



WHAT'S THE DEAL:
INSIDE THE BEITBRIDGE BORDER PROJECT

The Beitbridge border post, one of the busiest land crossings on the continent, is getting a makeover in a US\$296 million modernisation project. Here, **newZWire** reports on details of the project, and the players involved.

BEITBRIDGE BORDER UPGRADE: Why the project?

Everyone who has been through Beitbridge on a hot day knows why that border post needs fixing. The delays are caused by a combination of factors, which include bureaucracy, corruption and inadequate infrastructure.

The delays are bad for the economy, both for Zimbabwe and South Africa.

The South African Institute of International Affairs (Saiia) estimates that more than 400 trucks cross the Beitbridge border post daily. They face delays of an average of three days. Delays of up to two weeks are not unusual.

There is a cost to the delays. Saiia estimates a loss of US\$400 per truck per day, and that this adds to the price of the goods they are delivering. For example, says the institute, a delay of three days could increase the price of transported sugar about 3%.

During the massive border delays in October, Mike Fitzmaurice, CEO of the Federation of East and Southern African Road Transport Associations, estimated that the transport industry lost about US\$41 million for the month.

Around 65% of traffic that goes through Beitbridge is commercial. Approximately 24% is large trucks, which contribute around two-thirds of all border levies.

Who is Zimborders?

In 2018, a consortium of local businesses, Zimborders, was awarded the contract to expand the border post. Press reports from 2017 says Zimborders won the contract ahead of two other competing investors.

The consortium is headed by Glynn Cohen, founder of GDC Whelson Transport. Other Zimborders directors are Francois Diedrehsen, who is CEO, as well as accountant Rugare Pasipamire and Caleb Dengu, development banker and



chairman of RioZim Energy.

In November, two South African entities, private equity firm Harith General Partners and the Phembani Remgro Infrastructure Fund, bought shares in Zimborders.

Other partners are Mauritius-based RLB Systems, which supplies IT solutions to governments for borders and vehicle tolling. The architects are Osmond Lange, the company that designed the OR Tambo airport terminal and Moses Mabida stadium.

The contractor that will build the border post is Raubex, a construction company listed on the Johannesburg Stock Exchange. Raubex's order book stood at R11.74bn at the end of August, up 29.2% from the year before.

How is it all structured?

This is a design, build, operate and transfer arrangement.

Zimborders, through a special purpose vehicle, Andalusia, will raise money to build the border post. In return, it will run the border post for 17.5 years, with a possibility to extend it up by an extra five years. Zimborders will recoup its money through its share of toll fees paid at the border.

How is Zimborders raising money?

Zimborders has reached financial close, raising money through a mix of debt and equity, allowing construction works to start on the US\$296 million project. This includes money for construction of the border, as well as other amenities in Beitbridge town.

Emerging Africa Infrastructure Fund (EAIF), part of the Private Infrastructure Development Group, together with Afreximbank, are the mandated lead arrangers of development finance institution debt for the project.

EAIF is lending US\$43.7 million.

It is unclear how much Zimborders raised from the equity transaction with Harith and Remgro Infrastructure Fund.

Which banks are involved?

South Africa's four biggest banks are involved on the commercial debt; these are RMB, Standard Bank, Nedbank and Absa.

South Africa's Export Credit Insurance Corporation of South Africa (ECIC) is providing both political and commercial risk insurance for the project.

"We provided political risk insurance of 100% to the banks, and commercial risk insurance up to 95%. With this sort of coverage, as one knows that the risk perceptions in Zimbabwe are quite high, so through this support that we provide to the banks we are able to crowd in banks to provide long term liquidity to the

project," says Mandisi Nkuhlu, COO of ECIC.



What's in it for Zimbabwean and South African contractors?

Half of the procurement of goods and services on the project will come from South Africa, a result of the cover provided by ECIC.

Says Nkuhlu: "We have the key contractor here being South African contractor Raubex. So, for the portion of the works they do and the loan that is financed by South African banks, 50% of that loan will be used to purchase goods and services from SA, and that will enable job creation in SA."

He adds: "With the SA content requirement that we insist on as ECIC - for instance on the debt side we are supporting a debt amount of US\$135m - so 50% of that must be used to purchase goods and services from South Africa. So we expect that this project will create jobs in South Africa, and in the local economy (of Zimbabwe) as well."



What exactly is the work to be done?

The project will see new terminals being built for each vehicle category. They will include new vehicle parking areas and feeder roadways.

New cargo scanning equipment will be installed to allow for faster inspection of cargo and detection of fraud, contraband and potential threats (explosives, radioactive materials, etc). Manual unloading and inspection will also be reduced.

A new ICT system will be installed that will allow for an automated queuing and payment system for truckers.

As part of the deal, a new housing development will be built for the town of Beitbridge, as well as facilities for informal traders and other public amenities.

Other facilities under the project include a fire station, housing sewer lines, housing electrical supply lines, a reservoir, water pipelines to the reservoir, a wastewater treatment plant and a water pump station.

What about currency risk?

The promoters of the project say they are confident that traffic through the border will always generate enough revenue to make the venture profitable. “On the whole, we are comfortable that there’s sufficient traffic, even under stress scenarios.”

According to ECIC, the deal has been structured to account for Zimbabwe’s notorious currency risk.

“The other key area is about currency risk for the project. We know that there’s a shortage of dollars in Zimbabwe. But the way the project has been structured is that the Government of Zimbabwe has agreed to a framework where the toll fees of the project can be collected outside of the country. So offshore revenues structures and accounts so the risk is externalised out of Zimbabwe, so that gives us a degree of comfort for Zimbabwe.”



How long will it take?

Construction on the new terminals and buildings have started, and are expected to be completed within 24 months.

Significance

The border project is a one of a precious few infrastructure projects investment-hungry Zimbabwe has undertaken without Chinese funding.

It is the first concession concluded in Zimbabwe in the last decade, after the US\$206 million Harare-Plumtree highway rehabilitation project, which was funded by the Development Bank of Southern Africa in 2011. For that project, South Africa’s Group Five, which was the lead contractor, set up a joint venture with the Zimbabwe National Roads Authority to collect road tolls and service the DBSA loan.

Other major infrastructure projects executed in Zimbabwe in recent years include the US\$150 million Victoria Falls Airport upgrade (2016), US\$355 million Kariba South power station expansion (2018) and the ongoing US\$153 million modernisation of Harare’s international airport - all Chinese funded.

The government has also embarked on the long-stalled rehabilitation of the Harare-Beitbridge highway, using local funding.