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Zesa battles to settle US\$428 million debt

By Golden Sibanda

ZESA Holdings is saddled with a US\$428 million debt which it is battling to settle owing to its perennial financial crunch.

The power utility's cash woes are compounded by "unrealistic" tariffs over the years in comparison to the viable rates levied by other utilities in the region.

Cash woes at Zesa Holdings also mean the country faces uncertainty over future supply of power considering Zesa faces a daunting task to raise US\$385 million for emergency power needs.

This is according to a World Bank report compiled at the request of the Ministry of Finance for technical assistance towards the formulation of the 2010 National Budget to be presented tomorrow.

Zesa Holdings' external debt stands at US\$317 million while its internal debt is perched at US\$111 million. Its debt settlement capacity is worsened by the fact that it requires US\$385 million for emergency projects.

The World Bank said there has been a decline in Zesa's operational, commercial and financial performance since 1997 when the power supplier collected 97 percent for accounts due.

Zesa currently collects an estimated US\$20 million a month from its customers, representing a 49 percent rate in account settlement by customers, but this is hardly enough to cover its payroll.

Apart from low collections and sub-economic tariffs the general downturn in the economic conditions and lack of access to financing has contributed to the power utility's huge financial distress.

"Zesa's trade creditor arrears from power imports are about US\$98 million, of which US\$69 million are over due by more than 128 days. Zesa's external debt arrears stand at about US\$317 million (domestic arrears at about US\$111 million)," said the World Bank.

Against this background Zesa needs about US\$385 million to optimise current production capacity, prevent further deterioration of infrastructure and to improve operational efficiencies.

"The emergency investment programme to be considered in the 2010 capital budget has been developed with a view to utilising least cost options to achieve maximum returns on investment," said the World Bank.

In light of challenges the economy is facing, the World Bank said the rehabilitation of existing infrastructure offers significant benefit over expansion of the country's already strained generation capacity.

Zesa therefore requires US\$78 million for the first phase of priority rehabilitation programme and US\$115 million for the second phase. First priority investments would ensure the Kariba Hydro-power plant continues to operate at full capacity producing 750 megawatts while the Hwange Thermal Station could ramp up output to 700MW. Hwange is presently producing an average of 420MW.

Second priority investments would enable Zesa to stabilise and improve generation output in the medium term.

The multi-million dollar emergency power investments are required to address concerns on power generation, transmission and distribution infrastructure.

Zimbabwe has generating capacity of about 1 960MW of which about 1 000MW of non-firm power generation is available for production. Zimbabwe imports an average of 300MW from the region.