

**PROJECT INFORMATION DOCUMENT (PID)**  
**INITIATION/CONCEPT STAGE**

Report No.: **97937**

<b>Project Name</b>	Electricity Access for Low-income Households in Zambia
<b>Region</b>	AFRICA
<b>Country</b>	Zambia
<b>Sector(s)</b>	General energy sector (100%)
<b>Theme(s)</b>	Urban services and housing for the poor (90%), Rural services and Infrastructure (10%)
<b>Lending Instrument</b>	Lending Instrument
<b>Project ID</b>	P146636
<b>Borrower(s)</b>	ZESCO Ltd
<b>Implementing Agency</b>	ZESCO Ltd
<b>Environmental Category</b>	B – Partial Assessment
<b>Date PID Prepared</b>	18-Jun-2015
<b>Estimated Date of Approval</b>	07-May-2015
<b>Initiation Note Review Decision</b>	Approved
<b>Other Decision(s) (as needed)</b>	Project approved at concept and appraisal

## **I. Introduction and Context**

### Country Context

Zambia is a low-income country that has made significant socio-economic progress over the past decade, with economic growth averaging 5.7 percent and 2011 per capita income at US\$1,160. Despite a robust annual growth, poverty is widespread and persistently higher among women. The effect of economic growth on overall poverty reduction has been small, as much of the benefits of growth have accrued to those already above the poverty line.

### Sectoral and Institutional Context

Access to electricity remains low and is a key priority in Zambia's economic strategy. Just over 47 percent of the population in urban and peri-urban areas and only 3 percent in rural areas have access to electricity. Overall, 23 percent of the population has access to electrical power. The country is also currently experiencing power shortages and load shedding. Although electricity tariffs are amongst the lowest in sub-Saharan Africa, the high connection fees are seen as a considerable barrier to access.

Zambia has significant HEP resources, and investments are planned and on-going to further

increase the generation capacity. The additional capacity will support the addition of new customers to the grid through electricity transmission and distribution projects. The connection fee subsidy program for low-income households launched under the IDA funded Increased Access to Electricity Services project has been successful and is strongly supported by government and ZESCO, the state-owned national power utility. ZESCO is vertically integrated and generates, transmits, distributes and supplies energy to national and regional markets.

#### Relationship to CAS/CPS/CPF

The current Bank Country Partnership Strategy (CPS) for Zambia highlights energy as one of the key development focus areas. The project is in line with the CPS and supports the government's ambitious goal to increase the national access rate to about 66 percent by 2030. The program offers low-income households, which cannot afford the entire upfront costs of connection, access to the main electricity grid for basic service. The project will focus on enhancing the connection rate of the 53 percent of unserved consumers residing in urban and periurban areas, as well as connecting about 5,000 micro and small enterprises in low-income areas.

## **II. Proposed Development Objective(s)**

Proposed Development Objective(s) (From CN)

The project development objective (PDO) is to increase access to grid-based electricity services by low-income households in urban and peri-urban areas.

Key Results (From CN)

An estimated 22,000 households (about 130,000 people) and about 5,000 MSEs (about 10,000 people) in targeted low-income urban and peri-urban areas will gain access to electricity through either a standard or enhanced connections. The outputs under the project are:

- i) approximately 22,000 working household electricity connections providing access to about 130,000 low-income consumers in urban and peri-urban areas of Zambia;
- ii) installation of ready boards for about 3,000 of the connected households; and,
- iii) approximately 5,000 micro and small enterprises (MSEs) with an estimated 10,000 beneficiaries connected to the electricity grid in project target areas. All households and MSEs connected will be provided with 3 CFLs to support energy efficiency.

In total, about 140,000 people are expected to directly benefit from the project.

## **III. Preliminary Description**

Concept Description [and Implementation Arrangements]

The project provides output-based aid (OBA) subsidies for new electricity connections and

ready boards with wiring for low income households and MSEs (US\$4.95 million). This component will be implemented by ZESCO, and aims at connecting about 22,000 low-income households (130,000 beneficiaries) and about 5,000 MSEs (10,000 beneficiaries) to the national grid through the use of subsidies. The OBA grant will partially subsidize the cost of installation of new connections for low-income households and MSEs. The grant will finance two types of connection and three compact fluorescent lamps (CFLs) per households or MSE:

- **Standard Connection and three CFLs:** This type of connection includes the drop-wire from a supply line to the meter box, a single-phase pre-payment meter, circuit breaker and lightning arrester. The total charge for this type of connection is estimated at US\$203 for connections up to 30 meters from an existing pole. Additional costs for connections beyond 30 meters are borne by the consumer. Subsidy per connection is \$175.
- **Enhanced Connection and three CFLs:** This type of connection includes the Standard Connection package plus installation of a Ready Board at an estimated charge of US\$256 for connections up to 30 meters from an existing pole. Additional costs for connections beyond 30 meters are borne by the consumer. Subsidy per connection is \$210

ZESCO will procure the necessary goods and services for the new connections using its own resources, and will receive the agreed fixed subsidy per connection upon output verifications by the Independent Verification Agent (hired by the World Bank) and the Bank’s clearance of the corresponding payment requests.

A series of Bank-executed Technical Assistance activities will support the project. This component will include activities that aim at informing and assisting women and vulnerable groups in the connection fee subsidy application process, providing household budget management training for women in low income areas, and promoting the productive use of electricity in low income areas for income generation and job creation. An impact assessment will measure the socioeconomic impacts of electricity access on the well-being of the beneficiaries. Planned activities are:

- a. Outreach and support activities for vulnerable groups (US\$600,000)
- b. Promoting the productive use of electricity (US\$300,000)
- c. Impact assessment (US\$300,000)
- d. Independent Verification of connections (US\$300,000)

#### **IV. Safeguard Policies that Might Apply**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
Environmental Assessment OP/BP 4.01	<b>×</b>		
Natural Habitats OP/BP 4.04		<b>×</b>	
Forests OP/BP 4.36		<b>×</b>	
Pest Management OP 4.09		<b>×</b>	

Physical Cultural Resources OP/BP 4.11		×	
Indigenous Peoples OP/BP 4.10		×	
Involuntary Resettlement OP/BP 4.12		×	
Safety of Dams OP/BP 4.37		×	
Projects on International Waterways OP/BP 7.50		×	
Projects in Disputed Areas OP/BP 7.60		×	

## V. Financing (in USD Million)

Total Project Cost:	4.95	Total Bank Financing:	0.00
Total Co-financing:		Financing Gap:	0.00
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
Total			4.95

## VI. Contact point

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