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**Power Sector Restructuring:
A View from the Civil Society Stand-Point**

by
PRAYAS, Pune, India

at
The World Bank, Washington DC

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Slide 2

PS Restructuring Process

- 1994 - WB/IFC spell out the 'Reform' agenda
- 1994 - Orissa state Cabinet gives approval for the WB model
- 1996 - Orissa Act passed and WB loan sanctioned
- 1999 - Privatisation of distribution in Orissa

➤ Key results expected in next couple of years in following areas:

- Performance of Private Distribution utilities
- Efficacy of RC in regulating private utilities
- Working of single buyer model


The Orissa model is insufficiently tested

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PS Restructuring Process ...2



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The slide features a map of India with several states highlighted in red, indicating the focus of the power sector restructuring process. The highlighted states include Rajasthan, Gujarat, Madhya Pradesh, Uttar Pradesh, Bihar, West Bengal, and Odisha. The title 'PS Restructuring Process ...2' is centered at the top in blue. At the bottom, there is a footer with the text 'Power Sector Restructuring: A View from the Civil Society Stand-Point, by PRAYAS' and the page number '3' on the right.

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Stepping Back

Justifications for the Reforms

- Urgent problem - Financial viability
- Large capital need of the sector
- Basic structural issues

Steps Necessary to Solve Urgent Problem

- Energy Audit
 - Theft control
 - Improved recovery
- Tariff rationalisation
- T&D investments

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The slide is titled 'Stepping Back' in blue. It contains two sections: 'Justifications for the Reforms' and 'Steps Necessary to Solve Urgent Problem', both in blue. The first section lists three bullet points: 'Urgent problem - Financial viability', 'Large capital need of the sector', and 'Basic structural issues'. The second section lists three bullet points: 'Energy Audit' (with sub-points 'Theft control' and 'Improved recovery'), 'Tariff rationalisation', and 'T&D investments'. At the bottom, there is a footer with the text 'Power Sector Restructuring: A View from the Civil Society Stand-Point, by PRAYAS' and the page number '4' on the right.

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What the WB has Attempted	
Measures	Objectives
1. Formation of RC (the key decision maker)	- Proper selection - Autonomy, Authority, <u>Accountability</u>
2. Privatisation	- Incentive to the owner (and hence to management)
3. Unbundling	- Increased accountability - Yard-stick competition

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Lacunae in the WB Process	
1. Lacunae in Aspects Essential for Success of the Model	
➤ Transparency, Accountability and Public participation (TAP)	
➤ Capability building of Civil Society Institutions (CSIs)	
➤ Addressing complexities related to privatisation (early warning & precautionary actions)	
2. Lacunae in Aspects Left-Out by the model	
➤ Public discussion on policy issues – that have implications for the model	
▪ future of universal access	
▪ move towards sustainability	
▪ utilisation of proceeds of sale of assets	
▪ rights of local government	
➤ Space for innovation	

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Lacunae in the WB Process .. 2

Implications

- Alienation of CSIs and lack of ownership
- Higher chances of move towards conflict in society rather than consensus

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Summary of Critique

Non-participatory process

Insufficient attention to:

- TAP
- Larger policy issues
- Possible barriers to competition

Delayed action on urgent issues

Rapid and aggressive replication without sufficient testing

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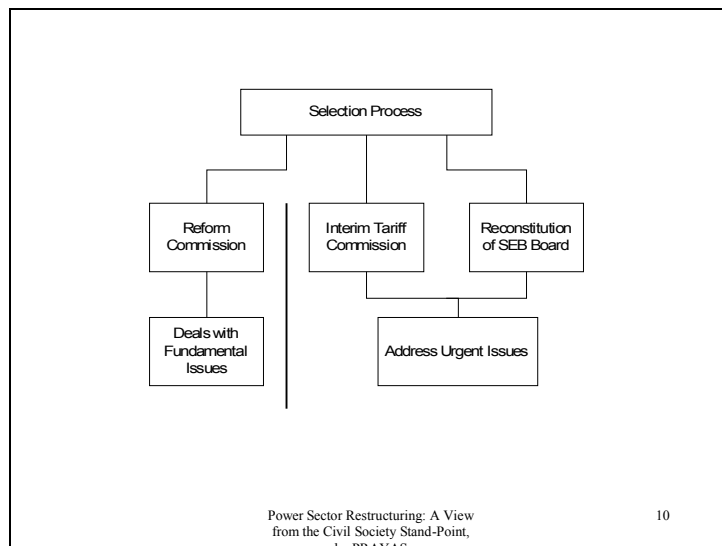
Critical Aspects of Desired Reform Process

- Participation, Leading to Ownership
- Separation of Urgent and Fundamental Issues
- Start with Consensus
- Broad Objectives

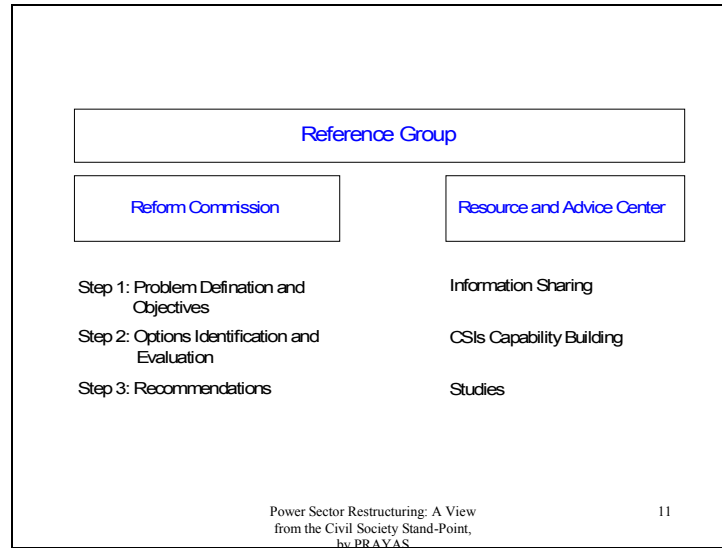
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Some Quotes

“Ideally we should have the social safety net and managerial skills in place. But the world doesn’t operate that way. I think you have to unleash privatisation. It’s uneven, it’s inelegant, it’s awkward, and there have been tremendous dislocations in economies where privatisation has occurred - but I do believe that over time, the demand for social services and managerial skills will create the supply”

(US Executive Director as quoted in Economic News, Jan.-Feb. 1997)

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Some Quotes ...2

"Ownership matters"

"Participation matters"

*(The Other Crisis Address to the Board of Governors by
Mr. James D. Wolfensohn, October 6, 1998.)*

"Processes are just as important as policies:

Outcomes of policies based on consensual, participatory, and transparent processes are more easily sustained. Institutions of good governance that embody such processes are critical for development and should encompass partnerships among all elements of civil society."

(Entering the 21st Century - World Development Report)