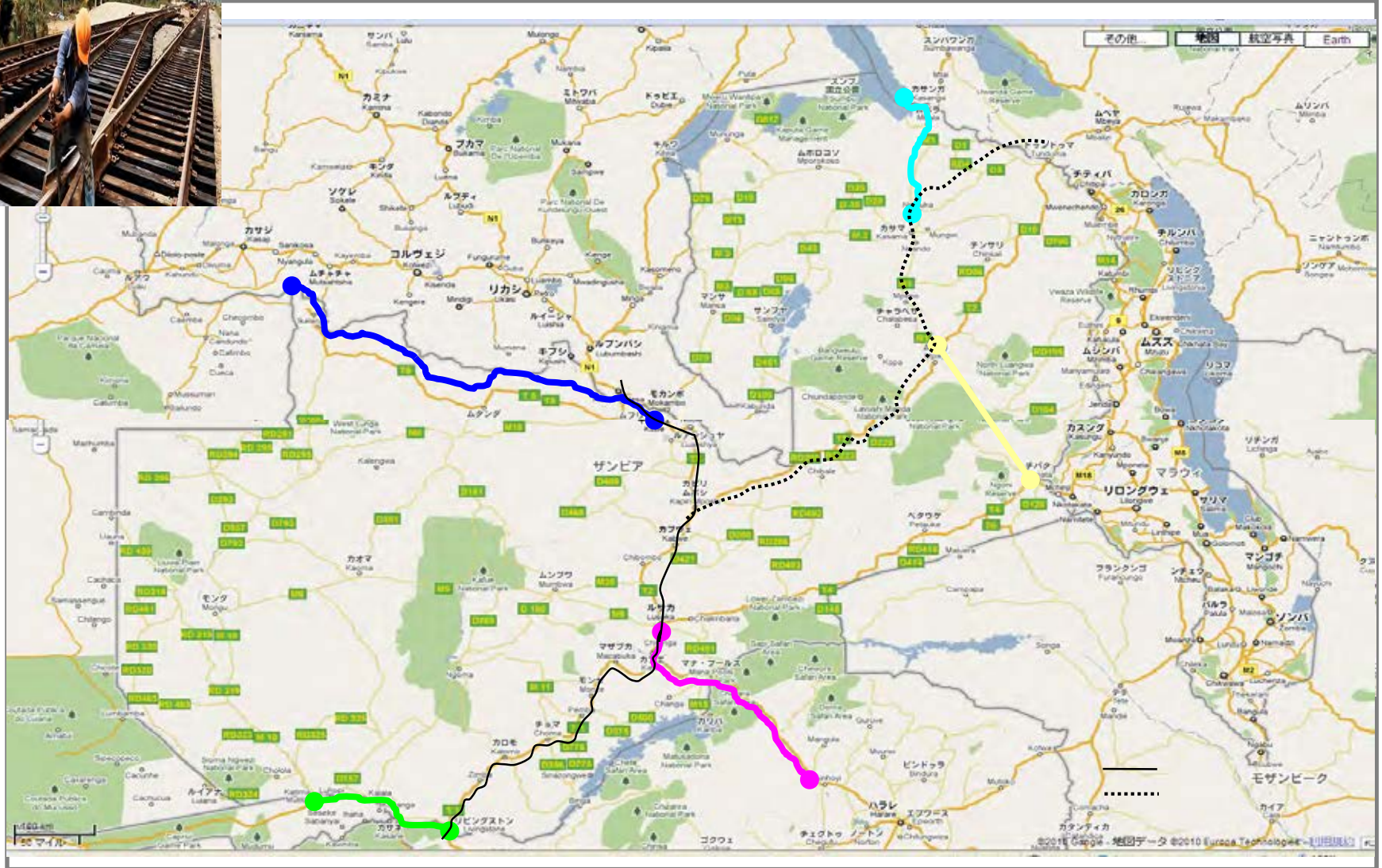
Investment Climate for Private Sector Participation

- Stable Political System
- Legal and regulatory framework in place:
 - PPP Policy framework pronounced in 2008
 - Policy provides guiding principles for the implementation of PPPs
 - PPP law enacted by Parliament in 2009
- Political will at the highest level in Government
- Functioning legal system
- Positive and investor friendly economic environment
- Progressive banking, legal and insurance services of international standards and stock exchange
- Attractive investment incentives
- Unlimited repatriation of profits
- Centrally located in the African sub-region
- Abundant natural resources presenting excellent investment and trade opportunities
- Good place to work and live friendly people with a rich culture

Some Strategic Infrastructure Projects

- Railways
 - Roads
 - Airports
 - Energy
- Agriculture
- Real Estate and Other Infrastructure

Railway Projects – about 2,500 km in total



- Chingola-Solwezi-Jimbe
- Nseluka-Mpulungu
- Chipata-TZR Mpika
- Kafue-Lions Den
- Livingstone-Katima Mulilo

- To assist in shifting transport of goods from road and improve life span of roads
- To enhance regional integration and facilitate trade

Road Projects

- Link Zambia Project – covering a total of 8,200 km commenced in 2012
- Because of its geographical position, the road network plays a critical role in the development of the country and the region
- The Government is seeking private sector participation in 2,200km trunk roads on PPP basis (to be dualled and tolled):
 - Lusaka to Ndola, approx. 321 km, including Kafulafuta to Luanshya Town, approximately 45 km
 - Ndola to Kasumbalesa Border, approx. 150 km
 - Kazungula via Livingstone to Turnpike approx. 488 km (including a Livingstone Town Bypass road from Kazungula);
 - Chirundu Border to Chilanga in Lusaka, approx. 124 km
 - Chingola to Mutanda via Solwezi, approx. 205 km
 - Kapiri Mposhi to Nakonde, approx. 855 km



Airport – Simon Mwansa Kapwepwe

Simon Mwansa Kapwepwe International Airport in Ndola – **330km** from Lusaka
(US\$522m)



Airport Hotel (100 Guest Rooms)



Airport - Aerial View



Ndola (Greenfield Project)

Energy Projects – 1,673 MW increase (US\$4.3 bn)



- Zambia's growing economy requires efficient electricity supply – currently estimated at 2,000 MW
- Government to increase capacity by 1,673 MW at estimated cost of US\$4.3 billion through private sector investment in:

- **Large hydro power projects** e.g.
 - *Kafue Gorge Lower Hydro (750MW)*
 - *Batoka Gorge Hydro (800x2MW)*
- **Mini Hydro Power Stations** at various falls e.g. *Chishimaba, Lusiwasi and Musonda Falls*
- **IPP plants in Renewable Energy** – e.g. *the 600MW IDC/IFC driven project*
- **Thermal Power** – coal powered
- **Heavy Fuel Oil** powered



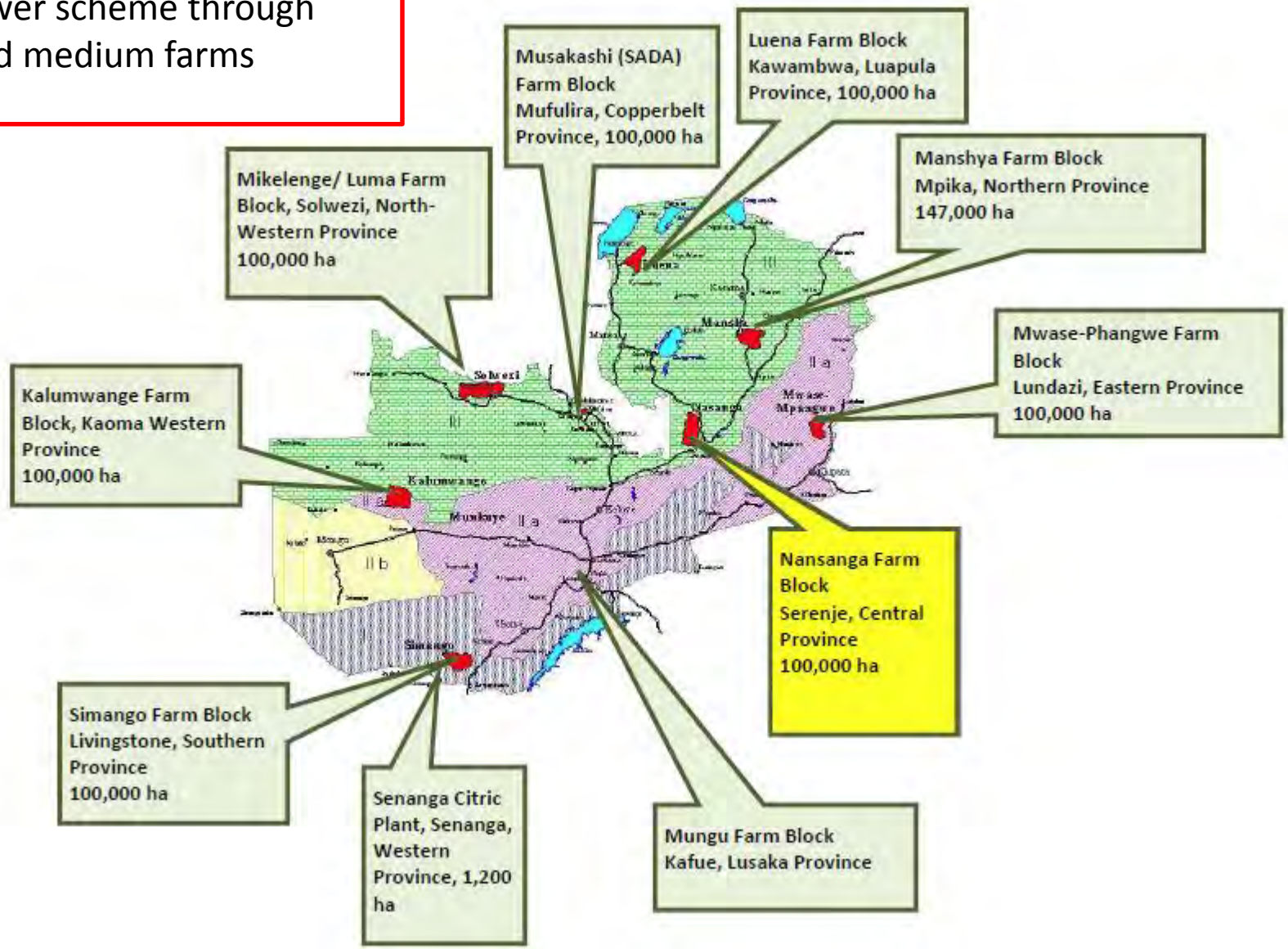
Agriculture & Agro-processing



- ⊕ **Abundant Land:**
 - 27 million** hectares of arable land
 - 9 million** hectares under cultivation
- ⊕ **Vast water resources: 40 percent of water resources** in the SADC region
- ⊕ **Model of choice:** *large scale farms through Farm Block Development(100,000 Ha)*
- ⊕ **PPP opportunities:**
 - ***Agric training centres***
 - ***Animal breeding centres***
 - ***Bulk water provision***
 - ***Crop storage facilities***

Farm Block Concept:

- Average size: 100,000 ha
- Core Venture investor: 10,000ha
- Processing plant
- Out-grower scheme through small and medium farms



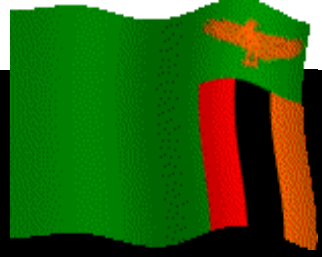
Real Estate & Other Infrastructure



- ❖ Construction of housing estates – shortage in excess of 2 million houses
- ❖ Student hostels in the three public universities – thousands of bed space required on PPP basis
- ❖ Govt buildings and facilities
 - Jubilee City to replace part of current Government Offices in Lusaka
 - Correctional facilities
 - Specialist Hospitals (more than 150 patients per year referred abroad)
 - One Stop Border Posts

ZDA Facilitatory Role





SUMMARY

10 Reasons to Invest in Zambia

1 Stable Political System

2 Positive and investor friendly economic environment

3 Investment guarantee and securities

4 Abundant natural resources presenting excellent investment and trade opportunities

5 Thriving private sector

6 Attractive investment incentives

7 Unlimited repatriation of profits

8 Duty free access to regional, wider Africa, EU and USA Market.

9 Progressive banking, legal and insurance services of international standards and stock exchange.

10 Good place to work and live friendly people with a rich culture.





Zambia Development Agency
Promoting economic growth and development

A-to-Z information on the Zambian market

Guidance through the entire export and investment process and aftercare

Provision of matching Zambia partners and building contact networks

Global export market information & product development

SME & business development services



Zambia Development Agency
Privatisation House, Nasser RD
P.O. Box 30819, LUSAKA. ZAMBIA

Tel: +260 211 220177

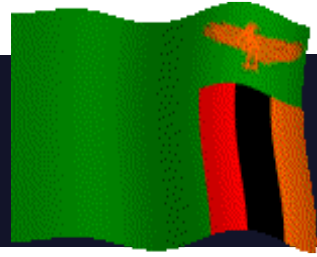
Fax: +260 211 225270

Website: www.zda.org.zm

Email: info@zda.org.zm



THANK YOU



[Email: Henry.Sakala@zda.org.zm](mailto:Henry.Sakala@zda.org.zm)

Website: www.zda.org.zm

Email: info@zda.org.zm