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

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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
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
What the WB has Attempted

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

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
Lacunae in the WB Process

Implications

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

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
**Slide 9**

**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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- Selection Process
  - Reform Commission
    - Deals with Fundamental Issues
  - Interim Tariff Commission
    - Address Urgent Issues
  - Reconstitution of SEB Board
Reference Group

Reform Commission

Resource and Advice Center

Step 1: Problem Definition and Objectives
Step 2: Options Identification and Evaluation
Step 3: Recommendations

Information Sharing
CSIs Capability Building
Studies

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)
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)