

13 Application under Varied Country Circumstances

Every country and sector is unique, so there is no “best practice” or standard way to apply the ideas in the previous sections in any particular case. Box 13.1 (taken from “Corruption in the Electricity Sector: A Pervasive Scourge”), for example, provides a useful checklist for a generic, ideal approach to improving governance and increasing probity. Yet in reality, such lists can be overwhelming, resting as they do on assumptions about political will and administrative capacity that may not hold. Clearly it would be good to “Launch a communication campaign with strong and visible involvement of senior politicians”—but what if senior politicians do not in fact support good governance in the electricity sector? Obviously, it would be ideal to “Introduce modern technology in selected areas” as Box 13.1 recommends, but what to do if very few staff in the utility, or indeed the country as a whole, have any familiarity with modern technology?

This section illustrates how the approaches set out in the earlier sections can be applied in a variety of circumstances. Section 13.1 discusses application in various sector structures. Section 13.2 discusses “second best” options, focusing on what to do when limited political will or administrative capacity constrain what is possible. Finally, Section 13.2 recognizes the difficulty of prioritizing reforms when resources are limited and the number of con-currant activities is necessarily constrained, and provides approaches for “packaging” governance interventions into manageable programs or phases.

Box 13.1: Five Key Elements of an Anticorruption Strategy

1. Move from denial to acceptance of the problem and build a broad agreement among policy makers and key stakeholders

- Undertake analytical and diagnostic work to identify the causes of the problem, its severity and effects, and the political cost of maintaining the status quo
- Consult on the diagnosis to create an authorizing environment for implementation of the strategy
- Disseminate diagnostic information without blaming the actors
- Launch a communication campaign with strong and visible involvement of senior politicians.

2. Build a coalition

- Ensure buy-in by utility management and employees by addressing employee issues
- Secure employee commitment to reforms
- Improve customer service by establishing effective customer support centers
- Reduce the political cost of reform through better-targeted, transparent, judicious, and equitable enforcement
- Ensure that service improvements precede tariff adjustments
- Engage in meaningful consultation with and participation of civil society.

3. Improve utility business processes

- Simplify and codify procedures
- Introduce modern technology in selected areas
- Foster efficiency and effectiveness of customer service and compliance with service standards
- Make procurement transparent

4. Strengthen institutional mechanisms for accountability

- Separate commercial from regulatory functions
- Strengthen audit and internal integrity units
- Prosecute offenders in courts and confiscate their illegal gains.

5. Encourage public participation

- Sponsor open discussions on all important matters
- Institutionalize user surveys
- Put in place a mechanism to redress public grievances
- Implement an effective “right to information” program
- Persuade client governments to adopt reforms suited to their countries.

Source: Gulati, M. and Rao M.Y. “Corruption in the Electricity Sector: A Pervasive Scourge” in Campos, J. and Pradhan, S. (2007) *The Many Faces of Corruption: Tackling Vulnerabilities at the Sector Level*, Washington, DC: The World Bank, page 138

This section attempts to illustrate how “best practice” advice can be modified to work in less than optimal situations. That is, it discusses “second best” options for use in contexts where administrative capacity or political will make first best options impractical.

This section then goes on to discuss “packaging” governance interventions into manageable programs or phases that tackle high-priority areas first, and aim to establish a “pro-probity” dynamic.

13.1 Adapting to Sector Structures

A review of more than 240 studies and cases of power market reform found that:

Starting conditions in the power market are important for designing power reform programs. These conditions include the size of the country and its power system and market, the country’s location relative to other power markets, its income level and macroeconomic condition, its political situation, and the capacity of its domestic financial markets and institutions. They reflect the many dimensions of power market reform and critically influence the feasibility of reform programs and hence the outcomes that can be achieved from them in the short to medium term. The variety of starting conditions among developing countries partly explains the diversity of their power market reform programs and the development of innovative power market and industry structures and regulatory arrangements.⁴³

As Box 13.2 illustrates, a power market reform that worked well in functioning market economies with financially viable power sectors failed miserably when attempted in a country with a bankrupt power system and no traditions of market relations or corporate governance anywhere in the economy.

Box 13.2: First World Reform Package Failed in Ukraine

The World Bank’s Electricity Market Development Loan to Ukraine, approved in 1997,

⁴³ Besant-Jones (2006) “*Reforming Power Markets in Developing Countries: What Have We Learned?*”, Energy and Mining Sector Board Discussion Paper No. 19, Washington, DC: The World Bank

was designed to support improvements in the power sector, including development of a competitive power pool based on the British model of unbundling. The project’s reform objectives— improved collection levels, access to working capital, metering facilities, and financial management—were to increase the quality and reduce the cost of electricity supply by developing a competitive electric power market and operating conditions that would encourage electric power companies to seek full cost recovery.

Delays in ratification slowed project implementation, and in the meantime political interference prevented any improvement in payment collections—collection levels in fact declined. This prevented full cost recovery for the generating companies, which were also burdened with the requirement of maintaining minimum fuel stocks throughout the year. Subsidies to power plants and non-payments by distributors exacerbated the problem.

The loan was suspended in July 1997 due both to the unsatisfactory financial performance of the entire power sector and to a new government prohibition on the increase in electricity tariffs for household consumers. Only US\$76.4 million was disbursed, which paid for fuel stocks. The loan was cancelled at government request in 1999 due to the impact of the Russian financial crisis on the Ukrainian economy.

A key lesson from the project is that there is little merit in pursuing comprehensive power sector reform policies (legislation, regulation, unbundling, competition, privatization, regulation) in a country suffering a major economic crisis. The project shows that in an economy that was barter-based, with salaries and pensions in arrears and where the government condoned the culture of non-payment, there was no way to make consumers pay for electricity in cash. In such an environment, the introduction of an advanced model of a competitive power market was bound to be a losing proposition. Project objectives should have been more modest and targeted to improving well-delineated technical, institutional, and financial problems.

Note: Box 8.2 on page 93 describes cash flow problems in Ukraine’s wholesale electricity market.

Source: Manibog, Dominguez, and Wegner (2003) *“Power for Development”* Washington, DC: The World Bank.

This lesson is as applicable to governance reforms as it is to market design. In reality there is no “best practice”—there are only practices that are more or less likely to work in a given country context.

The paper *Reforming Power Markets in Developing Countries: What Have We Learned?* groups developing country power markets into four categories, based on system size, as illustrated in Table 13.1. It argues that sophisticated market reform models involving vertical and horizontal unbundling and privatization work best in large systems in richer countries (the bottom right cell in the shaded area of the table). It also notes that larger power systems and richer countries tend to be associated with higher administrative capacities and lower levels of corruption (as measured by the Transparency International Corruption Perceptions Index). On the other hand, it finds ambitious reforms of this type are not suitable for small systems in poor countries (the top left cell in the shaded area of the table).

Table 13.1: Categories of Power Sector and Corruption Perceptions Index

National Per Capita Income in 2003	Installed Power Capacity in 2002		
	Below 1,000MW	Above 1,000MW	Average
Below US\$900	2.5	2.3	2.4

Above US\$900	4.2	3.6	3.7
Average	3.00	3.3	3.2

Note: Values in the Table are the average Transparency International Corruption Perceptions Index for the group of countries corresponding to the size and income levels represented by the cell

Source: Besant-Jones (2006) *“Reforming Power Markets in Developing Countries: What Have We Learned?”* Energy and Mining Sector Board Discussion Paper No. 19, Washington, DC: The World Bank

Moving from the question of market design to the broader canvas of good governance reforms, key constraints will often be the level of political support, and the overall administrative capacity of the country. Table 13.2 summarizes a stylized “first best” approach, and then outlines “second best” solutions that may be considered where the political will or administrative capacity needed for first best reforms is lacking. Of course, these second best approaches are only illustrations; they may be reviewed, modified, or indeed discarded, depending on the country situation.

Dealing with a lack of political will

Lack of political will to change the status quo is common. Such a resistance to change is only to be expected, especially if senior decision-makers are currently benefitting from the existing corrupt arrangements. A thorough corruption mapping exercise undertaken at the project planning stage can help to identify if this is likely to be the case.

Political resistance can present a considerable obstacle for sector practitioners—in general, for significant and sustainable governance improvements it is best to work with reform champions, not politicians who are ambivalent about, or resistant to, change.

For instance, it may be possible to challenge politicians’ existing attitude to change by clearly highlighting the ways in which they will personally benefit (through electoral and reputation rewards) from improved sector functioning. Showing a politician, for instance, how they can make their electorate happy by improving electricity services thereby increasing his chances of reelection, may incentivize a politician to put more effort into improving electricity sector performance.

Table 13.2: Summary of “Second-Best” Approaches in cases of Limited Political Support or Low Capacity

	Second-best options if limited political support	Second-best options if limited capacity
Capital Projects	<p>Problem: Capital procurement is poorly managed, with high corruption risk. Utility managers and senior politicians pay lip service to improvements, but find arguments to prevent substantive change.</p> <p>Options:</p> <ul style="list-style-type: none"> ▪ Benchmark unit rates for construction in the electricity sector with rates in similar sector in the country, and rates in comparable countries, and develop a construction quality audit. Results of these audits may reveal symptoms of corruption. Involving stakeholders such as university engineering departments or professional associations in the work, and publishing the results, can help to create pressure for improvements, once the financial and quality costs of corruption become clear ▪ Get the government to agree to provide information to the public on contract costs and performance (as done in Construction Sector Transparency Initiative) ▪ Promote community supervision of contract award, and of construction ▪ Reach out to major electricity users with information on the costs and quality implications of corruption, in order to create a corporate constituency for change Promote or (in the case of donors) require the use of improved systems (such as donor-imposed e-procurement) ▪ Attempt to build political will by clearly identifying electoral benefits of having effective projects 	<p>Problem: Capital procurement is poorly managed, with high corruption risk and low competence. Senior politicians want improvements, but the provider, and the country as a whole, lack competent engineers and procurement professionals.</p> <p>Options:</p> <ul style="list-style-type: none"> ▪ Recruit skilled professionals from higher capacity countries nearby, or attract members of the diaspora to return ▪ Outsource capital planning, supervision and procurement to a program management contractor. Allow the contractor considerable autonomy and discretion, while imposing audit requirements, to be carried out by a private auditing firm reporting to government ▪ Privatize the utility, thereby giving strong incentives for the owners to attract the necessary level of capacity, and improve processes for capital works. While it is often thought that private investment is most challenging in low capacity countries, the success of small private water and electricity operators in countries like Yemen, Cambodia, and Paraguay indicate that private firms can provide services successfully in a wide range of environments, so long as government intervention is limited ▪ Capacity building of local staff through a long term program of technical assistance, training and twinning

	Second-best options if limited political support	Second-best options if limited capacity
Provider Operations	<p>Problem: Provider systems are in disarray, with high corruption risk in hotspots such as commercial operations, stores, and human resources. Utility managers and senior politicians seem uninterested in making serious changes, citing problems with unions and the difficulty in changing long-established rules and processes.</p> <p>Options:</p> <ul style="list-style-type: none"> ▪ In a disaggregated sector, only engage with providers interested in strengthening managements systems and capacity. One way to do this may be to create a challenge fund, in which financial and technical assistance is provided as part of a package that also requires improvements in the “hotspots” of the providers’ operations ▪ Provide the public with more information on provider operations, including through public disclosure of cost data and contracts, and clear identification of provider equipment and staff to allow the public to detect and report moon-lighting and other improper actions) ▪ Educate journalists, NGOs and professional associations on operating rules, service requirements and actual performance ▪ Enlist the support of powerful groups—such as business associations or leading families—with an interest in a well-performing utility ▪ Offer board membership to nominees of business groups and professional associations 	<p>Problem: Provider systems are in disarray, with high corruption risk in hotspots such as commercial operations, stores, and human resources. Senior politicians want improvement, but all government bodies in the country perform poorly, with inadequately trained resources and no culture of administrative discipline or delivery</p> <p>Options:</p> <ul style="list-style-type: none"> ▪ Employ staff from other countries in region or from further afield to work with locals directly ▪ Engage a specialized management firm under a management contract, with a brief to not only manage the provider , but also to instill better management systems and processes, and train its successors ▪ Privatize the company, or engage a private operator under a concession or lease contract ▪ Create cooperative ownership structure ▪ Build capacity over time, starting with high priority and simple interventions such as improved accounting systems and staff training

	Second-best options if limited political support	Second-best options if limited capacity
Sector Governance	<p>Problem: Governance arrangements in the sector do not provide for effective accountability of the provider to government or citizens. Government bodies do not seem generally responsive to citizens needs. Political decision-makers in the sector reject suggestions such as development of performance contracts, strengthening of provider autonomy, or increased democratic accountability of supervisory bodies to citizens. Instead the decision-makers emphasize the urgent need for capital investment, characterizing governance reforms as “insubstantial, theoretical, and not addressing the real needs of the people”.</p> <p>Options:</p> <ul style="list-style-type: none"> ▪ Attempt to build political will by clearly identifying electoral benefits of structural change. This may involve surveys that show that voting behavior is influenced by the quality of electricity service delivery and administration, so that politicians agree to better governance since they understand this will win them votes ▪ Publishing information on service performance and costs in comparator cities or countries, with the objective that media, civil society, and opposition parties make water sector performance a political issue ▪ Working with NGOs, academics, business groups and professional associations to start a dialogue on models for good governance in the electricity sector, with the objective that this will lay the groundwork for later reforms 	<p>Problem: Governance arrangements in the sector do not provide for effective accountability of the provider to government or citizens. Government bodies are generally unresponsive and incompetent. Senior decision makers are keen to improve the system, but the few component decision-makers and officials are stretched far too thinly to devote significant time to structure reforms in water and sanitation.</p> <p>Options and principles:</p> <ul style="list-style-type: none"> ▪ First, do no harm. Make minimal change to any functioning systems, resist the temptation to create new bodies to fulfill roles that existing bodies are failing to fulfill ▪ Allow and encourage spontaneous decentralized solutions, for example liberalize entry to the sector, minimize regulation, and allow communities and private entrepreneurs to develop their own solutions, thereby economizing on scarce government capacity ▪ Opt for simplicity, including through minimizing the number of organizations (for instance, by limiting use of independent regulatory organizations), and simple rules ▪ Centralize provision, regulation and policy in a single organization, to minimize complex interactions and make best use of scarce skills in the sector, while engaging an international firm or organization to issue annual report cards on the sector, to preserve a degree of monitoring and independent public information ▪ Introduce private participation, bearing in mind that forms that are conventionally seen as more “challenging” such as privatization, may in fact place fewer demands on the government’s limited administrative resources than “easier” options such as management contracts.

Alternatively—if key politicians are unable to be persuaded—it may be possible for practitioners to identify other reform champions, such as non-government stakeholders who have an interest in good utility performance, or “pockets” in government with enthusiasm for reform. Over time, improving the flows of useful information to the public, provider management and interested stakeholders will likely help to build pressure for pro-probity changes, even in the face of political resistance.

In disaggregated sectors, there may well be some local governments or utilities that want to improve governance, even if the majority do not. Selecting and working with those who are willing can be a good strategy. One way to identify the willing local governments may be to encourage them to self-select, for example by applying to a challenge fund. Such a fund would offer financial assistance as part of a package of improvements to governance arrangements and provider systems.

Finally, in the face of consistent unwillingness to reform, disengaging may be the best solution. At a national level, “disengaging” may involve only working with those sectors and stakeholders that are willing to take steps to reform. This may mean avoiding electricity sector interventions in favor of projects in other, more reform-focused sectors. Over time, successful reform in other sectors may build pressure for change in the electricity sector.

Dealing with a lack of capacity

The capacity to undertake pro-probity reforms will vary greatly between countries. Practitioners need to evaluate country capacity at the planning stage, and develop their governance approach accordingly.

The use of in-country planning, procurement, and monitoring systems is an important area that would best be decided on the basis of country capacity. In countries with greater capacity, it may be reasonable to insist on the consistent use of country systems (supported as necessary), rather than imposing a separate, donor-controlled system for procurement, project supervision and sector financial management.⁴⁴ In contrast, in countries with limited capacity, an externally controlled or monitored system may initially be the best approach for ensuring project objectives are achieved and funds are well-managed in the short-term, with a view to slowly mainstreaming elements of the separate system to build in-country capacity.

In a similar vein, low-capacity countries would likely benefit from externally-managed service provision (that is, the use of PSP). In low capacity countries there are unlikely to be a local cadre of professional managers, or the “eco-system” of accountants, auditors, consultants, and IT firms needed to support the professional corporate management approaches recommended in Sections 10 and 11. Alternatives could include “importing” those skills from neighboring, higher-capacity countries. This is feasible, and has been attempted with some success, in countries that are reasonably close geographically, linguistically and culturally (for instance, Lesotho and Malawi from South Africa, or Guyana from Trinidad).

Another approach is to centralize control of the sector to economize on scarce management skills. The central government can set simple, low-discretion rules for providers (whether

⁴⁴ World Bank (2005) *Increasing the Use of Country Systems in Procurement*, Washington, DC: The World Bank

private or public), mandating them to provide the greatest coverage possible for a set budget, or for a set, market-level tariff. In the case of private provision, this may involve a second-best approach to designing the regulatory compact. For example, in post-conflict countries with limited service provision such as Sierra Leone, it may be better to rely on competition from informal providers to ensure the market is at least partially competitive, and focus initially on service expansion. Over time, as a capacity develops, tighter regulations may be transparently introduced.

Finally, it is important for practitioners to remember that the types of interventions that will successfully strengthen accountability mechanisms and control systems will vary from country to country—there is no one size fits all solution to promoting probity. Rather, the practitioner’s aim should be to strengthen those elements in the existing institutional arrangements and political economy that already work to support probity and good governance (or that could work, with a little additional support). Only in this way can interventions lead to a self-sustaining cycle of improvement in probity and governance.

13.2 Combining and Sequencing Governance Interventions

Regardless of the sector structure or country characteristics, practitioners are likely to face a further challenge in prioritizing reforms. Since resources are limited and the number of concurrent activities constrained, it’s impossible to change everything at once.

An extensive survey of corruption in the electricity sector argued that while a complete solution may require nothing less than a paradigm shift in public governance, attempting to do everything all at once could be counter-productive.

If corruption is pervasive, as happens in some countries, combating corruption in the sector requires mutually reinforcing improvements in public governance. Eminently desirable though this may be, it is a long-term process requiring sustained political commitment, changes in the incentives of stakeholders, and new standards of transparency and accountability—in short, a paradigm shift in public governance and management of the sector. To make a positive impact on the fight against corruption in the short and medium term, it is more useful to focus on those vulnerable points that, if addressed, can have a relatively large effect. The starting point for combating corruption could range from introducing transparency in the procurement process, to seeking expert consultation in investment decisions and enforcing accountability of public officials and utility managers, to fighting petty corruption in order to build public support.⁴⁵

Simply put, it’s impossible to change everything at once. This section provides guidance on “packaging” governance interventions into manageable programs or phases. Such packaging should be based on two principles: first, groups of interventions should work together to strengthen the overall governance system; and second, that groups of interventions should first target areas where change is simple and high-impact, and build in complexity over time.

13.2.1 Selecting groups of interventions that strengthen the system using a “systems-thinking approach”

As discussed in Section 2 corruption is sustained by complex systems of incentives, governance, and political economy. This means reducing corruption is a bit like trying to fix

⁴⁵ Gulati, M. and Rao M.Y. “Corruption in the Electricity Sector: A Pervasive Scourge” in Campos, J. and Pradhan, S. (2007) *The Many Faces of Corruption: Tackling Vulnerabilities at the Sector Level*, Washington, DC: The World Bank, page 134

a rundown electricity system—increasing generation capacity may simply burn out the transformers, unless a system-thinking approach is taken to ensure the various reform elements work together.

Each individual element of accountability is necessary but not sufficient for ensuring overall sector accountability. For example, consumers could fill out report cards to provide feedback on provider performance and exercise their demand for accountability from the provider management and from the government. However, if the provider lacks the incentives to respond to this demand, or is not held accountable by the government, then the report cards will do little to increase overall sector accountability (or to reduce provider corruption).

To avoid simplistic approaches, sector practitioners need to start with a comprehensive understanding of where corruption occurs, what political economy arrangements sustain it, and which stakeholders and institutions can be strengthened to create an effective, systemic movement toward increased probity. Ideally this understanding will be developed through analytic and advisory work, embodied in country and sector strategies, and then reinforced through electricity sector projects.

This means that practitioners need to take a systems-thinking approach to improving governance and reducing corruption. One-off, simple interventions may be effective only in the short term, at best achieving just a change in where corruption is taking place, not an improvement in overall probity. A better approach may be to package together interventions that work together to create systemic change. Often, an effective approach may involve intervening in places that are initially quite obscure, as the following example illustrates.

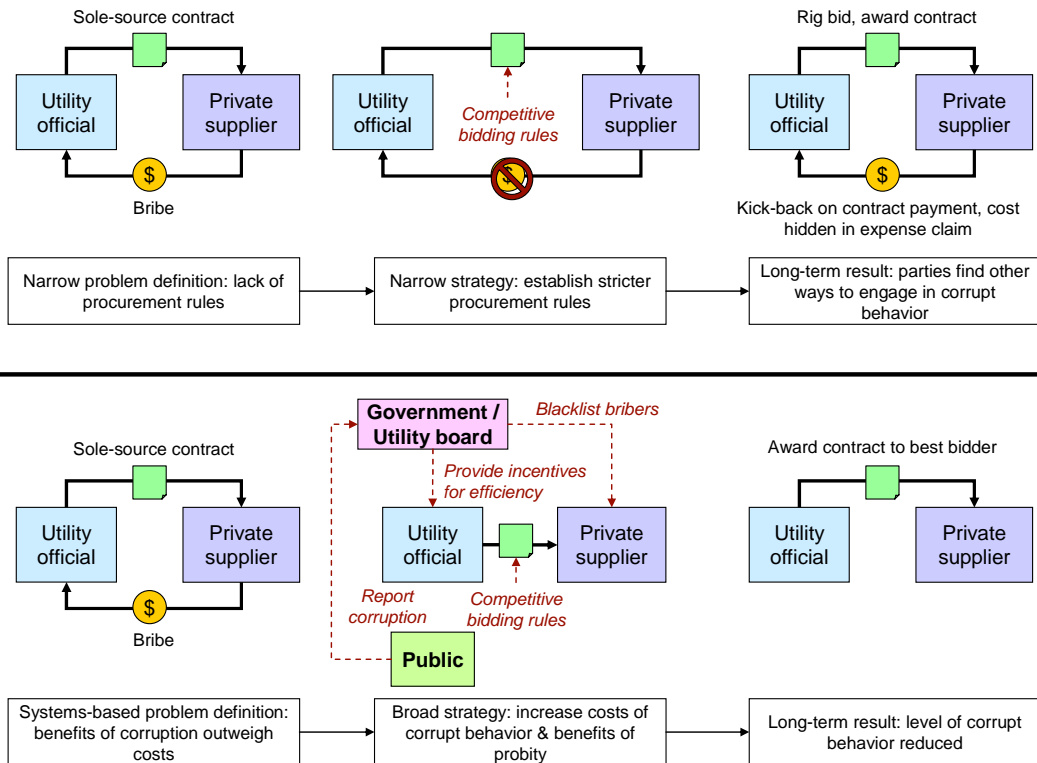
Example of a simple, narrow approach versus a broad, systems-based approach

A sector practitioner might identify that utility managers are accepting kickbacks from certain suppliers in return for sole-sourcing contracts to them (at inflated prices). The practitioner could intervene by establishing procurement rules that decrease the threshold for sole-sourcing, and require more competitive bidding processes. This would provide a control to stop corruption from happening in the same way as it had been previously, but would not change the utility manager or supplier's incentives. The utility could get around the contracting requirement by awarding multiple contracts just below the threshold, or by rigging “competitive” bidding processes. As long as the probability of detection multiplied by the costs of detection are lower than the benefits of continuing the corrupt behavior, the utility and supplier will continue to find ways around the procurement rules.

Of course, this does not mean that the sector practitioner should abandon procurement controls as a means of deterring corruption. Rather, the practitioner should think about the other weaknesses in the sector accountability system that give the utility and suppliers incentives to engage in corrupt behaviour. These weaknesses might include a lack of monitoring and detection of corrupt activity, minimal and uncertain punishment when corruption is detected, and few incentives for utility managers to run the utility efficiently. These weaknesses suggest that the practitioner should not take a “narrow” strategy of establishing strict procurement rules, but rather should stake a “broad” strategy of enhancing procurement controls, increasing penalties when bribery and kickbacks are detected, improving channels for the public to report corruption, and undertaking management reforms to give utility managers an incentive to reduce the costs of their contracts and operate the utility more efficiently.

Figure 13.1 below illustrates this contrast between a narrow problem definition, which leads to a narrow pro-probity approach, and a broad or systems-based problem definition, which leads to a broad (and ultimately more effective) pro-probity approach.

Figure 13.1: Narrow (Top) versus Broad, Systems-based (Bottom) Approaches



As Figure 13.1 illustrates, simplistic interventions at the project or provider level (such as establishing stricter procurement rules) are unlikely to significantly change incentives and governance. To achieve a change in governance, a range of complementary interventions that act to change incentives and encourage greater probity are required. Thus, it is important that practitioners package together interventions that create such systemic change, rather than just addressing a narrow, localized problem. In Indonesia, the World Bank has identified six areas in which all World Bank programs should aim to improve governance (see Box 13.3).

Box 13.3: Six Key Areas of Intervention Recommended for Indonesia

The six areas of intervention for all World Bank programs recommended by the Anti Corruption Committee for Indonesia are:

- Enhanced information disclosure
- Civil Society oversight
- Mitigation of collusion
- Mitigation of forgery and fraud
- Complaint handling systems
- Sanctions and remedies.

The Committee believes that interventions that cover all six of these areas will help to strengthen systemic good governance, by causing appropriate shifts in incentives at different levels in the sector.

Source: World Bank. (2007). Project Paper: Indonesia 3rd Kecamatan Development (Phase 2) Project. 4 April 2007. pp.27-32

13.2.2 Starting with simple foundations, building over time

As Section 13.1 acknowledged, reforming governance structures can be difficult in the face of political resistance and low capacity. This highlights the need to begin with simple changes or small gains, particularly in areas where there is support for reform (for instance, where officials or stakeholders are willing to be reform “champions”).

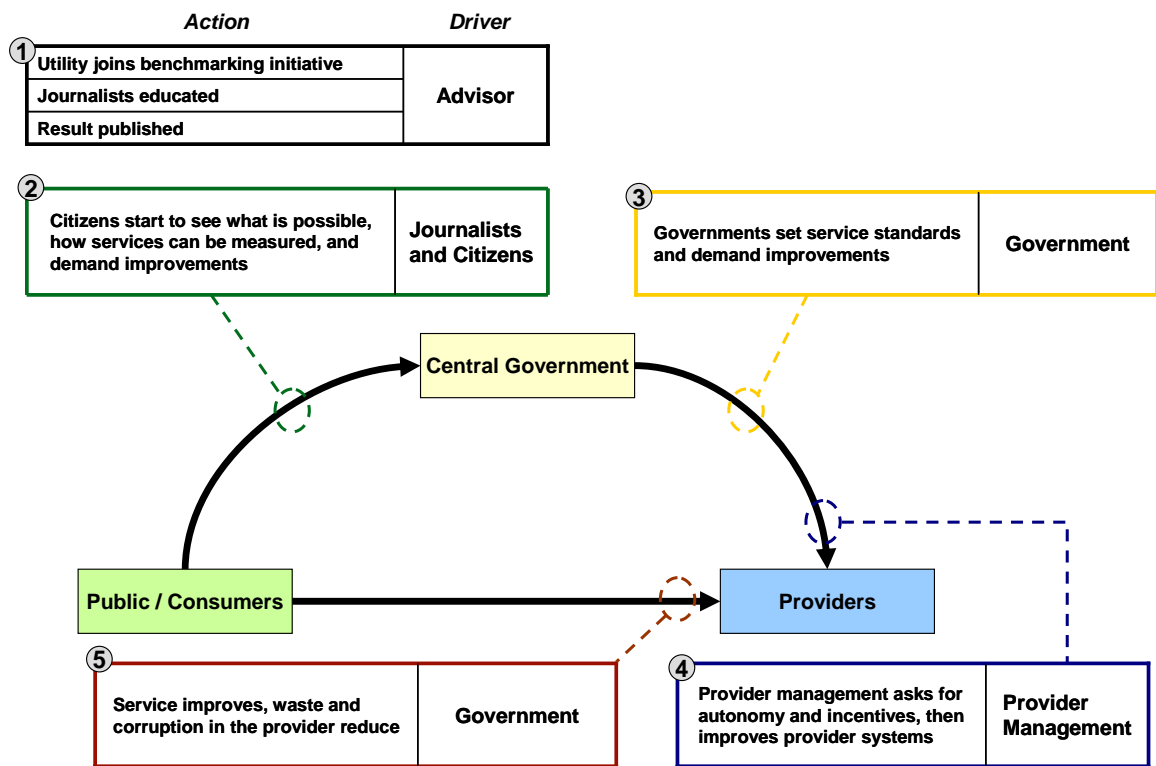
Just as existing governance structures and willingness to reform differs from country to country, so too does the appropriate starting point for pro-probity interventions. One potential entry point would be the “weakest links” in the accountability chain—those that stop an effective flow of accountability from taking place. For example, a lack of transparency or information disclosure may be preventing the public from being able to exercise demand for better service. By working on improving these links, practitioners may be able to ensure that at least a weak pro-probity signal starts to be transmitted through the entire system. If all the links in the accountability chain are functioning, but all need to be improved, an alternative approach is to start with basic improvements across a spectrum of accountability links, and to use success in initial stages to build momentum for further reform.

Figure 13.2 provides an example of strengthening an entire governance system, starting with a simple “foundation intervention” that creates a self-sustaining drive for progressive improvements. In the illustration, a practitioner with some external mandate—for example, a development agency—initiates actions to increase the quality and availability of information on sector performance^①. The results of the benchmarking exercise are published, and the practitioner works with journalists to help them understand the results, and convey them to their audience.

As journalists report on the results, citizens start for the first time to have an objective measure of the performance of their electricity providers, and a set of benchmarks against

which to assess that performance. ② Citizens may come to see that the poor service they receive is not the natural order of things.

Figure 13.2: Strengthening Governance from a Simple Foundation.



As journalists and citizen’s groups start to question poor service performance, the government will feel under pressure to respond ③ (especially if opposition politicians make it an issue). Government will also, for the first time, have an objective system for measuring and assessing provider performance. With appropriate assistance from sector practitioners, government may set out clear performance targets, and demand that the provider meet, and report against, the targets.

In response to this pressure to perform, the management of the provider is likely to point out that additional resources will be required to meet the service goals, as well as changes to the way the provider is managed, to allow for greater managerial initiative and freedom ④. Here sector practitioners with a reputation for competence and neutrality have a role to play in helping government and provider management to settle on a consistent, coherent, and achievable combination of service targets, tariffs, and subsidy levels. At the same time, provider management may suggest that it would be appropriate if they got bonuses for meeting the new and more demanding targets. The sector practitioner would advise in favor of this, and if agreed, managers could then be expected to move vigorously to reform the

systems and processes in the provider to reduce costs and increase quality, including by cutting out corruption.

The final result of this change of actions would be more efficient and responsive services, delivered with less waste and corruption ⁵.

Source List 13.1: Improving Probity in Real-world Contexts

Source	Description
<i>Governance in very-low capacity situations</i>	
<i>“Political Economy of Policy Reform: Issues and Implications for World Bank Lending”</i> (Forthcoming) Oxford Policy Management	<p>A main message of the study is that when designing, implementing and assessing operations, such as investment projects or budget support programs, a better understanding and management of the political economy of reform is key, as it helps to enhance development effectiveness. Data collected from operational experience through the case examples shows that further emphasis should be given to</p> <ul style="list-style-type: none"> ▪ Getting a contextual understanding of the issues through analysis and dialogue, plus better access to data that can be validated and which will improve operational design ▪ Broadening the Bank’s view and nature of interaction with a wider range of stakeholders (not limited to Finance or sector ministries), including sub-national or local governments; the parliament, including the political opposition; private sector; civil society, and formal and informal institutions ▪ Applying a partnership approach; based on listening and learning, more emphasis on participatory approaches for better communicating; and valuing and using local expertise more.
Schwartz, J and Halkyard, P. (2006) <i>“Postconflict Infrastructure: Trends in Aid and Investment Flows”</i> , Public Policy for the Private Sector, the World Bank	Typically, post-conflict countries have serious infrastructure needs, and private sector interest during or right after conflict is likely to come only from small-scale service providers. This paper discusses the cases of some countries that have coupled aggressive reform and liberalized policies to attract larger investors soon after conflicts end.
<i>Electricity Sector Reform</i>	
Lampietti, J. <i>et al</i> (2006) <i>People and Power: Electricity Sector Reforms and the Poor in Europe and Central Asia</i>	Using empirical data on household behavior and electricity consumption patterns, this study revealed that, in Europe and Central Asia, the erosion of tariff based subsidies had a disproportionate negative effect on the poor, and that subsidies were often untargeted or misdirected. This book offers some useful suggestions on strategies for achieving cost-recovery while remaining socially and politically acceptable.
<i>Systems Thinking</i>	

Source	Description
<p>Senge, P. (1990) <i>“The Fifth Discipline”</i> Currency</p>	<p>This book by Peter Senge, a senior lecturer at the Massachusetts Institute of Technology, focuses on groups problem solving using the “systems thinking” methods to convert companies into learning organizations. The five disciplines—building shared vision, mental models, team learning, personal mastery, and system thinking—represent approaches for developing three basic capabilities: fostering aspiration, developing reflective conversation, and understanding complexity.</p>
<p><i>Adapting to Country Contexts</i></p>	
<p>Argawal, M. et al (2003) <i>“The Delhi Electricity Discom Privatizations: Some Observations and Recommendations for Future Privatizations in India and Elsewhere”</i>, Energy and Mining Sector Board Discussion Paper Series No. 8, Washington, DC: The World Bank</p>	<p>In July 2002, the Government of New Delhi, India, privatized the distribution operations of the metropolitan electricity utility. This paper discusses how the privatization was carried out, and comments on some of the key features of the bidding process. For example, bidders had to propose a performance improvement trajectory for the first five years of operations, which increased transparency in the transaction and set a clear benchmark against which consumers and the government could hold the utility accountable. The paper describes the regulatory context for the transaction, and contrasts it with the experience in Orissa, which was less successful. The Delhi transaction adapted a UK-derived first best model for local conditions, and this may explain why it seems to have been more successful than the Orissa reforms.</p>
<p>Ehrhardt, D. and Oliver, C. (2007) <i>“Big Challenges, Small States”</i>, PPIAF Gridlines, Washington, DC</p>	<p>This Gridline discusses regulatory options to overcome infrastructure constraints on small islands. It discusses how small islands have used a wide spectrum of models for introducing private participation in infrastructure (including investor-owned utilities, joint ownership, concession, and BOT arrangements). It describes regulatory options available to countries with limited expertise and resources that can improve accountability to consumers.</p>
<p>Gulati, M. and Rao M.Y. <i>“Corruption in the Electricity Sector: A Pervasive Scourge”</i> in Campos, J. and Pradhan, S. (2007) <i>The Many Faces of Corruption: Tackling Vulnerabilities at the Sector Level”</i>, Washington, DC: The World Bank</p>	<p>Page 138 describes the key elements of an anti-corruption strategy. These are broad and can be tailored to adopt particular country circumstances.</p>

Source	Description
Manibog, Dominguez, and Wegner (2003) <i>“Power for Development”</i> Washington, DC: The World Bank	See Box 13.2 page 202 for an example from this book about how electricity market reform in Ukraine was based on developing a competitive power pool—based on the British model of unbundling—and failed, partially because it was not adapted to country circumstances.