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The Status of Power Sector Decentralisation in Zambia

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Key Policy Recommendations

- Accelerate the finalisation of the energy sector devolution plan with a clear roadmap for sector devolution.
- Implement an integrated decentralised energy planning framework that promotes the co-creation of local-level energy demand assessments and supply plans.
- Develop a strong legal and regulatory framework for the use of the Constituency Development Fund (CDF) for funding off-grid renewable energy in rural councils.



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Summary

Decentralisation has been part of the government's policy in Zambia since the 1960s. However, due to various factors, the actualisation of decentralisation in various sectors, including energy, has been very slow. Given the rising interest in decentralisation, this study was undertaken to understand the status and prospects of decentralised energy planning and provision in Zambia. Our key findings are that there is currently very little decentralised energy planning; there is confusion regarding the role of the state power utility (ZESCO) and that of the councils in municipal electricity service provision

going forward; and there is very little local-level coordination of electrification planning in Zambia. However, our study finds that the prevailing political and policy environment provides a good foundation for the decentralisation of the energy sector in Zambia. To actualise decentralised energy planning, the government must finalise and implement the energy sector devolution plan; introduce integrated local energy sector planning; and strengthen the legal and regulatory framework for the use of the CDF in financing off-grid renewable energy projects in the local councils.

Introduction

Zambia's early power sector development was largely decentralised before the 1970s, with local authorities using standalone coal- or diesel-powered thermal plants to supply power in their jurisdictions. In Livingstone for example, power supplies to the town's early white settler communities were managed by the municipal authority using power from the country's first thermal power station constructed in 1906, and later, from a small hydro power station commissioned in 1938. In the period leading up to World War II, more isolated thermal power stations were developed in various places in Zambia. In Kitwe and other Copperbelt towns, mine companies developed thermal power stations to support copper mining and refining. Similarly, localised thermal power stations were developed in Kabwe to support the zinc and lead mining activities [1].

As the need for high voltage power to support the copper mining activities increased steadily, Zambia's power supply model shifted from isolated thermal to large hydro power stations. Between 1950 and 1962, Zambia's first large hydro power plants were constructed on the Kafue Gorge and at Kariba dam.

To ensure the provision of consolidated power to the mines, industries, and the rapidly expanding urban centres, the government enacted the Zambia Electricity Supply Act in 1970. Its main aim was to **bring together** all electricity undertakings previously managed by the local authorities. The establishment of the state power utility, ZESCO, in 1970 was in many ways the beginning of the centralisation of Zambia's power system. Electricity entities such as the 'Victoria Falls Energy Board' and 'Ndola Council Electricity' and other electricity operations around the country were taken over by ZESCO.

Meanwhile, the general consolidation of political power at the centre continued throughout the 1970s, culminating in the enactment of the Local Government Act of 1980, which significantly reduced the political autonomy of local authorities as local structures were merged into central government. In addition, local councils lost their financial autonomy due to the transfer of important revenue functions to central government. By the year 2000, significant revenue streams such as motor vehicle licensing, water utility bills, housing rental income and municipal electricity services had been transferred from the local authorities to central government agencies [2].

Consequently, the systematic consolidation of political power in Zambia since independence resulted in the reduced capacity of local authorities to plan and deliver local services, including decentralised energy.

However, following renewed calls for decentralisation at the beginning of 2000, the Movement for Multiparty Democracy (MMD) government took some tangible steps towards decentralisation. These included the launch of the country's first National Decentralisation Policy (NDP) in 2002, the establishment of the Decentralisation Secretariate in 2003 [3], and the launch of the first Decentralisation Implementation Plan (DIP) for the period 2006–2010 [4]. In another key milestone towards decentralisation, the Patriot Front (PF) government revised the NDPs and set in motion the implementation of the devolution of selected state functions to local councils through the issuance of Cabinet Office Circular Number 10 of 2014 [5].

Following the 2021 elections, the new United Party for National Development (UPND) government announced unprecedented support for the

¹ The companies managed the municipal electricity operations in the towns of Livingstone and Ndola (respectively).

decentralisation process, committing to restore the financial autonomy of the local councils by increasing the Constituency Development Fund (CDF)² budget by more than 16 times, from Zambian Kwacha (ZMW) 1.6 million to ZMW 25.7 in 2022 and then to ZMW 28 million in 2023³.

The latest DIP lists eight specific central government functions to be devolved to the

councils between 2022 and 2026. These include, for example, health and ambulance services, vehicle licensing and electricity services [7].

In light of this ambition, this policy brief presents the status, opportunities and constraints to decentralised energy planning and provision in Zambia.

Methodology

This study reviewed key documents (such as the National Decentralisation Policy of 2013; the Decentralisation Implementation Plan for the period 2022 to 2026; the Constitution of Zambia Amendment Act Number 2 of 2016; the National Energy Policy of 2019; and the Eighth National Development Plan) for key references on decentralisation and energy in Zambia. The study also interviewed 53 local government and energy experts from 18 institutions, including central government ministries, the energy regulator, the state power utility (ZESCO), local councils, donor agencies, former politicians and independent experts, between February and March 2023. Table 1 provides a summary of the study sample.

The main aim of the study was to gain insights on the status of energy sector decentralisation and to understand the opportunities for

decentralised energy planning and provision moving forward. Based on thematic analysis of interviewee responses, the main findings are presented below.

Categorisation	Institutions	Interviewees
Central Government	3	10
Parastatal organisations	4	10
Local Government	2	17
Conservation organisation	1	1
Private renewable energy stakeholders	2	4
Donor Agencies	2	7
Political stakeholders	2	2
Independent experts	2	2
Total	18	53

Table 1: Interviewee categories and quantities.

Findings

Four key themes emerged from the analysis of the results. These are elaborated below:

a) There is very little decentralised energy planning or provision at the council level.

Our discussions with council officials at Choma, Livingstone, and Lusaka⁴ revealed that while Councils desire a more prominent role in

² The CDF is a funding mechanism for local development needs administered by local authorities in Zambia.

³ This is equivalent to an increase from US\$ 80,000 in 2021 to US\$ 1.4 million in 2023 (using the exchange rate of US\$ 1 to ZMW 20).

⁴ Discussions with Lusaka City Council officials were part of wider workshops on decentralised energy planning held in Lusaka in March 2023 and were not a result of the fieldwork interviews.

energy planning and provision (as was the case before the 1970s), at present, ZESCO is responsible for all technical planning, supply, and management of electricity services in local municipalities that are connected to the main electricity grid. In the case of rural councils not on the main grid, the Rural Electrification Authority (REA), and not the local councils, is responsible for grid extension projects, with ZESCO connecting the end users to the extended grid. The technical and resource planning including supply of electricity to townships is, therefore, exclusively done by ZESCO, with very little input by the councils.

The only role played by the councils is administrative, i.e., the verification of housing ownership and certification of electrical wiring of a building before connection to the grid. Furthermore, while the councils prepare Integrated Development Plans (IDPs) to ensure coordinated sectoral development, the IDPs are largely long-term strategic plans, without any detailed energy needs assessments or investment plans for sustainable clean energy supply at the ward or constituency level⁵.

Based on the above, there is an energy planning gap that needs to be addressed urgently, as neither ZESCO nor the local councils take any lead or proactive role in conducting energy needs assessments in local areas. Nor do they do this in planning energy supply to keep up with the pace of residential and commercial development that is happening in most towns.

b) There is confusion over responsibility for local-level energy provision between ZESCO and the councils.

The study further established that there is no clear understanding of who should be responsible for council level electricity planning and provision between ZESCO and the councils.

The confusion arises from the fact that Annex A of the Zambian Constitution states that energy and hydroelectricity are a national (or State) exclusive function while Annex C in the same constitution lists electricity as the exclusive function of the local councils.

“ We don't think local Councils should run electricity services, ZESCO is already decentralised with district offices throughout Zambia ” Parastatal Organisation Interviewee

Unfortunately, the latest policy documents, such as the DIP, do not define which parts of the electricity supply chain should be handled by ZESCO and which by the councils (if any). The lack of clarity on this issue is a source of contestation and a well-acknowledged problem in the power sector.

c) Local-level energy planning and provision is largely uncoordinated and constrained by a lack of adequate data.

Our research further found that there is very little day-to-day coordination of energy planning and supply between the councils, ZESCO and REA. Often, ZESCO is unaware of upcoming or ongoing housing developments until connection services are individually requested by customers, while councils accused ZESCO of working in silos. The poor coordination of work between the councils and central government institutions is mainly due to the lack of integrated planning frameworks requiring co-working across agencies.

“ There is poor coordination between the Councils and ZESCO; housing areas are opened up before electricity service lines are constructed ” Central Government Interviewee

⁵ The IDPs are rather cursory and brief on energy sector demand projects and how the rising energy deficits could be addressed in the long term.

This barrier can be resolved by leveraging the coordination opportunities that exist in energy planning and supply. For example, councils could participate in REA's market assessments, often done before REA funds an electricity project. Councils could also sign MOUs for closer cooperation with ZESCO in energy resource planning where detailed technical requirements, such as the number of transformers or size of distribution network needed in new settlements, are co-established. Furthermore, our study found that there are no defined minimum viable energy data requirements and no energy data sharing policies and systems. There is also a lack of adequate capacity in energy supply design, data collection, analysis and reporting in the local councils.

d) Despite the constraints, some pathways exist for localised energy planning and provision.

Although our research highlights various challenges pertaining to the devolution of the energy sector, recent political and policy

dynamics offer hope for the actualisation of decentralised energy planning and supply in Zambia. **First, the strong political will at the highest level and the speed with which government has moved to develop sector devolution plans and provide matching grants is encouraging.** In less than 2 years, the CDF allocation has increased more than 16-fold. With the energy sector earmarked for devolution in 2024, and energy sector devolution plans currently being drafted, there is hope that some form of decentralisation will take place in the energy sector. **Second, the increased CDF now provides a viable platform for councils to undertake or engage in public-private partnerships (PPPs) in off-grid renewable energy projects.** The current regulatory framework provides for local authorities to invest and participate in the off-grid renewable energy space. Finally, increasing parliamentary calls for the allocation of ZMW 1 million of CDF for rural electricity projects may result in additional opportunities for decentralised energy planning and supply for rural councils.

Recommendations

The active participation of local councils in energy planning and provision will be key in realising Zambia's target of achieving 51% electricity access by 2030. To attain effective decentralised energy planning and provision, we recommend the following:

- Complete the energy sector devolution plan with a clear roadmap for devolution and the specification of energy or electricity services to be devolved, including a clear understanding of the function of different stakeholders.
- Implement an integrated decentralised energy planning and coordination framework

that promotes data and information flows and facilitates the co-creation of detailed energy demand assessments, requirements, and supply plans at the local level.

- Introduce and strengthen the energy planning and implementation capacities and structures at the local level (e.g., councils and provincial levels).
- Introduce detailed energy demand forecasts and clear energy investment plans into the Integrated District Plans (IDPs) to ensure effective planning and implementation of clean energy in local councils.
- Develop a strong legal and regulatory framework for the use of the Constituency Development Fund (CDF) for funding off-grid renewable energy solutions in rural councils.

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