

MINISTERIAL STATEMENT  
ON THE  
**THE UPGRADING TO DUAL CARRIAGEWAY OF THE LUSAKA TO NDOLA  
ROAD, INCLUDING REHABILITATION OF THE LUANSHYA-FISENGE-  
MASANGANO ROAD USING PUBLIC-PRIVATE PARTNERSHIP**

BY THE

**THE MINISTER OF INFRASTRUCTURE, HOUSING AND URBAN DEVELOPMENT  
(ENG. MILUPI), MP**

Mr Speaker, on Thursday 2<sup>nd</sup> March, 2023, the Honourable Madam Speaker directed that I issue a ministerial statement on the agreement signed on Tuesday, 28<sup>th</sup> February, 202, for the upgrading to dual carriageway, of approximately 327 km of the Lusaka to Ndola Road, including rehabilitation of 45 km of the Luanshya/Fisenge/Masangano Road using a public private partnership model of project procurement and financing

I am grateful for the opportunity to render the ministerial statement to inform this august House and the nation at large on the details of the project. It is my sincere hope that this statement shall help clear the air on the project and put to rest any speculation and misinformation around the project.

Mr Speaker, it is a known fact that the demand for quality road infrastructure in Zambia remains high while the resource envelope is not adequate to bridge the finance gap. To cover the gap, the New Dawn Government has decided to use Public-Private Partnership (PPP) model of financing on this project. Such partnerships are anticipated to generate jobs as well spur social and economic growth.

Further, this finance model will guarantee infrastructure development and service delivery using private capital given the challenging fiscal position of our country resulting from both the poor performance of the economy and the huge and expensive debt left by the previous regime.

Mr Speaker, I want to take this opportunity to remind the House that the Government owes outstanding arrears to contractors and consultants amounting to over K10 billion accumulated by the previous Government, and loans amounting to K5.2 billion obtained from the National Pensions Scheme Authority (NAPSA), National Savings & Credit Bank (NATSAVE) and Indo Zambia Bank (IBZ). The loan tenure for the NAPSA loan alone is fifteen years, and serving these commitments is currently taking away 40 per cent of the road sector budget annually. Unfortunately, the current date portfolio is not marching the current condition of the road network. One would normally expect the county to have a very good quality road network. However, despite this indebtedness, 80 per cent of the network remains in poor state.

Mr Speaker, the current state of the Lusaka to Ndola Road remains a source of concern to all well-meaning Zambians. The road is the backbone of our road network and critical in stimulating the much-needed economic growth through increased trade within the country and the region at large.

The road is currently in a deplorable state with the number of accidents and in certain cases, fatalities have been recorded. It is worth mentioning that the latest periodic maintenance works were undertaken for the Kabwe to Kapiri Mposhi section in the year 2013, with the section between Lusaka and Kabwe receiving maintenance as far back as the years 2008.

Previous attempts to upgrade the road to dual carriageway through a PPP model and a Contractor Facilitated Initiative (CFI) were made by the previous Government. However, both were unsuccessful.

Mr Speaker, the previous Government commenced with the procurement for the same road using the PPP approach in 2015. The procurement process was then terminated because the recommended bid price was US\$1, 039,469,401.70 with a concession period of twenty-five years. This was then deemed expensive and thus the process was discontinued. Then the Same Government invited new proposals of which the recommendation was made to award the contract at an estimated cost of US\$667, 800,068, with a concession period of thirty-four years.

Mr Speaker, this process was again discontinued and the Government commenced another process that resulted in the award of the contract at an exorbitant price of US\$1,245 billion using the CFI model of financing. The scope of this project was, and I quote;

“project is for the contraction approximately 321 km of the Lusaka to Ndola dual carriageway including bypass roads in Kabwe and Kapiri Mposhi and 45 km of the Luanshya/Fisenge Road.”

Mr Speaker, that was the scope of that project.

Firstly, the US\$1.245 billion was the base figure and it was CFI funding. So, it was going to be a loan. There was going to be interest over the period and the maintenance was supposed to be done the Government.

Mr Speaker, let me come back to the concession agreement that was just signed. The PPP procurement used to procure the current project is premised on principles of competition transparency, fairness, equity and cost effectiveness. Therefore, allow me to highlight the procurement process that was adopted in this transaction. The process consisted of the following stages:

- (a) project concept preparation stage;
- (b) the call for request for expression of interest;
- (c) the issuance of request proposals;
- (d) evaluation; and
- (e) negotiations.

Mr Speaker, the Road Development Agency (RDA) submitted the project concept note for the project in line with the Public Private Partnership Act, No.14 of 2009 to the Ministry of Finance and National Planning for review, consideration and approval in 2021. Subsequently, authority was granted for the RDA to proceed with the procurement of the project through the solicited approach. Thereafter, the call for expression of interest was published in the print media on 16<sup>th</sup> February, 2022. Seven proposals were received on 11<sup>th</sup> March, 2022. The proposals received were evaluated from 11<sup>th</sup> March, 2021 to 21<sup>st</sup> March, 2022, and the two the firms were responsive to the stipulated evaluation criteria and were thus shortlisted. The films shortlisted were as follows:

- (a) Macro Ocean Investments Consortium, represented by AVIC international Project Engineering Company; Zhenjiang Communications Construction Group Limited and China Railway Seventh Group Limited.
- (b) Yamene, represented by Velos Enterprises Limited, Graduare Property Development Limited, Yamene Financial Services Limited and Hillary Construction Limited.

Mr Speaker, in line with the Public Private Partnership Act, the request for proposals were issued to the shortlisted firms on 5<sup>th</sup> May, 2022 and the proposals were received on 1<sup>st</sup> July, 2022. The Director and Chief Executive Officer of the RDA, using powers vested in him by the Procurement Public-Private Partnership Act, constituted an evaluation committee consisting of able Government and private individuals to carry out the bid evaluations.

Subsequently, on 24<sup>th</sup> July, 2022, the Public-Private Partnership Council (PPPC) considered the request for approval of the due diligence exercise that involved visiting the bidders' past project sites both local and outside the country, and the bid evaluation reports for the current project.

Mr Speaker, Messrs. Macro Ocean Investment Consortium were then conferred with the preferred bidder status in line with the Public-Private Partnership Act No 14 of 2009 as amended.

Thereafter, the permanent secretary of the Ministry of Finance and National Planning together with the Road Development Agency (RDA) set up an inter-sectoral Government negotiating team to conduct discussions. The negotiations commenced in August, 2022, and were concluded in February, 2023. Following negotiations, in line with the provisions of The Public Private Partnership Act No. 40 of 2009, and having established the technical, financial and legal capacity of the preferred bidder, the Government awarded the concession agreement to Messrs Macro Oceans Investment Consortium for the upgrading of approximately 327km of the Lusaka/Ndola road to dual carriageway. This includes rehabilitation of 45km of the Luanshya/Fisenge/Masangano Road using a public private partnership (PPP) model.

Mr Speaker, allow me to highlight salient features of the project. The scope of works include design, engineering, financing, procurement, construction, completion, operation, and maintenance of the project infrastructure as follows, construction of the 327km dual carriageway, construction of Kabwe and Kapiri Mposhi bypasses, rehabilitation of 45km of Masangano/Chisenge/Luanshya Road, construction of two new toll plazas, construction of two weigh bridges; and expansion and improvement of existing bridges on the entire route.

Mr Speaker, the concession period will be twenty-five years split as follows, three years for construction and twenty-two years for operations and maintenance. The operations and maintenance will be at no cost to the Government.

Mr Speaker, allow me to elaborate on the factors that led us to arrive at the concession period of twenty-five years. It was arrived at after looking at the level of investment and payback period. It also considered what the public could afford in terms of toll charges, and agreed revenue sharing mechanism between the Government and the concessionaire.

Mr Speaker, we could shorten the concession period, however, that would result in increased toll fees. This would in all probability make the toll fees unaffordable for the average Zambian and increase the cost of doing business. We could also cut the investment in half so as to keep the

service at a reasonable cost. This, however, would compromise the quality of the road and it would not last twenty-five years. To protect the interest of the Zambian people, the New Dawn Government has put emphasis on delivering projects and services at the right price, quality and within time as directed by our President, Mr Hakainde Hichilema.

Mr Speaker, in view of our resolve to deliver projects transparently at the right price, quality and in a timely manner, the concession agreement was signed based on fundamental features of the legal framework governing public private partnerships in infrastructure development, namely affordability to the public and value for money to the Government.

Mr Speaker, allow me to highlight some of the concession periods in PPP contracts that previous governments signed. I say this because when I talked about the twenty-five-year tenure for this particular concession, I heard some murmurs. Let me highlight some past examples for the benefit of the House. Firstly, the Luburma Market concession agreement signed during the Movement for Multi-party Democracy (MMD) Administration in 2001 was sixty-five years.

Mr Speaker, the Chingola to Solwezi PPP concession agreement signed by the Patriotic Front (PF) Government with Bert Motors Limited in 2021 is for thirty years.

Mr Speaker, yet the project for turning an already rehabilitated road into a dual carriageway – The Kasomeno/Mwenda Road project signed by the PF Government with GED Africa Limited projects in 2016 is for twenty-five years.

Mr Speaker, the Resettlement Infrastructure Investment and Enterprise Support (ARIISE) signed by the PF Government with Nkhulu Consortium Limited on 10<sup>th</sup> August, 2021, has a concession period of twenty-five years.

Mr Speaker, the involvement of the private sector in the development of public infrastructure using PPP models has been employed worldwide, including here in Africa. Our fact-finding mission has revealed that PPPs in sub-Saharan Africa are still in a developmental phase although there are indications that their use is increasing.

Mr Speaker, some of the successful concessions implemented in Africa include the N4 Toll Road between Johannesburg and Maputo with a thirty-year concession period. Secondly, the N3 Toll Road between Durban and Johannesburg with a thirty-year concession period. Thirdly, the Kampala to Jinja express way phase one in Uganda with a thirty-year concession period. Fourthly, the Nairobi express way with a thirty-year concession period.

Mr Speaker, the quality of these roads is evidently good with acceptable levels of service. The New Dawn Government has adopted this approach to deliver much needed regional network for both local and international traffic to match up with international standards considering the current fiscal position. The use of the PPP model guarantees quality as the concessionaire is also keen to produce a quality road as failure to do so by implementing the project below approved specifications would result in premature failure of the road, costly maintenance and early rehabilitation at their cost.

Mr Speaker, the concession period of twenty-five years was methodically analysed considering affordability by the public and also a quality road at the right price delivered on time. This has resulted in a win-win concession agreement.

Mr Speaker, as promised, the New Dawn Administration is undertaking road infrastructure projects at the right price, specified quality, and timely delivery. Again, this is on the understanding that all the risks associated with PPP funding mechanisms are to be borne by the concessionaire with no assistance, whatsoever, and at no cost and risk to the Government of the Republic of Zambia.

Mr Speaker, the total cost of the Lusaka/Ndola Dual Carriageway Project is US\$ 649, 976, 167. This is broken down as follows, US\$ 577, 383, 758, construction cost, US\$ 1,000,000, working capital, US\$ 1,849,500, finance costs, and US\$ 69,742,909, interest during the construction period.

Mr Speaker, I must restate the point that the Government is not funding the project, nor is there a requirement for a sovereign guarantee. Further, the Government shall not be responsible for any maintenance of the road for the twenty-two years of the concession operating period.

Mr Speaker, I wish to remind the House, and the country at large, that the time for exorbitant tender pricing is long gone. This will not happen again in Zambia due to our resolve, as the New Dawn Government, to procure projects at the right price.

Madam Speaker, since the project will be financed using the Public Private-Partnership (PPP) model, the concessionaire is free to engage and propose would be financiers. It is anticipated that substantial funding for the project will be financed through a combination of debt and equity which will be made available by lenders and shareholders. The Lusaka-Ndola dual Carriageway Project was properly conceived with consideration of how the financiers would make returns on their investments.

Mr Speaker, we have heard from individuals who are against progress stating that this is not a PPP project but a raiding and plunder of public pension funds using pension funds as intermediaries of the plunder.”

Mr Speaker, if we allow these PPPs to be funded by foreign capital, the profits arising out of the project will go out, 100 per cent will go out! Let me reiterate this point. The New Dawn Government wants Zambian involvement in the running of the country’s economic affairs. Zambians must get used to investing in private enterprises with higher returns. I would like to remind the House that many years ago, a number of people, over 4,000 people and entities invested in Copperbelt Energy Corporation, including National Pension Scheme Authority (NAPSA). Making investments with high returns is key for pension schemes like NAPSA because not only does part of the profit remain in Zambia, but contributes to growth of the pension scheme, thus securing the lives of current and future pensioners.

Mr Speaker, Pension Schemes get money from active members who are actively working. They invest that money and make a return so that they can look after the pensioners who are no longer



working. We believe that in this particular project the return on this investment in dollar terms is 9 per cent. This I believe is very good. I am sure NAPSA has evaluated this compared to other investment portfolios. Besides that, NAPSA are not the only ones likely to be approached for possible investment in the project. They are just part of the possible funders. The funding mechanisms for the project are entirely the responsibility of the concessionaire, and Government will not provide any assistance or sovereign guarantee. The task of attaining financial close is the responsibility of the concessionaire, and he is free to approach any interested investors within and outside Zambia with the appetite to invest in the project.

Mr Speaker, allow me to highlight how the toll revenue collection will be executed in this PPP concession agreement. The tolls Act, No. 14 of 2011, is the principal act providing for the operation of toll roads, the charging and collection of tolls and provides for private sector participation in the tolling of roads. Under Section 4 of the Tolls Act, the Road Development Agency is mandated with the following functions:

- (a) Regulate the operation and maintenance of toll roads;
- (b) Monitor compliance of concessionaires/ private entities with the terms and conditions of concession agreements signed; and
- (c) Advise the minister of infrastructure, housing and urban development on the design, construction, safety, regulation, operation and maintenance of toll roads.

In addition to the above, Section 6 of the Tolls Act provides as follows:

- (a) The agency may, on such terms and conditions as it may determine, appoint any suitable person as a toll collector for purposes of this Act and to perform such other functions as the agency may specify; and
- (b) A toll collector shall remit to the agency any toll collected in such manner as the minister may prescribe.

Mr Speaker, the above provisions clearly give the Road Development Agency tolling functions and further allow for the appointment of various persons at law as toll collectors. In the past those appointed have included the National Road Fund Agency (NRFA), Zambia Revenue Authority (ZRA) and Road Transport and Safety Agency (RTSA). However, with the coming of Public Private Partnership's projects, private entities or concessionaires will be appointed as toll collectors on prescribed toll roads.

Mr Second Deputy Speaker: May the hon. Minister wide up because you have almost taken the entire 30 minutes that is allocated to you.

Mr Speaker, while this is a very important subject I am just remaining with a few pages. In line with Part 3, Section 21, of the Public Finance Management Act No 1 of 2018 and the concession agreement provisions, the concessionaire shall deposit all toll fees and other revenue collected from facilities on the project highway into an Escrow Account.

Mr Speaker, to enhance transparency, under the concession agreement, the Government shall have the right to audit these accounts. It is for this reason that in this concession agreement, the Government and concessionaire have agreed to a revenue share mechanism based on gross revenue. The Government envisions accruing USD\$1,172,157,616.00 in monetary benefits from this project over the concession period, broken down as, revenue share USD\$ 432,064,717.00, Income/corporation tax USD\$ 660,344,643.00 and withholding tax on dividends USD\$ 79,748,256.00.00.

Mr Speaker, the construction of two additional toll plazas will create employment opportunities for more toll collectors. This brings me to one of the fundamental questions what will the people benefit. The answer lies in the uniqueness of the road section. This section connects the continent, region and domestic corridors to the world. Once done, I have no doubt citizens and the region's social and economic status shall be uplifted.

Mr Speaker, the use of the PPP model of financing on this road and other high-volume roads both current and potential that make them attractive to the private sector means Government can then direct the limited resources at its disposal to many other roads throughout our country, especially in rural areas that would not normally attract private investment that includes roads in all constituencies.

Mr Speaker, I thank you.

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