We define privatization broadly to include any significant transfer of management or ownership from the public to the private sector (that is, management contracts, leases, affermage contracts, concessions and full and partial divestiture). The broader study focuses on eight transactions involving private sector participation in infrastructure and other sectors in four Sub Saharan African countries. The main goal is to measure performance impacts and to highlight the factors that led to the outcomes. The analysis covers equity as well as efficiency, measuring the impact on various stakeholders: primarily consumers, workers, the government, and the new owner or operator. In sum, a successful privatization is not just one where the deed gets done, but where performance improves substantially and the results of that change are distributed equitably enough to sustain the process. The companies selected for the study include failures as well as successes. One can learn at least as much from the former as the latter and the goal is to help replace faith-based policies with ones that are fact-based. The opinions expressed here are the sole responsibility of the authors and do not reflect those of the World Bank.
1. EXECUTIVE SUMMARY

In December 1996, the Government of Senegal (GOS) embarked on a privatization-focused electricity sector reform with the technical and financial support of the World Bank and other donors. The GOS was eager to transform its ailing electricity sector and expand coverage for both its rural and urban populations. It initiated institutional, legal and regulatory reforms. In March 1999, it sold 34% of the shares of the Senegalese Electricity Company (SENELEC) to a joint consortium of Hydro-Quebec International and Elyo (HQI/Elyo). Considerable conflict ensued, especially over investment and pricing.

SENELEC’s partial privatization lasted only eighteen months. In September 2000, the new government announced that it would re-purchase HQI/Elyo’s shares, much to their surprise and that of the World Bank. In 2001, it tried to re-privatize SENELEC with a new model designed to address flaws that marred the first relationship. The changes included:

- The first privatization competition was based entirely on the offer price. The second only weighted price at 40%, with the remainder on the technical and business plans;
- Investment and electrification goals were absent from the first contract, but spelled out in the second;
- A majority of shares were tendered; and
- In the event bidders formed a consortium one had to take the lead with at least two-thirds of the shares (Hydo-Quebec and Elyo had been a 50/50 relationship);
- the privatization mode was converted from divestiture to lease;
- 30% of the proceeds would go to SENELEC as an equity increase with the remainder transferred to the Treasury.

Though two consortia eventually bid under this model, and despite active negotiations with both, a deal could not be struck with either and the privatization attempt was abandoned. SENELEC remains fully state-owned, albeit operating in a new regulatory environment and under the concession agreement that had been offered to the private buyers.

Needless to say, the short-lived privatization failed to help any of the stakeholders. The consumers did not benefit from increased coverage, lower prices or from quality-of-service improvements. The labor force suffered reductions. Those who remained did not receive the shares they had been promised. The enterprise itself neither benefited from an increase in technical and commercial efficiency nor from any improvement in
financial performance. The private partners and the international community lost both financially and politically. The GOS failed to escape from the fiscal burden of subsidizing the firm. The only possible plus is that the sector reforms may make public operation more efficient than before, and there is some preliminary evidence in 2004 and 2005 that this is the case.

What explains these unsatisfactory outcomes? At one level, it is easy to identify some injudicious decisions embodied in the first privatization model, notably including those noted above as having been rectified in the second attempt. But why were these choices made? Three quite different broad hypotheses are identified.

- **That’s Business**: Even in the private sector commercial deals are inherently risky because of imperfect information and some go bad. This is all the more true in the complex environment of a public/private deal in electricity in a developing country. Everybody did the best they could and the unfortunate outcome was just a bad draw in the lottery of commerce.

- **Haste**: The key technical work was done in two four-month bursts and this may not have been enough time to deal with the complexity. Some privatization advisers say “just do it” and don’t study the problem to death. Others counsel a more measured approach of “do it right”. Might this be a case supporting the latter position?

- **Inappropriate and Imposed Reform Model**: Reform started in response to World Bank/IMF conditionalities without being fully embraced by the stakeholders. The model selected for restructuring and the regulatory/tariff regime was imported from the UK, without sufficient adjustment to the realities on the ground.

We leave it to the reader to choose between these alternatives or propose something else.

2. **WHAT WAS DONE?**

2.1. **IMPETUS FOR REFORM**

In 1996, Senegal’s electricity sector was viewed within the country as being in poor condition, with 75% of its population having no access to electricity (50% urban, 95% rural). The rapidly increasing electricity demand could no longer be met by stagnant generation capacity of 300 MW dependent on thermal generation. The total number of connections was only around 300,000, almost 90% of which were household users. Only 2% of Senegalese villages received electricity and that was often interrupted.1

The fully state-owned vertically integrated monopoly, Societe Nationale de l’Electricite de Senegal (SENELEC), was partially responsible for these outcomes. Despite repeated

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1 Edmond Diouf, Lamine Thioune, Ibrahima Daba and Babacar Diop, “Analyse du Contrat de Concession SENELEC,” p. 8-9
experiments with performance contracts and twinning arrangements with well-performing electricity companies elsewhere, SENELEC suffered from dilapidated generation facilities nearing the end of their operational lifetimes and from technical losses of 21%\textsuperscript{2}. Non-technical losses were even much higher as a consequence of poor billing, faulty meters, poor meter reading and fraud.

SENELEC could no longer meet the unsatisfied demand from its own electricity generation. Limited capacity combined with poor maintenance was leading to serious power shortages. Businesses were increasingly installing their own generators in the face of unreliable service hampering Senegal’s trade, growth and economic competitiveness. International donor funding was no longer available for the projected investments of US$ 276 million to rehabilitate the existing power plants to raise urban electrification to 60% and another US$ 138 million for the rural electrification levels to reach 10% within the next five years.

The World Bank had already stopped lending to SENELEC. Both the World Bank and the IMF were now eager to reduce SENELEC’s fiscal burden on the Treasury and attract private investments to SENELEC via divestiture. They made privatization-focused electricity sector reform conditionality for Senegal to receive further concessionary loans.\textsuperscript{3} Senegal was also to be rewarded with debt relief under the highly indebted poor country (HIPC) initiative in June 2000 as long as it successfully progressed with restructuring and privatizing its state-owned enterprises.

Similar efforts in other infrastructure sectors were either completed or underway. The state-owned water company had begun operating under a lease contract with a private operator in 1996. The fully state-owned telecommunications enterprise, SONATEL, was to divest its shares to a strategic investor and operator no later than 1998.

\textbf{2.2. INSTITUTIONAL, LEGAL & REGULATORY REFORMS}

In 1996 the Ministry of Energy and the Mines (the ministry technically responsible for SENELEC) together with the Ministry of Economy, Finance and Planning (the ministry financially responsible for SENELEC), SENELEC’s “double tutelle,” began exploring the international experience in energy sector reorganization, regulatory/tariff reform and privatization. The two ministries then organized a high level workshop to discuss how to restructure the Senegalese electricity sector in parallel to the working group in charge of growth and competitiveness (\textit{Group de reflexion pour la croissance et la competitivite} [GRCC]).

In December 1996 the GOS designed a participatory and consultative process among the key policy makers by setting up two separate committees to carry out the privatization-focused electricity sector reform: The Inter-Ministerial Committee (Comite Interministeriel de Pilotage des Reformes du Secteur de l’Energie [CIPRES]) was to operate with input from all concerned ministries. The Committee’s work was assisted by

\textsuperscript{2} Alioune Fall and Lamine Thioune, “Le Nouveau Cadre Institutionnel et l’Organisation du Secteur Electrique du Senegal,” p. 8

\textsuperscript{3} Alioune Fall and Njeri Wamukonya, “Power Sector Reform in Senegal,” p. 194
technical specialists in the Energy Sector Reform Preparation and Monitoring Unit (Cellule de Preparation et de Suivi des Reformes du Secteur de l’Energie [CPRSE]) who were tasked with preparing and executing the second energy project funded by the World Bank. Together with the Japan International Cooperation Agency (JICA), the World Bank thus provided financial and technical assistance and worked closely with the Preparation and Monitoring Unit. While JICA’s assistance came in the form of grants, the World Bank funding was a concessionary loan.

In 1997 the two committees, CIPRES and CPRSE, prepared and published the first Energy Development Policy (Lettre de Politique de Developpement de l’Energie [LPDS]). This policy statement declared the government’s intention to reduce the inefficiencies in the energy sector while simultaneously increasing the financing opportunities for the sector. Since the State was thought partially responsible for SENELEC’s poor performance by subjecting its top management to conflicting interventions, the restructuring had to start with re-defining the role of the State vis-à-vis SENELEC and separating its traditional roles of the owner, policy maker and the regulator. Moreover, it was also recognized that a transparent regulatory regime had to be set up so as to allow the private investor(s) to better predict an adequate stream of future revenues.

As part of their mandate, CIPRES and CPRSE jointly designed a set of reforms that were embodied in new laws specifically designed for reorganizing the electricity sector and regulating SENELEC:

- The Electricity Law of January 28, 1998 authorized SENELEC to open its capital by share tender. SENELEC had already been corporatized by the Law of July 5, 1983, with the assets were transferred to the incorporated firm for a period of 99 years. The reform Law of October, 1993 further commercialized SENELEC as it was expected to generate profits for its shareholders and making the managers accountable to the Board of 12 members representing the shareholders.

- The Electricity Law of April 14, 1998 was intended to restructure the sector and partially un-bundle SENELEC. Existing generation capacity would remain with the company, but new capacity would be private under the BOO (build, operate and own) formula, with the goal of introducing competition. SENELEC would follow the model of “single buyer (l’acheteur unique)” for a period of 10 years and would maintain the sole responsibility of satisfying energy demand over the interconnected network. In order to maximize competition among independent power producers and to avoid heavy cumbersome regulation, SENELEC would not be allowed to increase its own production capacity and all new production capacity was to be installed by independent power producers chosen through competitive tendering and approved by the newly established independent regulator, the Commission for Regulation of the Electricity Sector (CRSE). SENELEC was expected to ring fence (“une separation comptable”) for
production, transformation and distribution within 3 years after signing of the concession contract.\footnote{Edmond Diouf, Lamine Thioune, Ibrahima Daba and Babacar Diop, “Analyse du Contrat de Concession SENELEC,” p. 10}

- The same Electricity Law of April 14, 1998 mandated shifting of the regulatory powers from the Ministry of Energy and Mines to the newly created CRSE. Its responsibilities were to: protect consumers in terms of price, access and quality of service; enhance competition among producers in generation and private participation; and supervise SENELEC’s performance. To these ends, it was entrusted with the tasks of setting determining maximum revenue for SENELEC allowed to receive both consumer and operator tariffs, approving licenses and concessions, and monitoring compliance of independent power producers as well as that of SENELEC. An additional Decree of April 21, 1998 dictated that the tariff formula determining SENELEC’s maximum revenue was to be revised every 5 years.

- Another Electricity Decree of December 30, 1999 created another entity, the Senegalese Rural Electrification Agency (ASER) with the mission to improve rural electrification. Rural electrification would no longer be the responsibility of SENELEC. ASER would receive donor funding and would design and tender rural electrification projects and select providers competitively. SENELEC itself would also be allowed to compete for rural electrification projects among other potential providers.

### 2.3. SENELEC’S FIRST PRIVATIZATION (1999-2000)

#### 2.3.1. Strategy

The two committees, CIPRES and CPRSE, decided to divest SENELEC’s shares to private investor(s). Following the World Bank standard competitive tendering procedures, the GOS selected and retained via competitive tender an international advisor, National Economic Research Associate (NERA) from the UK, over two other competing consulting firms. NERA was hired to design the privatization-focused electricity sector reform and it included setting up an independent regulatory agency and designing a regulatory mechanism employing the UK’s price cap (RPI-X) model. This was a deviation from the cost of service (cost plus) model SENELEC previously employed. NERA had designed similar regulatory mechanisms in other countries in Africa (Cote d’Ivoire and Cameroon), Asia (India) and Latin America (Brazil). Similarly the investment banking firm, Banques Paribas from France, was selected to design the divestiture strategy and the process as well as to help seek a strategic investor and buyer for SENELEC.

While there was hardly any discussion on alternative regulatory mechanisms before adopting the UK’s price cap model, there was an important and lengthy debate over how much of SENELEC would be divested. The World Bank recommended that at least 51%
be sold during Phase I (Initial Sale of Shares to a Strategic Investor) without any definite plans as to the Phase II (Transfer of Remaining Shares). Banques Paribas pushed for a further reduction of the government’s shares to 41%. The GOS strongly rejected the idea of selling the majority of the shares, in part because it was concerned with the possible reaction from SENELEC’s labor unions. The unions were strenuously opposing privatization and were alleged to have sabotaged installations in protest and its top leaders were even put to jail (to be released later for lack of evidence). In the end, a consensus was reached among the World Bank, the international advisors and the GOS to let the potential bidders choose anything between 33 1/3 % as the minimum and 49% as the maximum for the Phase I. The timing and the structure of Phase II was to be determined after the closure of Phase I.

2.3.2. Process

**Competitive Tender**

The international tender documents were prepared jointly by the Energy Sector Reform Preparation and Monitoring Unit (CPRSE) at the Ministry of Energy and the Mines (with the help of a technical advisor). The GOS organized an investor conference in London at the recommendation of international advisors to attract the maximum number of bidders. The tender documents were made available in a data room for all interested investors at the Privatization Agency (Cellule pour la Gestion de la privatisation) at the Ministry of Economy, Finance and Planning.

The pre-qualification tender attracted four potential private investors/operators:

- A consortium of Hydro-Quebec International (HQI) of Canada and Elyo International (an affiliate of Suez-Lyonnaise) of France;
- EdF International (subsidiary of Electricité de France, EdF) of France;
- A consortium of ESKOM of South Africa and Cinergy Global Power of the UK;
- Union Fenosa Acex of Spain.

The selection process had two distinct phases: The pre-qualification phase was based on the technical competence (production capacity, number of clients and length of the transformation and distribution network) and the financial competence (own equity) of the candidates. The final selection phase, however, was based on a single criterion, namely the share price offered by strategic investor(s). The strategic investors were not asked to present either a technical offer or a business plan (or a minimum investment program).

Only the first two among the above four pre-qualified candidates submitted financial offers. The HQI/Elyo consortium offered a higher per-share price (Euro 27.83) for 34%

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6 Ibid.
7 “Privatisation de la SENELEC: Quelles Ensignments En Tirer?” p. 2
of SENELEC’s shares. EdF, on the other hand, proposed to purchase a higher proportion of shares, namely 49%, at a slightly lower per-share price (Euro 26.98) netting out to a higher total purchase price and a higher privatization proceed for the Treasury. Following the agreed upon selection criterion, the GOS had little choice but to select the investor offering the higher per share price. That was the HQI/Elyo consortium.

The Winning Bid

Given the weight on the per-share price in the bid document, after some debate the GOS was more comfortable with the first offer. HQI/Elyo ended up acquiring 34% of SENELEC’s shares for US$66 million and thus became the strategic investor and operator. The GOS then declared its intention for the Stage II (Transfer of Remaining Shares), in which 10% was reserved for SENELEC’s employees and another 15% for local investors through the regional stock exchange. But no date was given as to when this would take place.

2.3.3. Transfer of Full Management Control

In January 1999, HQI/Elyo received full management powers over SENELEC through a management technical assistance contract for a period of five years. At the same time, it signed a Shareholder Agreement (contrat de cession d’actions) for purchasing the 34% of SENELEC’s shares, and a partnership agreement (convention d’actionnaires) among themselves whereas each partner agreed to buy half (or 17%) of total 34% of SENELEC’s divested shares. Thus both HQI/Elyo each owned an equal number of shares. This entitled the private partners to place four members each on SENELEC’s Board of Directors, with the GOS having another four.

2.3.4. Concession and License Contract

The newly designed electricity sector reform also required that SENELEC (the company, not the minority share holders or the private management) sign the Concession and the License contract agreeing to all the terms and conditions (les cahiers des charges) for a period of 25 years. SENELEC (the company) was given a 10 year period as the “sole buyer” of electricity generated by the independent power producers. After the end of the exclusivity period, the big consumers would be allowed to buy electricity directly from the independent producers. The concession contract’s terms and conditions specified the performance targets for SENELEC (not the minority partners) to meet and included a regulatory/tariff regime for the price cap model, the maximum and minimum remuneration for SENELEC, and the process for revising the formula (including the weights of production inputs) for every 5 years under the discretion of the regulatory agency. The terms and conditions also included an incentive structure for the operator and method of determining the penalties for SENELEC’s non-compliance. The concession and the license contract allowed SENELEC to be exempt from any fines for

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9 SENELEC’s General Manager in March 1999 (before the private management took over) signed the Concession and the License Contract with the GOS.
the 30 months after privatization to allow for the expected investments to take place and the performance targets to be met.

2.4. EXPERIENCE WITH PRIVATE PARTICIPATION

The relationship between the strategic partners and the GOS did not go smoothly. There were continual disputes in the following areas.

2.4.1. Equity Increase

The consortium partners and the GOS debated how to handle the equity increase. It was projected that rehabilitation of the generation units would take $46 million (FCFA 30 billion). The GOS expressed its unwillingness to participate in the recapitalization of the company. In response, the consortium proposed to contribute the full US$ 46 million (FCFA 30 billion) in return for increasing its shares to 51% at its newly estimated per-share price and become the majority share-holder. But, after months of negotiations, the GOS was unwilling to sell additional shares at a price one-third of what the rest of the shares it sold to HQI/Elyo. However, only two days before the national elections and under political pressure, the GOS agreed to pay two-thirds ($31 million or FCFA 20 billion) and HQI/Elyo one-third ($15 million or FCFA 10 billion, and HQI/Elyo each paid US$7.5 million or FCFA 5 billion). When the consortium partners paid their portion of the capital increase in cash, the GOS refused to inject any equity but chose debt cancellation in lieu of paying cash for the capital increase.  

2.4.2. Investment Finance

The shareholders argued over the contractual obligations of consortium partners and those of SENELEC regarding investment finance. The preparation of the investment plan was among the consortium’s major managerial obligations. The consortium, argued that they were only a minority owner and should not have the sole responsibility for SENELEC’s investments. The GOS, as SENELEC’s majority partner, had to be responsible for two-thirds of the investments. It appears that the GOS had a hard time accepting this even though they understood the limited obligations of the consortium vis-à-vis investment finance. When in June 2000, the consortium partners finally proposed to add 30 MW capacity, the GOS thought it was both insufficient to meet the unsatisfied demand and too late.

2.4.3. Tariff Increase

The private partners sought other alternatives such as a tariff increase to be able to finance the needed investments. In February 2000, SENELEC requested a 17% tariff adjustment outside the concession contract. This was based on their having been affected by a 50% increase in crude oil prices between 1999 and 2000 by the elimination of subsidies on fuel for power generation and also on their need to finance the investments.

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Tariffs were now based on a price-cap or RPI-X formula setting a fixed price for a five-year period with the cap adjusting annually for inflation. The adjustment formula was perfectly reasonable except that it had fixed weights for inputs. The consortium was economically justified in its request. It was also technically justified because the refusal of GOS to share the financing of investments forced the private partners to turn to tariff increases. However, this request was not legally justified. The GOS immediately pointed out that HQI/Elyo knew full well what was in the concession and the license contract. Since the new regulatory agency (CRSE) was not fully operational at the time, the committee in charge of restructuring the sector, CPRSE, rejected the request on behalf of the GOS on the grounds that tariff increase was not permitted under the contract. It even rejected the contractually permissible tariff increase of 5% which the private management requested subsequently.

Citing the foregoing disputes, and without consulting with the World Bank, in September of 2000, the newly elected government unilaterally decided to buy back all the shares for US$64 million. According to senior HQI sources, this came as a total surprise to HQI/Elyo. They had gone to Dakar expecting to finalize a resolution to the disputes and were stunned to learn of the new government’s decision. In addition, the many disagreements notwithstanding, the private partners maintain that they had good working relationships with the old government. SENELEC’s first privatization only lasted eighteen months.

2.5. SENELEC’s Second Privatization Attempt (2001)

After the un-successful privatization outcome, the Senegalese authorities still remained bound by World Bank/IMF conditionality. Even though CRSE was operational by 2001, the GOS appointed the Comite Technique Ad Hoc (ad hoc technical committee) to develop and implement the second privatization strategy together with the Privatization Agency at the Ministry of Economy, Finance and Planning. The committee was keen to integrate the lessons learned and prepare a more realistic privatization strategy. But this time it did it alone without the World Bank input. However, the privatization model the new government adopted was different than the first. The major changes included:

- a majority, 51%, of SENELEC’s shares would be divested;
- the privatization mode was converted from divestiture to lease (the GOS offered a 25 year concession and a 15 year production license contract while transferring all SENELEC’s facilities to the State);
- 30% of the proceeds would go to SENELEC as an equity increase with the remainder transferred to the Treasury;
- In the event of multiple investors forming a consortium, one investor would be designated as the lead, agreeing to hold at least two-thirds of consortium’s share capital;
SENELEC would remain the “single buyer” but the new generation facilities would be re-bundled for seven to ten years so that SENELEC was once again to become a vertically integrated monopoly in urban areas (except for the requirement to buy power from existing Independent Power Producers [IPPs]);

The GOS changed the bidding requirements. Rather than making price the sole criterion they now specified that:

- the bidders would be judged 60% on the technical proposal (qualifications of the candidate, business plan, investment plan, staffing policies, tariffs and financial management) and 40% on the financial proposal;
- there be a specific investment plan for 10 years with development targets for production, transformation and distribution;
- there be a specific plan for management and human resources limiting the number of expatriates to five in year one and three after year three, so as to avoid “marginalizing local competencies” and precluding job shedding unless there was “a retrenchment program satisfactory to government.”

An initial group of five potential bidders coalesced into two final consortia: one with Vivendi-Environnement from France and Office Nationale de l’Eau (ONE) from Morocco; and the other led by AES Frontiers International from the USA. In November 2001, Vivendi/ONE was selected, having offered $106 million (FCFA 64 billion) with $27 million (FCFA 16 billion) bonus for 51% of the company to be paid in equal installments over five years to the Treasury. Similarly Vivendi/ONE declared its intention to invest US$ 145 million (FCFA 87 billion) over the next five years for rehabilitating SENELEC’s installations. However, the GOS was keen on getting at least one of the bidders to sign a final contract with immediate payment for the shares and therefore went through lengthy discussions simultaneously with both bidders. In February 2002 the government issued an ultimatum saying: sign in 10 days or we’ll go to the next bidder. Vivendi/ONE didn’t. The GOS approached the next bidder, AES, but it is said to also have had trouble tapping equity or debt sources of financing. The negotiations were finally suspended in July 2002 and the GOS declared the second privatization attempt unsuccessful.

Nonetheless, the GOS maintained that it was in compliance with the World Bank conditionality that it take all the necessary steps to bring at least 51% of SENELEC’s total share capital to the “point of sale”, which it defined as negotiating with a successful bidder. The World Bank agreed and released the third tranche of the US$ 100 million credit in question.

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11. Alioune Fall, “Integration of Social and Environmental Concerns Into Power Sector Reform: Senegal’s Experience,” p. 9
12. “Sell-Off Game Over Senelec: Despite pressure from the World Bank, the privatization of state-owned Senelec fell victim to the financial tribulations of Vivendi and AES,” p. 1
3. WHAT WERE THE RESULTS?

What has been the impact, if any, of the above reforms on various stakeholders? Given the brevity of the privatization, you might assume the answer is “not much”. In this section we check for such effects, and with a couple of interesting exceptions, conclude that the brief privatization indeed had little impact.

3.1. CONSUMER IMPACT

The Senegalese consumers by and large have benefited from increase in energy supplied by the network and distributed in GWh between 1993 and 2004 but not significantly during the short-lived privatization. Between 1993 and 2004, energy supplied to the network (produced and purchased from the independent power plants) went from 948 GWh to 1681 GWh, an increase of two-thirds. The bulk of the increase came from increase in installed capacity. Two independent power plants by GTI respectively in 1999 and 2000, and another independent hydro power plant, Manantali, were added in 2002. The installed capacity increased by 23% after 1999.\footnote{The total installed capacity of the IPPs amount to 111 MW, 23%, of the total capacity of 467 MW as stated in “Parc de Production – Achats: Réseau Interconnecté,” Rapport Annuel Mouvement d’Energie, Année 2004, SENELEC, p. 12.} All three plants were negotiated by the GOS prior to privatization and, therefore, the increase in electricity supplied and distributed cannot be attributed to private management.

Dakar alone continues to consume two-thirds of all electricity distributed. As shown in Figure 1, the percentage of all households with electricity grew very slowly between 1996 and 2000 and increased significantly after 2000. The average electrification rate increased from 26.3 % in 1996 to 34.0% in 2004. There was, however, acceleration in rural electrification levels that doubled from 4.5% in 1996 to 12.6% in 2004 while urban electrification levels increased only slightly from 52.2% to 64.9% during the same period. Most of the increase in rural electrification came after 2000 when the GOS cancelled the privatization contract. This suggests that the increase in electrification levels does not have anything to do with privatization.
Poor households are granted a “social tariff” which is 25% below that paid by non-poor households. The share of consumption in MWh by poor households relative to households paying the general tariff went down from 9.3% in 1998 to 4.4% in 2004. One explanation for this is the connection fee, which can be as high as 19,361 FCFA (or US$ 32.3) representing two months’ advance payment plus administrative costs and a charge for installing the meter. While the share of the poor declined, the share of the non-poor increased from 90.7% in 1998 to 95.6% in 2004.
Figure 3 shows nothing very interesting about tariffs; real tariffs declined slowly but steadily from 1995 through privatization and then began to rise significantly. But none of this can clearly be associated with privatization rather than the rise in oil prices.

**Figure 3: Evolution of Real and Nominal Electricity Tariffs**

Quality of service indicators gives a mixed picture. The unmet energy demand was significantly reduced from 50.98 GWh in 1999 to 28.74 GWh in 2000 and furthermore to 6.9 GWh in 2003. This can partly be explained by the increase in installed capacity as the independent power plants became operational in 2000 and 2002. The same trend is also true by the average daily number of power cuts (total number of reported power cuts divided by 365). The sharp decline between 1999 and 2000 is misleading because unions were sabotaging the facilities in protest to privatization in 1999.

**Figure 4. Trend in Unmet Energy Demand and Average Daily Number of Power Cuts**

Source: Calculated from data provided by the Direction des Etudes et des Relations Institutionnelles et de Service Pratiques Commerciales & Marketing, SENELEC, April and September 2005.

In sum, there is not much evidence that consumers benefited from privatization. While the coverage and prices remained more or less the same, the quality of service improved after the cancellation of the privatization contract for which the introduction of additional capacity from the independent power plants and the new public management are responsible.

3.2. EMPLOYEE IMPACT

As shown in Figure 5, the number of permanent employees declined in 1998, then remained more or less constant up until 2002 when it began a slow rise to near its original level. The fall might be due to preparation for privatization with the subsequent rise due to reversion to the employment generating bias of public management. However, the employment data does not include non-permanent workers so it is possible that with them included we might see a different trend. The numbers involved are not trivial because we do know that in 2005, 441 employees became permanent.

![Figure 5. Number of Permanent Employees](image)

Source: Data provided by the Direction des Etudes et des Relations Institutionnelles et de Service Pratiques Commerciales & Marketing, SENELEC, September 2005.

Figure 6 gives the trend in real and nominal average wages. The figures show a small drop in 1999 prior to privatization and a large one in 2004. These are much more likely due to changes in composition (more low paid temporary workers, for example) than to actual reductions in compensation for individual workers. Our reason for this judgment is that while workers were quite free with their list of complaints, actual wage cuts were not among them.

Reductions in the labor force led to an increase in labor productivity which doubled from 529 Kwh per employee in 1996 to 1061 in 2003 before dropping 10% with the increased labor force in 2004. Some might expect the workforce to have been compensated for this by increases in real wages, but when the gain is due to wringing out surplus labor, there is no reason for such an expectation. And, there is no empirical evidence for it either.
In sum, given the lack of disaggregated wage data, it is impossible to make any firm conclusions about the impact of privatization on workers compensation. But it does seem likely that it was minimal, with any short-run effect washed out by the return to public management.

**Figure 6: Nominal and Real Average Wages**

![Graph showing nominal and real average wages from 1997 to 2004](image)

Source: Data provided by the Direction des Etudes et des Relations Institutionnelles et de Service Pratiques Commerciales & Marketing, SENELEC, September 2005.

As shown in Figure 7, under privatization, the share of employees in middle and top management increased. Some sources at SENELEC said that this was the result of an influx of expatriates at the upper echelons. This explanation does reflect some resentment at the foreign influx. This was made manifest when the second privatization tender specifically limited the number of foreigners. However, there is another explanation that private operators decided to transfer the temporary employees in middle management into permanent status.
Figure 7. Change in Composition of Permanent Employees

SENELC’s employees and workers claim that they have been the main losers from privatization. They argue that they were not consulted either prior to or during privatization. This may be exaggerated, but it is certainly true that they were consulted less than in the water sector privatization, and more importantly, that they were not given enough attention to bring them on board. They were initially promised that they would be given 10% of SENELEC’s shares at the time of privatization but these shares were only reserved but were never offered to the workers. While they didn’t lose directly from this, it seems reflective of the degree to which their interests were taken into account. So they did lose in terms of job satisfaction. They also lost temporarily as a significant number of jobs were shed for a few years. Since there was no demonstrable offsetting change in compensation, the net impact on workers was clearly a loss.

3.3. ENTERPRISE IMPACT

3.3.1. Operational Performance

Figure 7 reports technical efficiency (electricity billed over gross electricity produced plus electricity purchased from independent power producers, known as electricity supplied to the network), commercial efficiency (electricity collected over electricity billed) and combined efficiency (electricity collected over electricity generated plus purchased; or, the product of the first two indicators).
As you can readily see, this is highly intriguing. Not much changed for the better during the privatization years, but once the government abandoned the privatization effort, technical, commercial and combined efficiency soared, at least for a while. The improvements were attributed to the two dynamic Managing Directors, one between 2002 and 2003 and the other one from September 2003 to September 2006. The latter possessed two key characteristics: first, he had been a successful international venture capitalist; second, he was close to the President, having served as his financial advisor for years, and has his full support. Illustratively, he was said to have improved commercial efficiency by cutting service to powerful non-paying individuals and institutions (including the National Assembly and the Minister of Energy) and when they tried to reverse this in the standard fashion, telling them to “tell it to the President”. However, he was eventually let go by the President because he was said to have failed to reduce the power cuts, largely due to SENELEC’s inability to purchase fuel for increasingly expensive oil-fired independent power plants. Senegalese consumers and businesses continue to be unhappy.\(^{15}\)

### 3.3.2. Financial Performance

Figure 8 shows that SENELEC’s financial performance was extremely poor in 1998 but rebounded in 1999. Does this mean that privatization improved profitability despite the problems? Such a conclusion would be unwarranted because of financial restructuring of the balance sheet in 1999. Debts were written off and other expenses charged to the prior

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year. Since then, it has been more or less in break-even mode on an accounting basis taking one year with another. But this has required ongoing government subsidies.

![Figure 8. SENELEC’s Financial Performance, 1997-2004](billions of FCFA)


### 3.3.3. Investments

Investment is of course a key to future success. Table 1 shows that investment declined during the privatization era and rebounded slightly in the post-privatization period.

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<tbody>
<tr>
<td>Investment</td>
<td>12</td>
<td>22</td>
<td>15</td>
<td>0</td>
<td>3.0</td>
<td>4.5</td>
<td>1.4</td>
<td>2.9</td>
<td>10.2</td>
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Source: Calculated from data provided by the Department Equipment de Production, SENELEC, September 2005. (IMF exchange rates are used for the conversions from FCFA.)

However, the amounts involved (totaling only US$ 37 million from 1998 through 2004) are modest compared to the GOS expectation of US$ 276 million over the same period. It is impossible to quantify the counterfactual but it is possible that privatization actually reduced investment (that is, without the problems, the GOS might have realized a larger fraction of its investment goals). It is also possible that, given the attitude of the international lenders, it still may have been larger than otherwise.

### 3.4. GOVERNMENT IMPACT

We could not adequately assess the impact on government because we were not able to get complete and consistent time series for direct and indirect taxes or explicit and implicit subsidies. We also tried to get data on the cost of creating and maintaining new entities such as the new regulatory commission (CRSE) and the rural electrification agency (ASER) and the transaction cost of organizing the two privatization processes. However, the relevant data only covered only 2000 through 2004.
Between 2000 and 2004, total inflows (direct taxes on employers’ contribution and indirect taxes, VAT) from SENELEC to the Treasury doubled from FCFA 2.9 billion to FCFA 5.9 billion. The doubling of the VAT rate in 2003 (from 9.01% to 18%) is responsible for this increase. However, the outflows were far greater. Government subsidies have gone up from FCFA 7 billion in 1997 to 9 billion in 1998, 21 billion in 1999, 23 billion in 2000, 26 billion in 2001. They remained at FCFA 25 billion in 2002, 26 billion in 2003 and 24 billion in 2004. How much of this was due to privatization and how much to things that would have happened anyway, such as the rise in oil prices? It is hard to tell, but it would be hard to make a case that there was a major net impact.

Turning to the transaction itself, in March 1999 it received US$66 million for 34% of the shares but in September 2000, it repurchased them for US$64 million. This is not the wash it might seem because it received a higher number of shares (2.75 million) than it originally sold (2.13 million) because of the US$15 million increase in equity financed by HQI/Elyo. So it came out ahead by US$17 million on the round trip, before deducting unknown transaction costs. In addition, the government received about US$22 million from the World Bank for taking privatization “to the point of completion” (22% of the $100 million credit was for the power sector).

So, the short-lived privatization did not improve SENELEC’s operations enough to materially change the day to day drain on the Treasury. However, the country did pull in something on the order of US$39 million from foreigners for making the attempt.

3.5. FOREIGN IMPACT

The World Bank extended a loan of US$ 100 million to the GOS in 1998 to cover reforms in both the petroleum and electricity sectors. This was less than half of US$ 214 loan provided for the water sector reforms that started three years earlier. Unlike in the water sector, the World Bank does not have a high return on its investment in the electricity sector. The same can be said for the technical assistance grant provided by the Japanese bilateral development agency.

HQI/Elyo incurred a $US 17 million loss on the purchase and sale of assets as explained in the previous section. In addition there were unknown transaction costs and intangible reputational costs of entering and exiting from Senegal.

3.6. IMPACT ON THE ECONOMY

The delay in progress in such a key sector obviously had ramifications throughout the economy. And, the damage to the foreign investment climate may have impeded foreign capital inflows.

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16 As a loss-making enterprise, SENELEC has not been paid any corporate taxes to the GOS with the exception of the obligatory FCFA 1 million per year.
4. **WHAT EXPLAINS THESE RESULTS?**

4.1. **WHAT IS TO BE EXPLAINED?**

Why did the first privatization die in infancy while the second one was aborted? With regard to the first privatization, was the wrong buyer chosen? Or would any buyer have run into the same or similar obstacles? Is either answer explained in part by seller’s curse, buyer’s curse or both? Buyer’s curse is well known. I may be the high bidder in an auction because I derive the most utility or productivity from what is being bid on. But I may simply be the worst informed about the true value of the item in question. I will then be cursed as my mistake is revealed. Seller’s curse is less well known. It occurs when the seller retains some interest in what is being sold. For private sale of a firm, this may be due to contingency clauses in the sale contract or to the seller retaining an equity interest in the firm. For a public firm there is much more. The government is always affected by: its residual share of profits in the form of taxes; an interest in the impact on workers; and the effect on growth and investment. If the output is important, say for electricity rather than potato chips, then the interest is considerably more profound. With such contingent interests I as seller can then be cursed in several ways, most relevantly by selecting the buyer offering the highest short-term return (the sale price) at the expense of longer term total return. Can the difficulties with privatizing utilities be usefully thought of as a problem of solving the seller’s curse? We will return to this in the summary having identified the multiple interlocking factors at work.

Answers to these sorts of questions naturally vary by observer, but the variance is uncommonly high in this case. In what follows we try to present all reasonable points of view, even where we differ. We divide the possible causes into internal factors (those the policy makers could do something about) and external factors (those the policy makers had no control over).

4.2. **INTERNAL FACTORS**

4.2.1. **Unrealistic Timeframe**

The GOS started its electricity reform process in December 1996. The inter-ministerial committee, CIPRES, and the technical unit, CPRSE, had two years to prepare the necessary legislation for restructuring, decide on the privatization strategy and complete the privatization process. Senegalese participants stress that this was plenty of time and they did not act in haste. The World Bank’s evaluators’ concur, saying that: “The privatization of SENELEC was completed within a reasonable time.” This could imply that, if anything, the process was a little on the slow side. But a case can made for the opposite view, namely that, if anything, the process was too fast and that many of the imperfections noted below may be at least in part traceable to this factor.

While two years is indeed a reasonable period, much of this was consumed by strategic

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decision-making and the core of the technical work was done in two four-month bursts. “The Government, with support from a restructuring and privatization adviser defined the sector structure, and the main features of the regulatory process, and drafted legal documents (electricity law and application decrees) in the period June-October 1998”. Given the complexity of designing a regulatory framework that needed to merge international experience with a complex local reality, and the imperfect data, was that enough time? Then, “The privatization process itself, which included the pre-qualification of bidders, was completed with support from the investment bank in the period between November 1998 and February 1999.” Operational responsibilities were transferred to the operator in March 1999. That is, four months from deciding which firms would be allowed to bid to handing the winner the company. Was that enough time for due-diligence on the firms’ side or for the government to select the most appropriate bid? We are not sure to what extent the rather rapid pace of events was an internal decision of the policy makers and to what extent it was due to outside pressures from donors or the higher levels of government. Similar factors may have affected the second privatization. The GOS was in a hurry to recoup the money it paid for the first consortium’s shares.

4.2.2. Imperfections in Concession and License Contracts

There were several widely agreed upon deficiencies in the first Concession and License Contracts, each of which was remedied in the second privatization effort.

- **No Requirement for a Business Plan as Part of the Technical Offer:** Many Senegalese observers believe this was the most important error. We would not rate it quite that high on the list, but certainly agree that it was a serious omission. Without knowing how the firm was to be run, how could they evaluate the bids from the perspective of their residual interest and avoid the winners’ curse?

- **Failure to Specify Investment Targets:** Investment by SENELEC was one of the key expectations of the GOS, and these were spelled out in the tender documents. The contract itself, however, was largely silent on the topic. The “Convention d’Actionnaires” did say that strategic investors needed to ensure that SENELEC respected its obligations on service and electrification levels while making the necessary investments to attain these objectives. This vagueness gave the new minority owners legal justification for their slow action in this area and their insistence that they should not pay for all of any new investment as the GOS wanted, but only in proportion to their shareholding. The government on the other hand was incensed at this because they felt they had made their expectations clear earlier and felt the Consortium was going back on their implicit agreement. Since this dispute was a major reason for the breakup we asked why investment had been omitted. A senior concerned GOS official replied that “we thought it would be in their self-interest to rehabilitate the generation plants, but we had too much faith in the private sector.”

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• **Failure to Specify Electrification Goals:** SENELEC’s obligations for meeting the electrification and generation targets were not specified for the interim years 1999-2003 but only for the terminal year of 2004.

• **Failure to Clarify Responsibilities of Various Signatories:** Former Hydro-Quebec officers feel this was a critical failing. They say that SENELEC’s and the private partners’ obligations in the concession and license contract were imprecisely formulated: that is, the contract did not sufficiently take into account that the strategic partner(s) was only a minority owner; The Concession and the License Contract was signed by the Chairman of the SENELEC’s Board of Directors (not the private management) who represented the 66% stake of the GOS. The obligations of the shareholders were not the same as the obligations of SENELEC vis-à-vis the Concession and the License Contract. We take this to mean that the respective roles of ownership and management were not clear. As a result, HQI/Elyo was held responsible for too much: that is, 100% responsible for decisions of the Board on which they held only two-thirds of the votes and for 100% of the investment when they only held one-third of the shares.

4.2.3. **Too Much Weight on Sale Price**

In the first privatization, the bidder evaluations were judged only on the price per share. In retrospect, it was felt this did not sufficiently recognize the importance of development objectives and the capabilities and experience of the bidders. It thus invited sellers’ curse. So, in the second privatization attempt, the GOS recognized the shortcomings and insisted on weighing the technical offer 60% and the financial offer 40%. The financial offer would only be opened for bidders scoring more than 70% on the technical offer. The technical offer was to include a business plan comprised of: (a) an investment plan (for each of the activities—production, transmission, and distribution); (b) pricing policy and (c) human resource management. The technical weights were: qualification of the candidate (10%), strategy and development of activities (15%), provisional investment program (25%), human resource management (15%), pricing policy (20%), financial projections and financing arrangements of the technical offer (15%).

4.2.4. **Insufficient Consensus Building**

Consumers and workers were both largely ignored during the preparation phase for the restructuring and privatization. An official of a Senegalese consumer advocacy group argued that his group was shut out in electricity but welcomed in the water sector, including having a seat on the SONES board. Workers also felt ignored in electricity. The Ministry of Energy and the Mines consulted with one of the three workers’ unions but chose to ignore the other two. In contrast to the water sector, no effort was made to invite the stakeholders to any workshops to explain, discuss and modify plans as they went along.

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4.2.5. Late Arrival of Independent Regulatory Commission

The reformers planned for proper sequencing of reforms, including a regulatory commission operational prior to privatization, but there were delays. Les commissaires of the regulatory commission were named by December 1999 but only in April 2001, did the commission become operational with its own personnel in place.²² During the first privatization, the committee in charge of the privatization-focused electricity sector reform, Cellule de Préparation et de Suivi des Réformes du Secteur de l’Energie (CPRSE) at the Ministry of Energy and the Mines, acted as the regulatory commission and the private partners repeatedly questioned its true independence from the State. In principle, a major role of the regulator is to play an honest-broker role, independently intermediating between the government and operator. It is at least possible that its earlier formation might have mitigated the many negotiating impasses that doomed the first privatization attempt.

4.2.6. Inconsistency of the GOS and World Bank’s Objectives

The World Bank’s objective in promoting privatization-focused reform of the electricity sector was to ease the GOS’s fiscal burden in funding the inefficient power sector, and to expand coverage via new investment, by bringing in strategic partners to improve productive efficiencies and provide new sources of capital. While these goals were shared by many Senegalese reformers, some believe that some officials might have been motivated not by “a conviction in the correctness of the structural solutions” but simply “by the ability to access the loan held out as bait to ‘get with the program.’ The inconsistency of objectives between the two parties may have been one the reasons for the strained working relationship. By the end of the first privatization there was a lack of communication between the World Bank and the GOS. When the GOS decided to re-nationalize SENELEC, it chose not to consult the Bank. In the second privatization, the GOS declined the Bank’s advice to utilize the services of an investment bank. Without consulting the Bank, it passed a law that declaring all power utility assets to be public.

4.2.7. Complexity of the Reform Scheme

The following argument is in the literature and is held by some relevant individuals in Senegal.

“Another complicating factor that contributes to the lack of success in implementing reforms has been a pronounced fascination with complex market models and regulatory regimes. There has been a clear compulsion to implement “state-of-the-art” market-based models that have been designed and, to some degree, implemented in other countries that are invariably endowed with a more highly developed power system that is in good physical condition and with compatible commercial and legal systems.”²³

²² Edmond Diouf, Lamine Thioune, Ibrahima Daba abd Babacar Diop, “Analyse du Contrat de Concession SENELEC,” p. 43
²³ Michael B. Rosenzweig, Sarah Potts Voll and Carlos Pabon-Agudelo, “Power Sector Reform: Experiences from the Road,” p. 23
In Senegal, this critique is applied to two features of the scheme. First, the GOS, the World Bank and NERA embraced the UK’s price cap (or RPI-X) model as state-of-the-art while abandoning the traditional US cost-plus model. This regulatory/tariff regime is said to have been designed for a private-incentive driven sector but not for a utility which remained majority state-owned. The reformers might have expected efficiency gains similar to those of the UK and European utilities after privatization without any need to increase tariffs. However, this did not materialize.

The second element of the critique applies to the wisdom of un-bundling the power sector. At the time of formulating the legal framework, the Ministry of Energy and the Mines together with the World Bank, and the Ministry of Economy, Finance and Planning had disagreements as to if and how soon the power sector should be un-bundled. The Ministry of Finance insisted that “Senegal could not afford the additional time required to un-bundle the sector.” A compromise was reached between the World Bank’s technical assistance team and the GOS that the electricity law would be based “on an evolving sector structure that would permit privatizing SENELEC initially as a monolithic company followed by mandatory and progressive unbundling of its activities.”

Experience worldwide shows that Senegal was not unique in its desire to implement a cutting edge power sector reform while ignoring the size of its power sector relative to the scale of change and costs implicit in some of the innovations. We are disinclined to give much credit to either form of the argument. The price cap model requires the same information and analysis as the cost-plus model, but requires the work to be done less frequently, thereby lessening the regulatory burden, not increasing it. And the sequenced unbundling during the period in question involved only power purchase agreements with independent producers.

### 4.3. EXTERNAL FACTORS

#### 4.3.1. Unequal Expertise and Vision among Strategic Partners

Hydro-Quebec decided to partner with Elyo to increase its chances of winning the contract against the fully French Electricité de France (EdF) by making sure that Caisse National de Développement (a major French donor in Senegal) would not raise any objections. Hydro-Quebec had extensive experience in West Africa but Elyo, was totally new to electricity. It did not have any previous experience operating state-owned electricity utilities or in working in Africa. Some Senegalese officials maintain that if Hydro-Quebec had not partnered with Elyo, the contract would have lasted longer because Hydro-Quebec, a fully state-owned enterprise, had “long-term vision” unlike Elyo, a fully private multinational enterprise. Hydro-Quebec officials argue similarly. Elyo was more interested in pursuing its short-term interest and eager to guarantee an adequate return on their investment including compensation for risks. Moreover, while the original Hydro-Quebec “deal makers” were the same as those supervising the actual operation, this was not true for Elyo. HQI/Elyo appeared to have “rushed into making its

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offer with insufficient due diligence” as one Senegalese informant suggested. They managed to win the “game” against other international players and ended up signing the deals without a clear view of long-term regulation and attendant risks too.25 They thereby suffered the winners’ curse.

4.3.2. Corporate Governance after Privatization

During the first privatization, the 50/50 split of the private consortium shares led to struggles over decisions such as: investment level, capital increase, timing and sourcing, procurement, and which partner would place its own staff in which positions. The conflict among the minority partners was compounded by the fact that the Board members representing the GOS had no experience in the private sector. Further, SENELEC’s local managerial staff complained of having to deal with conflicting instructions from two minority partners. Similarly, the consortium itself holding only a 34% share caused conflicts, especially over investment, and this was also changed in the second privatization which tendered a majority of shares. The second privatization fixed both of these problems by requiring the lead partner to own at least two-thirds of the shares.

4.3.3. Change in Strategic Partners’ Corporate Strategy

Hydro-Quebec International was first created in 1978. When it was bidding to acquire SENELEC’s shares in 1999, it already had an accumulated international experience of 21 years and was involved in Guinea, Morocco and Haiti (among other places). The mother company’s expansionary policy in Africa did not last very long. After the termination of the SENELEC contract, Hydro-Quebec shifted its international focus to Australia, Chile and Peru with a single continuing involvement in Togo.

Similarly, the stalled second privatization attempt illustrates the change in international trend as both bidders, Vivendi/ONE and AES Corporation, were unable to come up with the equity and necessary debt financing. The difficulty of AES Corporation is further explained by the falling of its stock from US$ 20 in January 2001 to US$ 4 in July 2001 during the midst of negotiations with the GOS. At the time, the international power markets were rocked by the Enron scandal. However, it is also possible that the reversal of the first privatization may have discouraged some potential bidders.

4.3.4. Change in the Senegalese Government

After 40 years of rule by one party, the 2000 elections brought in a new government which regarded the privatization of SENELEC as a mistake with the wrong privatization model. When the consortium partners were invited to meet the new government in September 2000, they were totally surprised to hear its unilateral decision to cancel the contract without any warning or whatsoever. The new government was far more pro-private sector than the previous socialist government(s) in Senegal. Yet it did not approve of what the previous government had done. However, the government officials

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25 Michael B. Rosenzweig, Sarah Potts Voll and Carlos Pabon-Agudelo, “Power Sector Reform: Experiences from the Road,” p. 20
in Senegal still argue that the decision to cancel the first privatization had nothing to do with the change in government policy and the previous government would have done the same, had they remained in power.

V. CONCLUSION

SENELC’s first privatization was a disaster for all concerned: both buyers’ curse and sellers’ curse eventuated. Part of the problem was outside the reformers’ control, including:

- Unequal Expertise and Vision among Strategic Partners
- Change in Strategic Partners’ Corporate Strategy
- Change in International Investment Climate for private participation
- Change in the Senegalese Government

While these factors undoubtedly played a role, there was also much that could and should have been done differently. At one level, there is considerable agreement on what this entailed, including:

- No Requirement for a Business Plan as Part of the Technical Offer
- Failure to Specify Investment Targets
- Failure to Specify Electrification Goals
- Failure to Clarify Responsibilities of Various Signatories
- Too Much Weight on Sale Price versus Business Plan
- Late Arrival of Independent Regulatory Commission
- Insufficient Consensus Building

The more difficult question is why these mistakes were made. Three quite different stories have been proposed:

- **That’s Business:** Even in the private sector commercial deals are inherently risky because of imperfect information and some go bad. This is all the more true in the complex environment of a public/private deal in electricity in a developing country. Everybody did the best they could and the unfortunate outcome was just a bad draw in the lottery of commerce.

- **Haste:** The key technical work was done in two four-month bursts and this may not have been enough time to deal with the complexity. Some privatization advisers say “just do it” and don’t study the problem to death. Others counsel a more measured approach of “do it right”. Might this be a case supporting the latter position?
- **Inappropriate and Imposed Reform Model:** Reform started in response to World Bank/IMF conditionalities without being fully embraced by the stakeholders. The model selected for restructuring and the regulatory/tariff regime was imported from the UK, without sufficient adjustment to the realities on the ground.

We leave it to the reader to choose between these alternatives or propose something else.
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