INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

CAPITALISATION OF THE IDBZ AND ESTABLISHMENT OF A PROJECT PREPARATION AND DEVELOPMENT FUND

Since dollarisation, the Infrastructure Development Bank of Zimbabwe (IDBZ) has relied on short-term business for sustenance. This business model was necessitated by the short term nature of available funding in the domestic financial markets, as well as the Bank's inability to raise long term funds from the international capital markets and official development assistance. This situation was due to, among other constraints, a legacy debt overhang and the impact of sanctions. As a result, the Bank experienced a significant mandate drift as our capacity to support core infrastructure projects was severely hamstrung.

Due to concerted efforts by our Shareholders, in particular the Government which is the major shareholder, the legacy debt was hived-off, leaving a clean balance sheet. Intensive efforts to drastically reduce the non-performing loans portfolio have also borne good results. Furthermore, the Bank was recently removed from the OFAC List. Given these developments, as well as the anticipated clearance of the country's external debt, the Bank is now better placed to access long-term capital from regional and international sources for infrastructure development.

CAPITALISATION OF THE BANK

In line with the Zimbabwe Agenda for Sustainable Socio- Economic Transformation (ZimAsset) and the need for the Bank to play a pivotal and catalytic role in the growth and transformation of the economy, Government has increased its support for the IDBZ through additional capital injections. This support by Government has culminated in the recent release of US$20 million as additional equity following a commitment made by Treasury in the 2016 National Budget Statement. This injection by Government will be followed by further support from other Shareholders through a Rights Issue programme.

Under the IDBZ's ***Medium Term Strategy (2016-2020)***, which is premised on the ZimAsset, the Bank has developed a roadmap which will see it achieve a capitalisation level of US$250million by 2018. Strong support by major shareholders will go a long way towards meeting the set target and thus strengthen the Bank's ability to make significant interventions in closing the infrastructure gap through financing both refurbishments as well as new infrastructure projects in key sectors.

PROJECT PREPARATION AND DEVELOPMENT FUND (PPDF)

From its improved capital position, the Bank has set up a Project Preparation and Development Fund (PPDF) facility with an immediate allocation of US$ 2.5 million. This is projected to be boosted to US$5 million by the beginning of 2017. It is hoped that these internal resources will be complemented with support from external resources to attain a level of US$ 10 million in the near future.

The PPDF facility has been conceived by the Bank as a pragmatic response to the need to meet the early stage project preparation and development funding gap, which, from empirical evidence, has been the major bottleneck to attracting investment on most infrastructure projects. The absence of bankable Projects with up to date Feasibility Studies confirming overall project viability partly explain the slow uptake of the mega deals concluded in the recent past by the country's Leadership. Through the PPDF window, the Bank will ensure that priority infrastructure projects or concepts are developed to bankability in a timely and transparent manner; and that these can then attract the right levels of investment for successful execution.

The PPDF funding will be revolving in nature. It is expected to continue to receive additional injections from other key stakeholders in the infrastructure value chain as well as recoupment of part of the early-stage preparation funding from successfully promoted projects where investment has been secured for implementation. Promoters of projects will be expected to demonstrate commitment through contribution of between 5%-10% of project preparation costs.

Eligible projects to be considered for funding through the PPDF facility are those falling under the key sectors of energy (generation, transmission & distribution), transport, water (domestic, industrial and irrigation) & sanitation, housing, information communication technology and tourism. The Fund will also cater for economically viable development projects in these same sectors of the economy including those coming under the auspices of **Community Share Ownership Trusts**.

Detailed criteria for qualification will be availed through the Bank's website at launch of the PPDF facility commencing **1st July 2016**.

The Bank remains grateful for the continued support of Government as it leverages this support to mobilise additional resources required for deployment towards key enabling infrastructure for the growth and transformation of our economy and nation.

Thomas Zondo Sakala 01 June 2016

Chief Executive Officer