



Chobe Zambezi Water Transfer Scheme

Project Information Memorandum

October 2023

Private and Confidential: Commercially Sensitive



Purpose of Information Webinar

The main purpose of having a Marketing Testing Information Webinar is to provide the market with preliminary project information in order to market the project to prospective bidders, funders and developers. It is also an opportunity to get some initial feedback from the market on the feasibility of the proposed project and understand the critical areas for consideration by the private sector while assessing the project.

The process is not part of the procurement process and all information shared at this stage is general in nature and is subject to change as the project is still in development phase. Interested parties are encouraged to engage openly and provide their thoughts and views on the project so as to enhance the project development process.

A separate procurement process will be undertaken once the project has gone through all the necessary approval processes. Details of that process will be shared in due course. All parties are requested to channel all their questions and queries during the webinar or direct them to the following email: chobezambezi@kpmg.bw.

All parties are discouraged from contacting any member of the Transaction Advisory team or client team directly.

Botswana Advantage



Botswana is aptly suited for inviting investments for the growth and development of the country

Stable, Peaceful and Transparent

Botswana has been a democracy for the last 57 years and has a sound legal system with zero tolerance for corruption. It has consistently been rated as the second least corrupt country in Africa by Transparency International.

Sound fiscal policy, economic freedom and has a steady growth rate

Botswana has the highest sovereign credit rating in Africa by S&P's global ratings (2021); named the 3rd freest economy in Africa by Heritage Foundation (2022);

The door to a massive market

Preferential access to the SADC entire marketplace – 393 million+ people; duty-free access to South Africa, Namibia, Lesotho and eSwatini; duty-free and quota-free access to the European Union (EU) market.

Committed to continued growth

Consistently investing in new and improved core infrastructure such as power plants, fibre optic networks, roads, railways and international banking institutions; establishing ourselves as a centre for Innovation and Research and Development (R&D) via the Botswana Innovation Hub.

Support from the Government

No foreign exchange controls or restrictions on business ownership; Reasonable taxation - 15% for manufacturing and International Finance Service Centres, 22% for other businesses and 25% for individuals; allows remittance and full repatriation of profits and dividends

Quality of Botswana's work-force

Well educated workforce — 90% are literate and most speak English; no labour tensions; different communities maintain harmonious relations

Why Botswana?

Botswana Investment Climate



Robust Investment Incentives

- > NO FOREIGN EXCHANGE CONTROLS; REMITTANCE AND FULL REPATRIATION OF PROFITS AND DIVIDENDS.
- > NO RESTRICTIONS ON BUSINESS OWNERSHIP
- > **100%** DUTY REBATE ON IMPORT OF MACHINERY AND RAW MATERIALS IMPORTED
- > **200%** DEDUCTIBLE TRAINING REBATE
- > LIBERAL TAX REGIME: 22% CORPORATE AND 25% PERSONAL TAX, WITH 15% CORPORATE TAX FOR MANUFACTURING AND IFSC-REGISTERED COMPANIES (LOWEST TAXES IN THE SADC REGION)
- > NEGOTIABLE TAX HOLIDAY UP TO **10 YEARS** (MAXIMUM)

Project Background



Botswana intends to tap into the $380 \text{ Mm}^3/\text{a}$ of water that it has been allocated from the Chobe/Zambezi river to meet the growing needs of the country

Context



- Botswana is water stressed and has suffered from repeated droughts. Climate change vulnerability is impacting regional trade leading to lowering of GDP
- There is rising water demand across growing sectors like urban, mining, power generation and agriculture.
- Long term yields of existing water sources will not be able to satisfy the growth in local water needs after 2025.

Opportunity



- To remedy this, Botswana intends to tap into the $380 \text{ Mm}^3/\text{a}$ of water that it has been allocated from the Chobe/Zambezi river.
- The river forms part of Botswana's northern border, and the water quota has been allocated to Botswana by the Zambezi Watercourse Commission (ZAMCOM).
- A ~1,250 km pipeline is to be constructed from Kazungula to Mahalapye.

Plan



- $270 \text{ Mm}^3/\text{a}$: Pandamatenga for the Zambezi Integrated Agro-Commercial Development Project
- The 1st section from Kazungula - Pandamatenga shall form ~105 km of pipeline
- $110 \text{ Mm}^3/\text{a}$: to the demand nodes towards the eastern and southern part of the country for industrial and commercial use.
- The 2nd part (6 sections) shall form ~1,145 km pipeline

Project Snapshot

Project Company to take up Design, Build, Finance, Operate and Maintenance of the pipeline (DBFOM)



Length of pipeline

~1,250 km



Associated Infrastructure

Abstraction Point, Pumpstations, Treatment Plants and Reservoirs



Expected PCOD

2027 - 2028



SDG Addressed

6. Clean Water and Sanitation

Key Stakeholders



Key stakeholders for the Chobe-Zambezi Water Transfer Scheme

Procuring Entity



Water Utilities Corporation (WUC)
Sole Water Authority in Botswana

Government Counterparties



Republic of Botswana

Ministry of Land and Water Affairs

Parent Ministry

Responsible for the management of land and water resources in Botswana

Ministry of Finance

Overseer

Oversees the project details through the PPP unit

Ministry of Agriculture

Largest Offtaker

The Zambezi Integrated Agro-Commercial Development Project (ZIACDP) has been allocated the largest volume of water from the CZWTS Project

Ministry of Environment and Tourism

Stakeholder

Responsible for Environment Impact Assessment etc.

Other Key Stakeholders are mining corporations, agro-commercial operators, other government stakeholders, etc.

Other Key Details

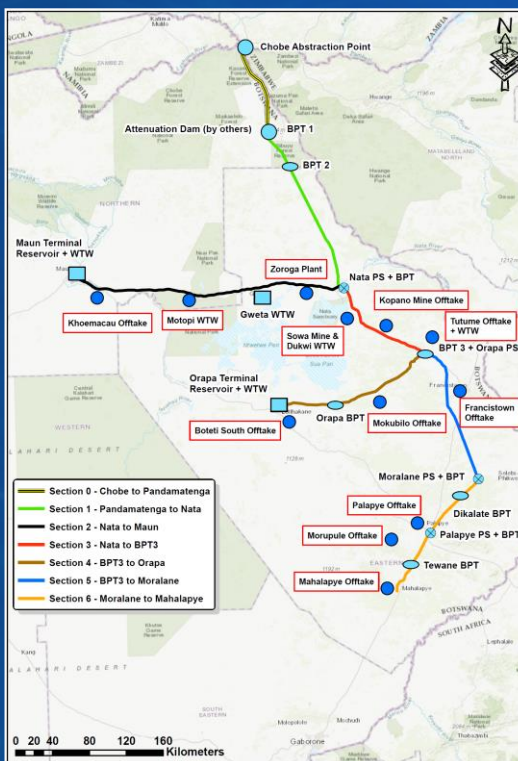


The project spans across the country geography and is of utter importance for National Water Security



Project Geography

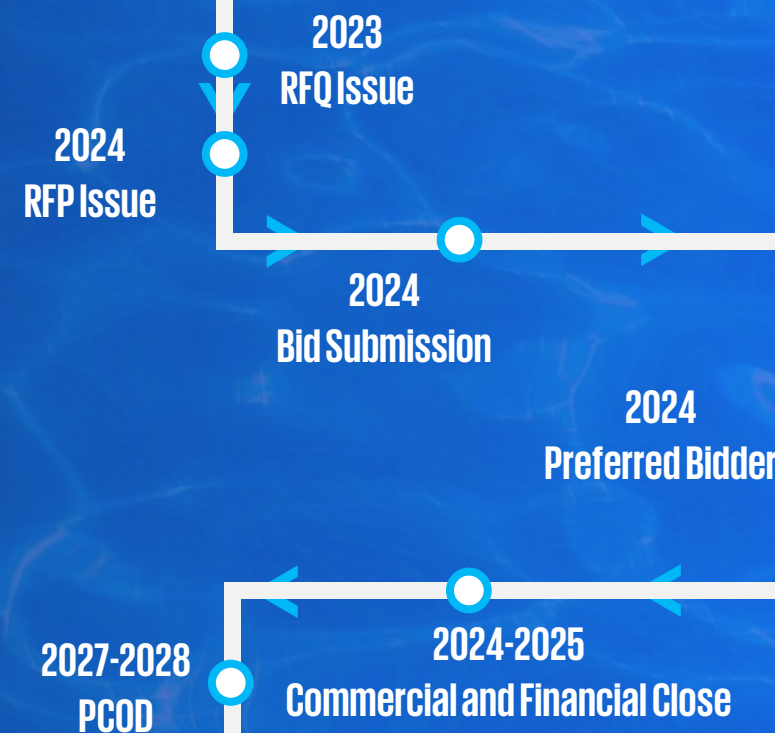
- 7 sections have been identified :
 - **Section 0:** Kazungula to Pandamatenga
 - **Section 1:** Pandamatenga to Nata
 - **Section 2:** Nata to Maun
 - **Section 3:** Nata BPT + PS to BPT 3
 - **Section 4:** BPT 3 to Orapa / Lethakane
 - **Section 5:** BPT 3 to Moralane BPT+PS
 - **Section 6:** Moralane BPT to Mahalapye (NSC 3)



Please click on Map for details



Project Timelines

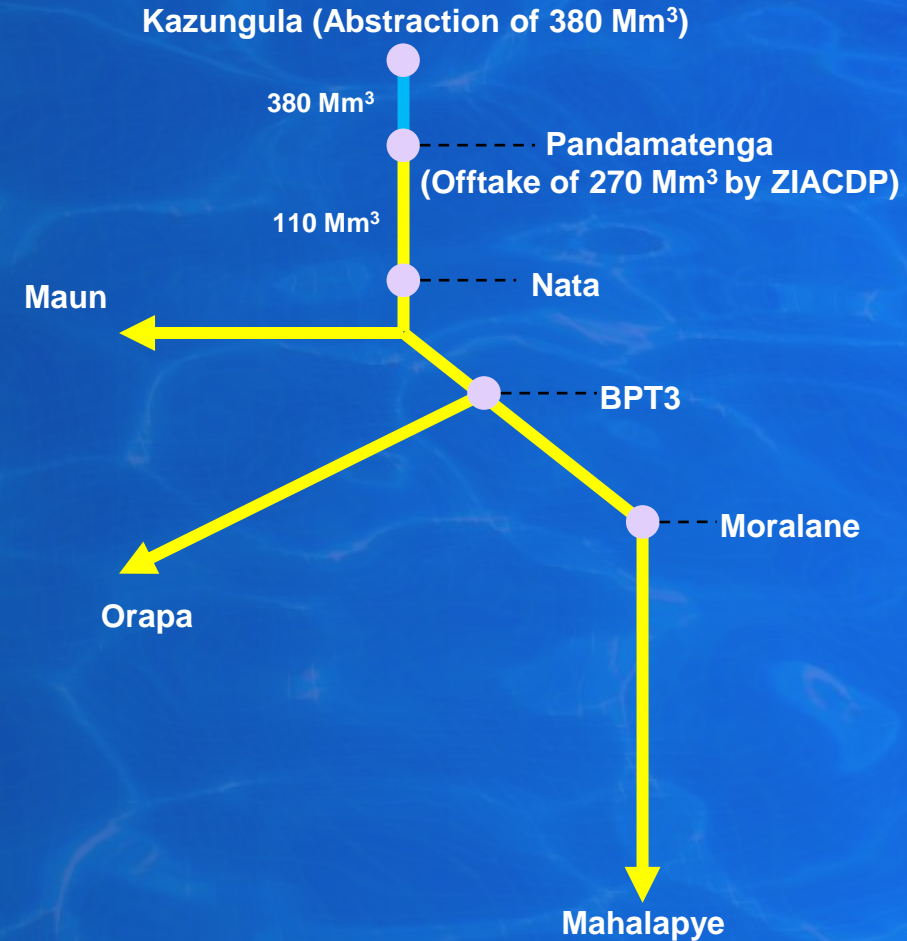
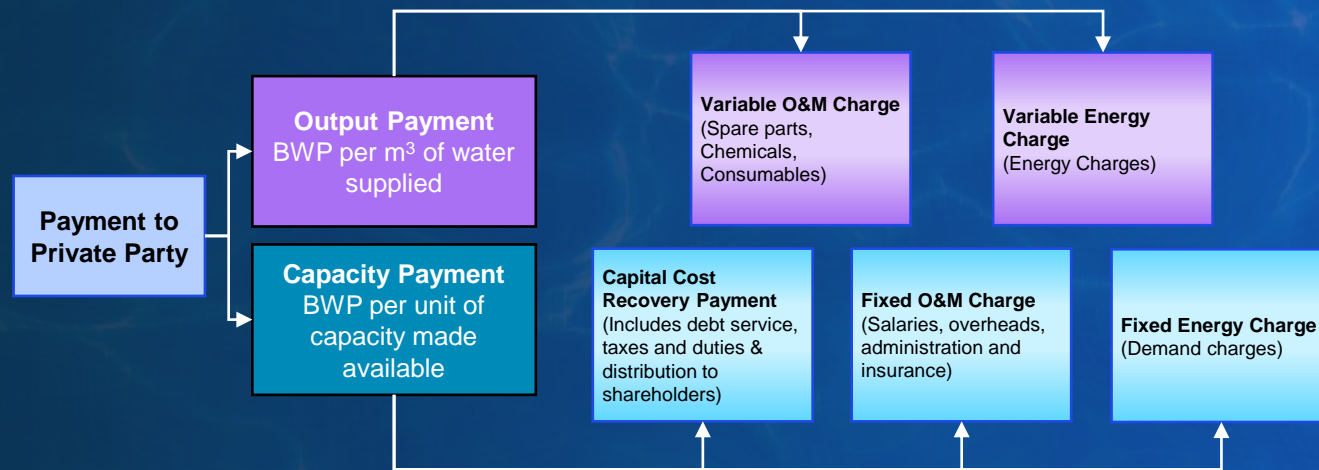


Project Financials and Payment Mechanism

The capital cost of the project is estimated to be in excess of BWP 50 billion, with Annual O&M costs expected to be in excess of BWP 1 billion per annum. This is a large financing commitment for lenders and a large equity investment by developers.

Considering the vastness and the importance of the CZWTS, WUC is looking to support the programme as much as possible from all respects.

The concession period for the project shall be 40 years and the payment mechanism structured as a Capacity + Output payment structure.





Purpose of the Document

This information memorandum (IM) is for market testing purposes only. Through this IM, WUC wishes to disseminate information and engage with the market to assess the appetite for the project.

Please note this process is not part of the procurement process. Capable and interested parties are encouraged to send their details to the email addresses below to be invited to a series of virtual sessions to discuss the project.

Please reach out to chobezambezi@kpmg.bw for more details

Project Map

