

## PPIAF Assistance in the Republic of Zambia

The Republic of Zambia (Zambia), a low-income country in southern Africa, is one of the most politically stable countries in Africa. Its gross domestic product per capita of \$1400 places the country among the world's poorest nations. The high population growth rate of 2.3% per annum also makes it difficult for per capita income to increase<sup>1</sup>. Since 1990 the government of Zambia has undertaken extensive economic reforms, including the privatization of many state industries, which have contributed to improving the country's economic performance. However, Zambia has still a long way to go to join the circle of middle-income African countries such as Mauritius and South Africa. To achieve this goal, the Zambian government has developed a private sector development reform program, with the aim of facilitating private sector engagement for the development priority infrastructure sectors.

PPIAF has partnered with the government of Zambia since 2001 to help build its capacity to implement public-private partnerships (PPPs), and to support the development of private sector participation in the energy, water, and transport sectors.

### Technical Assistance for Zambia's Water, Sanitation, and Solid Waste Management Sectors

Governments around the world increasingly recognize the need to undertake reforms of public services, including water, sanitation, and solid waste management, to improve service delivery and inform and engage stakeholders in the process, which can lead to build-up support for change and to the sustainability of service delivery.

When the government of Zambia set out to reform the **water and sanitation** sector in Lusaka in 2001, it requested PPIAF support to: i) assess the options for private sector participation available to the state-owned Lusaka Water and Sanitation Company (LWSC) to improve and expand water and sanitation services for the city of Lusaka; ii) strengthen the institutional capacity of the sector regulator, the National Water and Sanitation Council (NWASCO); and iii) conduct a workshop to build consensus among key stakeholders.

The objective of the PPIAF-funded options study was to start the process of strengthening and expanding the water sector for the city of Lusaka by increasing private sector investment in LWSC, to establish a sustainable commercial basis for the utility. The options study, completed in September 2002, indicated a lease arrangement as the preferred option. In recommending the preferred option, the consultants did a diagnosis of water and sewerage in Lusaka (including the review of the legal and institutional framework that would facilitate private sector participation), analyzed the organizational structure and resources of LWSC, assessed the utility's efficiency, and conducted a technical assessment of the existing water and sewerage services, and demand and revenue forecasts up to 2020.

The assessment of NWASCO included a review of the legal and institutional framework under which it operates and recommendations for short-, medium-, and long-term capacity-building needs for the regulator. An international comparison of regulation of water and wastewater services in 2010 done by Rui Cunha Marques indicated that "...the regulator, NWASCO, has played an extremely important role in the process" of improving the performance of the water and sanitation sector in the country.

The lack of consensus among decision makers was a serious impediment to implementing the lease transaction. The government of Zambia sought additional PPIAF funding to carry out two three-day workshops in October 2004 to discuss the challenges facing the sector, build consensus among key stakeholders on the preferred option for private participation, and design a communications strategy to be used by the government as it proceeded with its reform plans. This PPIAF activity involved designing a short course, delivering the course through training workshops, and arranging a regional study tour to share regional experiences with private participation. The workshops and the study tour proved to be

---

<sup>1</sup> <http://www.africaneconomicoutlook.org/en/countries/southern-africa/zambia/>

useful to educate stakeholders and decision makers from Lusaka about the options for sector reform and private participation, the implications of contract design, and the challenges of involving the private sector in the water and sanitation sector. While the preferred option by both private operators and the government was a lease, a variety of tariff and regulatory issues made it unlikely that the government would proceed immediately with the lease contract, but rather would begin with a management contract for LWSC.

After the completion of this work and the workshops of October 2004, the government made a commitment to engage stakeholders in the process of involving the private sector through a program of strategic communications and consultation.

However, the government did not proceed with the lease option for LWSC. Until 2010 seven private sector operators provided water and sanitation services in isolated areas and in some mining areas of the country, like SAUR who has a contract for the mining operations in the city of Copper Belt, but not in the city of Lusaka. In July 2011, the Managing Director of LWSC indicated to the press that the company was embarking on a project seeking private sector partners for the maintenance of its water networks, with the objective of improving the efficiency of water supply networks. He indicated that the company would seek to subcontract certain functions to small and medium enterprises specializing in water network repairs and leak detection.

In the **solid waste sector**, PPIAF's assistance was requested in 2004 to support the Ministry of Local Government and Housing to prepare a strategy for private sector participation in municipal solid waste management (SWM). The strategy, which was submitted to the Ministry for approval, had as objective to provide a basic "minimum standard" of SWM service to as many people as possible, within the shortest practical time. As part of this technical assistance, a draft Waste Framework Law was prepared and recommendations were made to set up a SWM unit within the Ministry with responsibility for implementation of the strategy. The SWM unit was meant to support local authorities in the development and implementation of their SWM plans and to facilitate the sharing of good practices between local authorities. Given this role, comprehensive guidelines to assist local authorities to develop their SWM plans were also prepared. Regional workshops to consult stakeholder on the strategy for private sector participation in solid waste management were held in Lusaka, Livingston, and Kabwe, from February 17 to 21, 2005. From our research, we were unable to find additional outcomes.

### Results of PPIAF's Activities in Zambia's Water Sector

Category	Outputs
<b>Enabling environment reform</b>	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> <li>• Private sector participation options for improvement and expansion of water supply and sewerage services to the city of Lusaka, October 2002</li> <li>• PPP contract framework for LWSC, December 2004</li> <li>• Institutional capacity building of the water sector regulator, National Water and Sanitation Council (NWASCO), March 2004</li> <li>• Guidelines in solid waste management for local authorities, June 2005</li> </ul>
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> <li>• Communications strategy on water sector reform options, November 20, 2003</li> <li>• Strategy for private sector participation in solid waste management, March 2005</li> </ul>

<p><i>Policies prepared or legal or regulatory changes recommended</i></p>	<ul style="list-style-type: none"> <li>• Workshops and study tours in October 2004 to build consensus on water sector reform led to two key recommendations on institutional arrangements: to establish a water sector reform unit or secretariat and to form an advisory committee with broad representation reporting to the Department of Infrastructure Support Services</li> <li>• Draft Waste Framework Law, May 2005</li> <li>• Recommendation to set up the Solid Waste Management Unit within the Ministry of Local Government and Housing to manage the strategy for private sector participation in solid waste management, May 2005</li> </ul>
<p><b>Capacity and awareness building</b></p>	
<p><i>Workshops/seminars</i></p>	<ul style="list-style-type: none"> <li>• Stakeholder workshop to discuss recommendations from options study for the reform of the water sector in Lusaka, July 11, 2002</li> <li>• Training workshops for 10 employees of NWASCO, new members of Water Watch groups and of Council on various subjects including utility regulation, tariff /performance modeling, March 13, 2003</li> <li>• Two consensus-building workshops held in Siavonga and Lusaka to discuss the challenges facing the water sector, October 11–12, and 14–15, 2004, attended by 67 participants</li> <li>• Study tour to Dakar (Senegal), Durban and Johannesburg (South Africa), and Maputo (Mozambique), October 5–18, 2003</li> <li>• Civil Society Organization Consensus Building Workshop was conducted in Lusaka. Over the course of the 2-day program, participants were invited to hear presentations and discuss their thoughts on several topics relevant to the possible introduction of PSP in the operations and maintenance of the Lusaka Water and Sewerage Company, October 14-15, 2004</li> <li>• Regional workshops to consult stakeholders on the strategy for private sector participation in solid waste management held in Lusaka, Livingston, and Kabwe, February 17–21, 2005</li> </ul>

Category	Outcomes
<p><b>Capacity and awareness building</b></p>	
<p><i>Technical capacity enhanced</i></p>	<ul style="list-style-type: none"> <li>• Ten employees of NWASCO, new members of Water Watch groups and of Council trained on various subjects including utility regulation, tariff/performance modeling, March 13, 2003</li> </ul>
<p><i>Consensus achieved</i></p>	<ul style="list-style-type: none"> <li>• Consensus achieved on the lease as the preferred option for private participation in water and sanitation services, July 2002</li> </ul>

### Technical Assistance for Zambia’s Public-Private Partnership Enabling Environment

On March 3, 2006, PPIAF supported a high-level seminar to help further enhance the capacity of government officials in Zambia on the key issues and concepts that are required to undertake PPPs. At the end of the seminar, the government of Zambia indicated its commitment to pursue PPPs for infrastructure development, and acknowledged that the absence of a PPP policy and legal framework had constrained the development of PPP projects. Thus, the government indicated its intention to address this urgently through the establishment of an appropriate legal framework.

Although PPIAF did not provide further support for the preparation of the legal framework for PPPs in Zambia, the seminar was a first step in achieving greater government understanding of—and therefore eventually greater engagement with—PPP issues. This workshop contributed to the approval of a PPP policy in 2007 and the enactment of the Public-Private Partnerships Act no. 14 of 2009 as a law in August 2009.

### **Results of PPIAF’s Activities for Zambia’s PPP Enabling Environment**

<b>Category</b>	<b>Outputs</b>
<b>Capacity and awareness building</b>	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> <li>• High-level seminar on PPPs for infrastructure development, March 3, 2006</li> </ul>

<b>Category</b>	<b>Outcomes</b>
<b>Enabling environment reform</b>	
<i>Policies adopted, legislation passed/amended, or regulation issued/revised</i>	<ul style="list-style-type: none"> <li>• PPP policy approved, 2007</li> <li>• Public-Private Partnerships Act no. 14 of 2009 enacted as a law, August 2009</li> </ul>
<b>Capacity and awareness building</b>	
<i>Consensus achieved</i>	<ul style="list-style-type: none"> <li>• The government of Zambia indicated its commitment to pursue PPPs for infrastructure development and indicated its intention to establish an appropriate legal framework for PPPs in March 2006. Furthermore, a PPP unit was set up in the Ministry of Finance and National Planning in 2009.</li> </ul>

### **Technical Assistance for Zambia’s Irrigation Sector**

In 2004 the government of Zambia developed a new Irrigation Policy and Strategy and embarked on a comprehensive National Irrigation Plan to revamp the country’s irrigation sector. As per the national plan, irrigation development would be based on three principles: irrigation schemes must be financially sustainable, irrigation schemes need to be professionally managed, and there must be inclusive business opportunities for both input supply and for marketing of produce. To maximize the potential synergies between large-scale commercial farmers and subsistence smallholders, the government was focusing on PPPs such as small- and large-scale farmer cooperatives and market development opportunities where Zambia has a competitive edge either for import substitution or for exports.

In 2008 the government of Zambia requested PPIAF assistance to prepare an action plan to incorporate the private sector in the development and management of irrigation infrastructure. Zambia has a potential irrigable area of about 650,000 ha, yet only about 20% or 119,500 ha is irrigated. Some 90,000 ha of this is classified as recession irrigation and is irrigated informally by smallholders on an opportunistic basis. The remainder is large-scale commercial farming, which depends heavily on irrigation for its competitiveness.

The government of Zambia requested this PPIAF grant to assist it to implement irrigation development under the National Irrigation Plan by identifying options for PPPs, including standard contractual arrangements, and establishing an adequate institutional framework. The consultants prepared three partnership scenarios and investment options for the construction, management, operation, and maintenance of medium- and large-scale irrigation schemes and developed outlines for PPP contracts in irrigation. Two of the selected sites for the first phase of PPP implementation were: Mwomboshi Dam Project, Chisamba, Central Province and Musakashi SADA Project, Mufulira, Copperbelt Province. With

support from the World Bank, a transaction advisor is currently advising the government on the options for structuring PPP arrangements on these two projects and a third, the Lusitu project in Southern Province.

### **Results of PPIAF's Activities in Zambia's Irrigation Sector**

<b>Category</b>	<b>Outputs</b>
<b>Enabling environment reform</b>	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> <li>• Review of legal framework for the development of PPPs in the irrigation sector, October 30, 2009</li> <li>• Partnership scenarios for PPPs in irrigation and outlines for PPP contracts, December 2009</li> </ul>
<b>Capacity and awareness building</b>	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> <li>• Workshop to discuss PPP options for irrigation for development support, October 2009</li> </ul>

<b>Category</b>	<b>Outcomes</b>
<b>Enabling environment reform</b>	
<i>Consensus achieved</i>	<ul style="list-style-type: none"> <li>• PPIAF support was instrumental in building consensus on PPPs in irrigation and on a generic PPP model; it also identified issues that needed to be addressed prior to embarking on any projects, 2009</li> </ul>
<b>Project cycle-related assistance</b>	
<i>Transactions facilitated</i>	<ul style="list-style-type: none"> <li>• Three irrigation PPP projects under preparation: Lusitu in Southern Province, Mwomboshi Dam in Central Province, and Musakashi Sada in the Copperbelt (ongoing)</li> </ul>

### **Technical Assistance for Zambia's Energy Sector**

In 2006 PPIAF provided technical assistance to the government of Zambia for the re-negotiation of the Power Sales Contract between ZESCO, the national electricity power utility, and the Copper Belt Energy Corporation, a private transmission company that purchases bulk power from ZESCO and retails to individual mining companies. The main objective of the advisory services was to consult with the Ministry of Energy and ZESCO officials and review documentation to develop the next steps for the Tariff Realignment for Copper Belt Energy Corporation. In 2008 ZESCO successfully negotiated an increase in tariffs to the company and the mines by 35%. This was followed by a provision for a stabilization period of three years between 2008 and 2010 during which it was agreed there would be no further tariff increases to the mines.

### **Results of PPIAF's Activities in Zambia's Energy Sector**

<b>Category</b>	<b>Outputs</b>
<b>Project cycle-related assistance</b>	
<i>Transaction support</i>	<ul style="list-style-type: none"> <li>• Advisory services to the Zambian government and ZESCO for the renegotiations of power sales contract with the Copperbelt Energy Corporation, 2008</li> </ul>

Category	Outcomes
<b>Capacity and awareness building</b>	
<i>Consensus achieved</i>	<ul style="list-style-type: none"> <li>• Successful tariff renegotiation, 2008</li> </ul>

### Technical Assistance for Zambia's Transport Sector

In 2008 the government of Zambia requested PPIAF technical assistance to enable it to outline short- and long-term action plans to improve the railway infrastructure and the financial and operational sustainability of the Zambia Railway Concession.

PPIAF funded an independent technical and financial review of the existing Zambia Railway Concession, the preparation of a financial model and financial projections to project various scenarios of traffic demand, and a long-term railway development strategy based on projected economic growth and envisaged railway transport. The consultant's report and recommendations were submitted to the government, and outlined actions to be undertaken by the key stakeholders to improve the performance of the concession as well as clauses in the Concession Agreement that would need to be modified. The contract renegotiation is still pending.

#### Results of PPIAF's Activities in Zambia's Transport Sector

Category	Outputs
<b>Enabling environment reform</b>	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> <li>• Zambia Railway Concession Review Study, June 2010</li> </ul>
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> <li>• Long-term investment strategy for Zambia railways, June 2010</li> </ul>

### Looking Ahead: PPIAF and the PPP Agenda in Zambia

A study on Zambia's infrastructure was conducted in 2009 as part of the Africa Infrastructure Country Diagnostic (AICD)<sup>2</sup>, a World Bank study designed to expand the world's knowledge of physical infrastructure in Africa. The report estimated Zambia would need to spend an average of \$1.6 billion a year over the period 2006–2015 to develop infrastructure at the levels of other developing countries. It also recommended some institutional and regulatory reforms to improve Zambia's investment climate and enabling environment for PPPs.

<sup>2</sup> [http://siteresources.worldbank.org/INTAFRICA/Resources/Zambia-Country\\_Report\\_03.2011.pdf](http://siteresources.worldbank.org/INTAFRICA/Resources/Zambia-Country_Report_03.2011.pdf)