



**INVESTORS
CONFERENCE** | MAR
30
Batoka Gorge Hydro-Electric Scheme | **2017**

**SPEECH BY HONOURABLE FELIX C. MUTATI, MP., MINISTER OF
FINANCE, ZAMBIA, AT THE INVESTORS CONFERENCE FOR THE
BATOKA GORGE HYDRO-ELECTRIC SCHEME
HELD ON 30TH MARCH 2017, AT THE DAVID LIVINGSTONE SAFARI
LODGE,
LIVINGSTONE, ZAMBIA**

- YOUR HONOUR, MRS. INONGE M. WINA, MP., VICE PRESIDENT OF THE REPUBLIC OF ZAMBIA;
- FELLOW CABINET MINISTERS FROM ZAMBIA AND ZIMBABWE;
- HONOURABLE EDIFY HAMUKALE, MP., MINISTER FOR SOUTHERN PROVINCE;
- MR. AMADOU HOTT, THE VICE PRESIDENT OF THE AFRICAN DEVELOPMENT BANK;
- MEMBERS OF PARLIAMENT PRESENT FROM ZAMBIA AND ZIMBABWE;
- THE SECRETARIES TO THE TREASURY FOR ZAMBIA AND ZIMBABWE
- THE SOLICITOR GENERAL FROM ZAMBIA AND THE ATTORNEY GENERAL FROM ZIMBABWE;
- PERMANENT SECRETARIES FROM ZAMBIA AND ZIMBABWE;
- AMBASSADORS AND HEADS OF MISSIONS;
- YOUR ROYAL HIGHNESSES, CHIEF MUKUNI AND CHIEF SHANA;
- REPRESENTATIVES OF MULTILATERAL AND BILATERAL FINANCIAL INSTITUTIONS;
- INVESTORS AND CONTRACTORS PRESENT;
- SENIOR GOVERNMENT OFFICIALS PRESENT;
- DISTINGUISHED GUESTS, LADIES AND GENTLEMEN,

LET ME JOIN MY FELLOW MINISTERS THAT HAVE SPOKEN BEFORE ME IN WELCOMING YOU TO LIVINGSTONE, ZAMBIA AND TO THIS INVESTORS CONFERENCE IN PARTICULAR. THE OVERWHELMING ATTENDANCE BY POTENTIAL INVESTORS, DEVELOPERS AND UP-TAKERS IS RE-ASSURING TO THE GOVERNMENTS OF ZAMBIA AND ZIMBABWE. IT IS TO US AMPLE ATTESTATION THAT YOU ARE ALL EAGER TO PARTNER WITH OUR TWO GOVERNMENTS IN THIS AMBITIOUS AND MAMMOTH PROJECT.

WE HAVE INVITED YOU TO THIS CONFERENCE TO PRESENT OUR CASE FOR YOU TO EXPLORE POSSIBILITIES OF PROVIDING DEBT AND EQUITY FINANCING AND OTHER INNOVATIVE MODES OF FINANCING; TO UNDERTAKE INVESTMENT; AND TO FORM PUBLIC PRIVATE PARTNERSHIPS IN A FAST GROWING BUT LARGELY UNDER INVESTED SECTOR IN THE SOUTHERN AFRICAN REGION.

YOUR HONOUR, DISTINGUISHED LADIES AND GENTLEMEN,

WE HAVE TAKEN THE CHALLENGES THAT WE FACE IN THE ENERGY SECTOR SERIOUSLY IN THE REGION. ZAMBIA AND ZIMBABWE HAVE DECIDED NOT TO FOLLOW BUT TO LEAD IN ADDRESSING POWER CHALLENGES THAT ARE INCREASINGLY

THREATENING OUR ECONOMIES AND WELL-BEING OF OUR PEOPLE. MAINLY ON ACCOUNT OF POWER SUPPLY CHALLENGES, WE HAVE SEEN ECONOMIC GROWTH STAGNATING ACROSS THE REGION.

IN ZAMBIA FOR EXAMPLE, THE RATE OF ECONOMIC GROWTH HAS IN THE PAST 3 YEARS SLOWED DOWN FROM A PROJECTED AVERAGE OF 6% TO 2.9% IN 2015 AND JUST ABOVE 3% IN 2016 LARGELY ON ACCOUNT OF POWER SUPPLY CHALLENGES. DUE TO POWER RATIONING, MINING SECTOR OUTPUT SLUMPED, WHILE THE COST OF PRODUCTION INCREASED ACROSS SECTORS CONTRIBUTING TO ACCELERATED INFLATION THAT PEAKED AT 22.9% IN FEBRUARY 2016 FROM SINGLE DIGITS. SIMILARY SECTORS SUCH AS MANUFACTURING SLOWED DOWN BY ALMOST 1 PERCENTAGE POINT BETWEEN 2014 AND 2016. FURTHER, INFORMATION AND TECHNOLOGY SECTOR ALSO SLOWED DOWN DUE TO POWER OUTAGES FROM A GROWTH OF 7.5% IN 2014 TO 3% in 2016.

SIMILARLY, THE FISCAL POSITION OF MANY OF OUR COUNTRIES HAS BEEN NEGATIVELY IMPACTED WITH UNDERLINING FISCAL DEFICITS RESULTING FROM REDUCED REVENUES DUE TO LOWER ECONOMIC ACTIVITY AND HIGHER EXPENDITURES ON IMPORTATION OF POWER. IN ZAMBIA WE SPEND ABOUT US\$20.5 MILLION, AN AMOUNT THAT WAS NOT

BUDGETED FOR, RESULTING IN REALLOCATION OF RESOURCES FROM OTHER CRITICAL AREAS.

YOUR HONOUR, DISTINGUISHED LADIES AND GENTLEMEN,

WHAT I HAVE JUST ALLUDED TO IS THE STARK REALITY THAT WE FACE. WITHOUT MAJOR AND DELIBERATE INVESTMENTS IN ENERGY, OUR ECONOMIES WILL BE ASSURED OF GETTING INTO RECESSION. WE HOWEVER, ARE AWARE THAT FOR SUCH INVESTMENTS TO TAKE PLACE, WE HAVE A NUMBER OF STRUCTURAL ISSUES THAT WE WILL NEED TO ADDRESS AS GOVERNMENTS.

KEY IS THE COMMITMENT TO A PREDICTABLE, CONSISTENT AND ENABLING POLICY ENVIRONMENT IN THE ENERGY SECTOR THAT WILL GUARANTEE AN ATTRACTIVE RETURN ON YOUR INVESTMENT. TO THIS END THE TAX REGIME WILL HAVE TO BE STABLE AND PREDICTABLE TO ENSURE THAT YOUR LONG-TERM MODELS ARE SUSTAINABLE AS YOU MAKE THESE DECISIONS. ON OUR PART, I WOULD LIKE TO ASSURE YOU OF OUR COMMITMENT TO A STABLE FISCAL REGIME.

YOUR HONOUR, DISTINGUISHED LADIES AND GENTLEMEN,

THE ECONOMIES OF ZAMBIA AND ZIMBABWE ARE LARGELY DRIVEN BY THE MINING, AGRICULTURAL AND

MANUFACTURING SECTORS. THESE SECTORS ARE INVARIABLY THE LARGEST CONSUMERS OF ELECTRICITY.

ZAMBIA'S CURRENT INSTALLED CAPACITY IS 2,400 MW BUT CURRENT PRODUCTION HAS REDUCED TO AROUND 1,100 MW ON ACCOUNT OF THE ADVERSE EFFECTS OF CLIMATE CHANGE. PEAK DEMAND, WHICH CURRENTLY STANDS AT 1,911 MW, IS PROJECTED TO GROW TO 5,508 MW IN 2035 WHILE ZIMBABWE'S DEMAND IS PROJECTED TO GROW FROM 2,116 MW TO 5,301 MW IN 2035.

THE CASE IS THE SAME IN MOST COUNTRIES IN SUB SAHARAN AFRICA. DESPITE THIS LEVEL OF DEMAND LOOKING REASONABLE, MAY I REMIND YOU THAT ELECTRICITY PENETRATION IN MOST OF OUR COUNTRIES REMAINS LOW. IN ZAMBIA ACCESS IS JUST OVER 20%, A RATE THAT LEAVES A MAJORITY OF CITIZENS NEEDING ACCESS TO ELECTRICITY. THUS THE INVESTMENT WE ARE MARKETING TODAY IS A NECESSITY TO ADDRESS THESE IMBALANCES.

THAT SAID, LADIES AND GENTLEMEN, WHILST OTHER RENEWABLE SOURCES OF POWER THAT WE ARE INVESTING IN WILL ADDRESS PEAK-LOAD DEMAND, HYDRO-POWER STILL REMAINS THE MOST RELIABLE SOURCE OF ELECTRICITY TO MEET BASE-LOAD DEMAND. OUR TWO GOVERNMENTS WILL

THUS CONTINUE TO ATTRACT INVESTMENT IN HYDRO-POWER ELECTRICITY GENERATION IN ORDER MEET TO CURRENT AND FUTURE DEMAND.

YOUR HONOUR, DISTINGUISHED LADIES AND GENTLEMEN,

IT IS FROM THIS BACKGROUND THAT THE TWO GOVERNMENTS REQUIRE THE URGENT DEVELOPMENT OF BATOKA GORGE HYDRO ELECTRIC SCHEME AS PRESENTED BY MY FELLOW MINISTER OF ENERGY.

THE PROJECT WILL HAVE A UNIT COST OF 3.6 US CENTS/KWH COMPARED TO A REGIONAL AVERAGE TARIFF OF 8.25 US CENTS/KWH WHICH MAKES THE PROJECT VERY VIABLE AND GUARANTEES ATTRACTIVE RETURNS ON INVESTMENTS.

YOUR HONOUR, DISTINGUISHED LADIES AND GENTLEMEN.

THE GOVERNMENTS OF ZAMBIA AND ZIMBABWE APPRECIATE AND RECOGNISE THE EXPERTISE AND INNOVATION THE PRIVATE SECTOR BRINGS INTO THE DEVELOPMENT OF INFRASTRUCTURE, WHICH ASSURES EARLY DELIVERY OF PROJECTS.

WITH THIS IN MIND, THE TWO GOVERNMENTS HAVE ADOPTED THE DEVELOPMENT STRUCTURE FOR THE

PROJECT THAT ALLOWS FOR AND ENCOURAGES STRONG PARTICIPATION OF THE PRIVATE SECTOR.

YOUR HONOUR, DISTINGUISHED LADIES AND GENTLEMEN

THE DAM WILL BE DEVELOPED THROUGH PUBLIC FINANCING AND THE TWO POWER PLANTS WILL BE DEVELOPED AND OPERATED THROUGH PUBLIC PRIVATE PARTNERSHIPS (PPP). SPECIAL PURPOSE VEHICLES IN WHICH THE PRIVATE SECTOR CAN INVEST EQUITY SHALL BE CREATED.

THIS IS THE MAIN REASON WE HAVE INVITED YOU HERE FOR YOU TO TAP ON THE OPPORTUNITY TO PARTNER WITH US IN DEVELOPING THIS SCHEME.

THE DETAILS OF THE COMMERCIAL STRUCTURE FOR IMPLEMENTATION OF THE PROJECT WILL BE PRESENTED TO YOU DURING THE PROCEEDINGS OF TODAY'S CONFERENCE.

IT IS THE HOPE OF OUR TWO GOVERNMENTS THAT AT THE END OF TODAY YOU WILL BE ABLE TO REGISTER YOUR INTEREST IN PARTICIPATING IN THE DEVELOPMENT OF THE TWO POWER STATIONS THROUGH PPP ARRANGEMENTS, WITH THE DEVELOPMENT FINANCING INSTITUTIONS REGISTERING INTEREST IN PROVIDING DEVELOPMENT FINANCE.

INVITED GUESTS, REMEMBER, REGISTERING OF YOUR INTEREST WILL REINFORCE OUR EFFORTS IN TAKING THE PROJECT TO THE DEVELOPMENT STAGE.

YOUR HONOUR, DISTINGUISHED LADIES AND GENTLEMEN,

AS I END MY REMARKS, LET ME ENCOURAGE EACH ONE OF YOU TO WALK WITH US IN THIS GREAT JOURNEY TO SUCCESS BY PARTICIPATING ACTIVELY AND CONTRIBUTING POSITIVELY SO THAT WHEN WE GATHER TO CONCLUDE THE DAY, WE HAVE A CLEAR ROADMAP LEADING US TO THE EXECUTION OF THE BATOKA GORGE HYDRO ELECTRIC PROJECT.

THANK YOU FOR YOUR ATTENTION!!