

1 Introduction

“The remainder of the state will continue to be on 8 hour rota cuts” the newsreader intones. He is only heard because the radio is battery powered. The computer, the TV, the fan are all idled for lack of power. The throb of diesel back-up generators can be heard all over the better parts of the city. But the small businesses do not have generators, and their staff are idle too. It’s been going on for three months now. The emergency power projects are being started, but the papers say it will be months more before regular supply is restored, and when it is, the power will be expensive.

The power company had warned the government four years ago that something needed to be done. But there had been no agreement on what kind of power plant to build, and anyway, there was no money to pay for it. The utility was starved of cash. In recent times more and more people were able to connect illegally to the system, and there was never the political backing to disconnect them. Fuel costs had risen sharply—partly, it was rumored, because the kickbacks on the fuel supply contracts had been ramped up to fund the last election campaign. Lack of money meant maintenance of the distribution system was neglected, but that was a false economy—in time more fuel had to be burned to meet the same load, with the energy wasted in overloaded transformers and lichen-encrusted lines.

What had gone wrong? Once the power utility had been the most efficient agency in the country, its engineers among the best trained in the newly independent nation, driven by a sense of national purpose. Everyone in the country knew how important power was for development. How had self-interest and jockeying for advantage reached the point where this vital national mission was stalled? The answer is corruption, lack of accountability, and the way decisions in the sector are made.

Electricity providers fail to serve citizens for many reasons. The ultimate cause is poor governance at the utility, sector, and government levels. Corruption is among the serious symptoms of poor governance—corrosive in its effects, causing more harm in waste and bad decisions than even the money that changes hands as bribes and kickbacks would suggest. This Sourcebook aims to help sector practitioners to:

- Assess the extent and risk of corruption in sectors in which they work
- Improve governance in ways that will reduce corruption.

1.1 What’s in the Sourcebook

This Sourcebook is in four parts:

- Section 2 is about **understanding corruption**. What is it, what sustains it, how it relates to governance, and how might it be reduced
- Part I is about **assessing the risk**, extent, and locales of corruption in any particular country
- Part II turns to ways to **reduce corruption by improving governance**
- Part III is about **monitoring and evaluating** measures implemented to improve governance, to allow learning from experience.

In each section corruption and governance are considered at three levels:

- **The sector**—who does what, how are decisions made, and how can citizens hold government and providers accountable?

- **The provider**—how is the service operated and maintained, and how are bills issued and collected?
- **Capital projects**—these are the largest expenditure item in the sector and a traditional focus for governance and corruption concerns.

1.2 How to Use the Sourcebook

Table 1.1 below gives some examples of how best to use it in various circumstances.

Table 1.1: How to Use this Sourcebook

If you are then read
Understanding what causes and sustains corruption	Section 2
Assessing the risk that corruption is undermining electricity sector performance	Part I
Advising on reforms in sector governance, provider management, and capital project selection and implementation	Part II
Preparing a Country Assistance Strategy	Sections 2, 3, and 4
Working on a project for a provider. For example, strengthening a state owned electricity utility	Sections 10 and 11. Ideally, you would also read Sections 2, 12, and 14
Advising on a capital works project	Sections 6 and 10. Bearing in mind that sustainable improvements may require changes in governance, ideally you would also read Section 12 as well
Diagnosing strengths and weaknesses in sector governance, against the framework described in Section 2	Sections 2, 3, and 4. Ideally you would also read Section 12
Concerned that the material and ideas presented will not be relevant to your situation because of the unusual sector structure, level of capacity, or provider ownership arrangements	Section 12 and 13
Advising on installing quality processes that increase the integrity of a utility's operations	Section 11
Advising on regulatory and accountability systems	Section 12
Advising on ways to empower citizens to enable them to influence providers and government, and ways to hold providers accountable (for instance, for service targets)	Sections 12.2 and 12.3
Identifying improvements in governance, mechanisms for monitoring progress and evaluating what works and what does not	Section 14

This Sourcebook is a set of modules with a coherent framework. Part I on assessing corruption risk, and Part II on reducing corruption, are divided into modules on particular

topics of interest to practitioners engaged in program design and implementation. Section 2 provides the framework that shows how component parts interrelate, and will be most useful to those with a remit or influence that extends to overall sector development.

1.3 A Sourcebook, not a Toolkit

This is a Sourcebook. It is not a Toolkit setting out how to approach everything, it is not a Cookbook with a collection of recipes for every occasion, and it is not a Best Practice Manual. The state of knowledge in this area is not well enough developed yet to prescribe best practices—and in any case, good practice is always context dependent, never universal.

As a Sourcebook, it aims to explain and illustrate approaches and instruments and how they can fit together, and refer the reader to more in-depth material that may be helpful. More than an annotated reading guide, it is nevertheless a starting point, not the end point, for a practitioner understanding of how to reduce corruption and improve governance in the urban electricity sector.

It would be a mistake for anyone to imagine that “I must do what it says in here or I will be taken to task”. The specific approaches and instruments in the Sourcebook are suggestions. Practitioners need develop their own, context-specific strategies for improving governance and reducing corruption.

The only firm guidance this Sourcebook would give is that such a process should follow the three basic steps of:

1. Assessing the extent of corruption problems in the sub-sectors and providers they are working with
2. Analyzing the likely causes of those problems, including the incentive structures and political economy that sustains them
3. Developing a strategy to ensure that their engagement contributes to increased probity in the sector, and is not itself easily susceptible to corruption.