

What are Africa's 'Zombie Utilities'?

Utilities are among the [most cited obstacles](#) to functioning, modern power systems in Sub-Saharan Africa's emerging economies. While the challenges each country faces are unique, "zombie utilities" are common and typically characterized by five traits:

1. **Operates at a loss.** Due to factors including tariff rates set below cost recovery, insufficient grid infrastructure to deliver electricity to customers, and high incidence of non-payment or theft, [many utilities fail to operate at a profit.](#)
2. **Chronically indebted.** Persistent losses accumulate into high debt.
3. **Monopolistic.** Most African utilities, even where generation has been opened to private competition, hold monopolies over transmission and distribution.
4. **Heavily politicized.** National utilities are either publicly-owned or heavily regulated in a manner that allows key decisions to be determined on political rather than business grounds. In practice, this often means pressure to keep tariffs artificially low, using electricity for political gains, or inefficient infrastructure planning.
5. **Underinvestment drives a downward cycle of poor service.** The above trends often combine to undermine a utility's ability to invest in maintenance or new infrastructure. This degrades service quality, and in turn causes non-payment and customer exit.

95%
IN SSA, 95% OF
UTILITIES DO NOT
RECOVER FULL COSTS,
AND ONLY 50% COVER
OPERATING COSTS

Zombies are difficult to revive...

To generate a virtuous cycle of viability and quality service, utilities must be made financially solvent. If positive cashflow can be created, debts can be paid down, investment can be attracted for hard and soft infrastructure, and service can improve. Thus, several politically difficult things need to happen:

- Create a tariff structure that covers costs
- Modernize customer service and billing, and enforce bill collection
- Focus on profitable large customers (that can cross-subsidize social provision)
- Modernize governance to operate more efficiently through corporatization, concession, unbundling, or other structural reforms

... yet they cannot be killed.

Despite their many deficiencies and obstacles to reform, no government will allow their utility to disappear. Though quality is often poor, the utility is usually the only source of grid-scale electricity. For industrial and commercial firms, self-generation may be an option but is usually far more expensive. For utilities, the exit of larger consumers accelerates the rest of the system's downward spiral. For households, off-grid solutions may be available, but only for limited load capacity and often at far higher consumer cost. Overall, utilities remain entrenched because political incentives are strong to provide public services and control access to patronage in the power sector.