

PRESENTATION BY DEVELOPMENT BANK OF ZAMBIA

Financing sustainable Transport Infrastructure
and Services as key enabler for South–South
Trade

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DBZ

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The Development Bank of Zambia

- * The Development Bank of Zambia was enacted by an Act of Parliament in 1972 and became operational in 1974.
- * It is a joint venture between the government, public sector financial institutions, the local private sector and foreign institutions
- * Enjoys strong support from GRZ and other regional and international Development Finance Institutions (DFIs)

Development Bank of Zambia

- * Committed to tackling poor and costly access to capital (project) finance for investment and removing micro-level constraints that hinder public and private investment growth, productivity and wealth and employment creation

Development Bank of Zambia

❖ **Our Mandate**

Providing short, medium and long term finance to support the Government of the Republic of Zambia's economic development strategies for growth, wealth and job creation, poverty reduction, infrastructure development and improved service delivery

❖ **Our Mission**

To provide competitively priced, tailor-made financial, technical and advisory solutions to viable local enterprises as catalyst in economic development.

❖ **Our Vision**

To be Zambia's premier development financial partner.

Products

- ❖ Project Finance
- ❖ Equity Investment
- ❖ Trade Finance
- ❖ Leasing Finance
- ❖ Wholesale Lending
- ❖ Business Advisory Services
- ❖ Fund Management

Projects Financed on Transport Infrastructure

- * The balance sheet of DBZ is relatively still small
- * Has only been able to use other financing instruments to support road construction to some in Zambia
- * Currently in the process of securing funds to finance part of the cost of road construction in the eastern region of Zambia

ZAMBIA

- * Land locked surrounded by 8 neighbouring countries
- * This poses challenges as the country's products must be transported over land to the ports of Durban in South Africa, or Beira in Mozambique, which raises the cost of production.
- * Rail networks are, therefore, critical for the transportation of bulky freight for this mineral-exporting nation.

Road Network in Zambia

- * Road Infrastructure is generally good in the country
- * By 2012, Zambia boasted a total road network of 67,671 km. Of this, 40,265km constitutes the core network,
- * Since 2013 the government has embarked on a key initiative to improving access in the road sector is the Link Zambia 8000 Road project
- * At estimated cost of US\$5.46 billion being implemented over five years, ending 2017.
- * Related to this is the Pave Zambia 2000 Project, whose objective is to carry out the rehabilitation and construction of 2,000 kms of urban roads using concrete paving block and cobblestone technology

Rail Network in Zambia

- * Zambia is connected to 2 main rail network
- * the Railway Systems of Zambia (RSZ), which serves the north-south corridor and connects with the Zimbabwean rail operator for onward service to the Port of Durban;
- * the Tanzania and Zambia Railway Authority (TAZARA), which operates an eastward route from the Kapiri Mposhi into Tanzania and on to Dar es Salaam.
- * Mchinji/Chipata rail line connecting Zambia and Malawi (not yet operational)

Challenges with Rail Network

- * Though highly beneficial to the economy, the rail infrastructure project is reported to have poor return on investment unless financed using concessional loans
- * Low cargo volumes below an established viability threshold makes it difficult to recoup revenue levels required to maintain and upgrade rail assets.
- * Financing gap between adequate levels of funding required to support trade and current or planned projects.

Challenges with air transport

- * Non-availability of a well-developed air transport to facilitate the quick transportation of perishable goods
- * Non-existence of own National Airline

Opportunities

- * The government has been working with the private sector to finance transport infrastructure through PPP.
- * There is an opportunity for DBZ to work with the government to fund these projects using concessional loans
- * The Bank should help mobilize funds and finance viable transport infrastructure to supplement government efforts

Government Initiative on Air Transport

- * The government of the Republic of Zambia has embarked on a massive project to construct new airport infrastructures in major towns of Zambia
- * There are plans of establishing a National Airline to curb some of the challenges the country is currently facing pertaining to air transport.
- * DBZ has been given the opportunity to finance part of the cost of setting up the national airline.

Other benefits

- * Zambia is a member of 3 regional bodies:
- * Southern Africa Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and Eastern African Community (EAC).
- * This has made it easier to trade within the region following the protocol laid down

SADC MEMBER COUNTRIES



SADC Region

- * In 1996, SADC passed the Protocol on Transport, Communications and Meteorology – a policy framework with agreements from Member States on sustaining a safe, secure, and reliable transport system in the region that enables increased development into the future.
- * Therefore, Member States agree to cooperate on a transport network aimed at ensuring the free movement of people and goods through the region, particularly from landlocked Member States to seaports located in coastal Member States' territory and vice-versa

SADC Region

- * SADC also signed at the **SADC Summit in August 2012**, the Regional Infrastructure Development Master Plan which guides development in key infrastructure such as road, rail and ports
- * The Master Plan acts as a framework for planning and cooperation with development partners and the private sector.
- * The master plan will be implemented over three five-year intervals - short term (2012-2017), medium term (2017-2022) and long term (2022-2027).

Challenges for member states

- * Funding and technical capacity are lacking for maintenance and rehabilitation of the region's Roads, Railways, Ports and Airports.
- * Funding gap for transport infrastructure to link rural areas in support of the Agricultural Sector

Some Projects under implementation

Conclusion

- Development Financial Institutions should play an active role in financing transport infrastructure to facilitate intra and other cross border trade through Fund Management.

Conclusion cont.

- DFIs should Participate in the planning process for Transport Infrastructure projects and offer to carry out evaluation of the projects.
- Government should consider working with the private sector to implement such projects through PPP.
- DFI s should manage the funds on behalf of state governments for such projects.
- DBZ should source funds and finance some of the transport infrastructure for the country.

End of presentation

***THANK YOU!**