The evolution of donor-recipient relations in electricity reform: rethinking the principal-agent framework

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I hereby declare that this thesis has not been, and will not be, submitted in whole or in part to another University for the award of any other degree.

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SUMMARY

Since the early 1990s electricity reforms across Sub-Saharan Africa have been marked by controversy. Despite the World Bank's major role in driving electricity reform as part of its conditional lending strategy in the electricity sector, its relationship with recipient countries has received little attention within the electricity reform literature. This is surprising given the increasing pressure on the World Bank to improve the effectiveness of its conditional lending more generally. This thesis contributes to filling this gap by exploring how World Bank-recipient country relations shape and constrain the direction of reform.

The donor-recipient relationship is commonly espoused in the academic literature as a principal-agent relationship, whereby international aid organisations (principals) delegate authority for implementing their development policies to recipient countries (agents). I develop this framework by incorporating refined concepts of power, partnership, ownership and knowledge, prominent features in development studies literature and recent donor discourse. The analytical framework developed is applied to the process of electricity reform in two countries: Tanzania and Ghana. While the impetus for reform in these two countries was similar, the way in which the reform process unfolded was different. The analysis is based on in-depth, semi-structured interviews and documentary evidence. It uses a process-tracing method, combining within-case and cross-case analysis. A number of insights emerge from the analysis. I find that availability of reform expertise plays a significant role in determining the strength of power relations between donors and recipient countries. It also appears that reform ownership lies within different 'domains'. Uneven ownership across domains accounts for the inconsistent reform implementation noted in both cases. And knowledge asymmetry provides a useful concept to analyse the impact of decentralised donor staff. In conclusion, this thesis argues that a modified principal-agent framework offers additional insight into the workings of the donor-recipient relationship.

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Table of contents

List of figures

List of tables

List of abbreviations

AFTEG	Africa Energy Unit
CDF	Comprehensive Development Framework
CEO	Chief Executive Officer
CFD	Caisse Française de Développement
CIDA	Canadian International Development Agency
DFID	UK Department for International Development, previously the UK Overseas Development Administration
DTT	Divestiture Technical Team
ECA	Economic Consulting Associates
ECG	Electricity Company of Ghana
EDF	Electricité de France
ERP	Economic Recovery Plan
ERSO	Economic Recovery Supply Operation
ERT	Energizing Rural Transformation
ESBI	Electricity Sector Board International
ESMAP	Energy Sector Management Assistance Program
EWURA	Energy and Water Utilities Regulatory Authority
GBS	General Budget Support
GDP	Gross Domestic Product
GEDAP	Ghana Energy Development and Access Project
GEF	Global Environment Fund
GoG	Government of Ghana
GoT	Government of Tanzania
GRIDCo	Ghana Grid Company
IBRD	International Bank for Reconstruction and Development, a lending arm of the World Bank
IDA	International Development Association, a lending arm of the World Bank
IEA	International Energy Agency
IFI	International Financial Institutions, namely the World Bank and IMF
IMF	International Monetary Fund
IO	International Organisation

IPP	Independent Power Producer
IPTL	Independent Power Tanzania Limited
LDP	Letter of Development Policy
MEM	Ministry of Energy and Minerals, previously Ministry of Water, Energy and Minerals (MWEM)
MME	Ministry of Mines and Energy
MoF	Ministry of Finance
MSSA	Management Support Services Agreement
MW	Megawatt
NED	Northern Electricity Department
NEO	New Economics of Organisations
NES	National Electrification Scheme
ODA	Overseas development assistance
OED	Operations Evaluation Department
IEG	Independent Evaluations Group
PA	Principal-agent
PAF	Performance Assessment Framework
PEPTAP	Public Enterprise and Privatization Technical Assistance Project
PNDC	Provisional National Defence Council
PPA	Power Purchase Agreement
PPRP	Parastatal and Public Sector Reform Project
PPSDP	Privatisation and Private Sector Development Project
PREM	Poverty Reduction and Economic Management
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSRC	Parastatal Sector Reform Commission (Tanzanian case study) Power Sector Reform Commission (Ghanaian case study)
PURC	Public Utilities Regulatory Commission
PwC	PricewaterhouseCoopers
REA	Rural Energy Agency
RTT	Regulation Technical Team
SAF	Structural Adjustment Facility

SAL	Structural Adjustment Loan, also known as Structural Adjustment Programme
SBU	Strategic Business Unit
SECAL	Sectoral Adjustment Loan
SIDA	Swedish International Development Agency
SOE	State-owned enterprise
TANESCO	Tanzania Electric Supply Company Limited
TEDAP	Tanzania Energy Development and Access Project
TICO	Takoradi International Company
UK	United Kingdom
UNDP	United Nations Development Programme
USA	United States of America
VALCO	Volta Aluminium Corporation
VRA	Volta River Authority
ZESCO	Zambia Electricity Supply Corporation Limited

1. Introduction

This thesis analyses the process of electricity reform in Tanzania and Ghana. Since the early 1990s electricity reforms across Sub-Saharan Africa have been marked by controversy. Despite the World Bank's major role in driving electricity reform as part of its conditional lending strategy in the electricity sector, its relationship with recipient countries has received little attention within the electricity reform literature. This is surprising, given the increasing pressure on the World Bank to improve the effectiveness of its conditional lending more generally. This thesis contributes to filling this gap, proposing that donor-recipient relations shape and constrain the direction of reform in important ways.

In this introductory chapter I establish the connection between electricity reform and donor-recipient relations, and why it is worth investigating. Section 1.1 introduces the idea of a 'one-size-fits-all' reform model, different motivations for supporting it and what became of that reform model. Section 1.2 looks at how current perspectives on reform lead to my central research problem. Finally, Section 1.3 sets out the structure that this thesis will follow.

1.1. Reforming African electricity systems

1.1.1. The 'one-size-fits-all' model

Electricity reform[1] in general involves the restructuring of the electric utility industry in order to improve financial and administrative performance, efficiency of electricity provision and quality and availability of service. This has tended to consist of three key components: the unbundling of vertically integrated state monopolies into separate generation, transmission and distribution entities; the privatisation of these entities; and,

[1] In this thesis I use the term electricity reform where others might use a range of terms such as electricity sector reform or power sector reform. Throughout this thesis I aim to be consistent in the use of the term 'electricity' where many authors use 'power'. This is done to prevent confusing the concept with the notion of 'power' as influence. However, exceptions are made when quoting directly from primary and secondary sources and when talking about power plants or power stations, e.g. a thermal power plant or a hydroelectric power station.

if possible, the facilitation of competition. Whilst varying in pace, degree and order, these components combined form a ‘conventional wisdom’ on how reform should be implemented (Turkson 2000: 6-8; Wamukonya 2003: 1274).

According to Turkson (2000), the rationale behind this ‘one-size-fits-all’ electricity reform model was a product of three trends; a resurgent belief in the power of the market, the favouring of privatisation as a means of change, and a shortage of capital for infrastructure development. By the late 1980s, a new paradigm, politically supported by the Reagan and Thatcher administrations, was beginning to take root in mainstream Western economic thinking. Centred on deregulation, privatisation, and financial and trade liberalisation, ‘neo-liberalism’ put faith in the power of the market and sought to reduce the role of the state in economic affairs (Broad 2006). With its focus on markets and prices, it is no surprise that neo-liberalism was embraced fervently by international financial institutions (IFIs). Championed in particular by Washington-based IFIs such as the International Monetary Fund (IMF) and the World Bank (hereafter, the Bank), this ideology also became known as the ‘Washington Consensus’. Under this new rubric of market liberalisation, the IMF developed its stabilisation programmes in which lending was targeted to lower inflation and reduce vast balance-of-payments deficits in order that countries could continue to service their existing loans (Stepanek 1999: 146-148). Closely following, and often part of, this stabilisation programme were the Bank’s structural adjustment loans (SALs) (King and McGrath 2003). Key to these SALs was the notion of sector lending and ‘conditionality’; money was lent not for physical projects, but for public expenditure in exchange for sector-specific policy changes in line with the Washington Consensus (Lancaster 1997: 166-167; Broad 2006: 391). In the case of electricity reform, the Bank’s conditional policy lending for the sector was “a natural extension of the Bank’s work on governance, public sector management, and ongoing structural adjustment reforms” (World Bank 1993e: 13).

This trust in the power of the market is closely related to privatisation, the second of Turkson’s trends. Privatisation became favoured in the Western world at a time when private finance was beginning to flourish and political leadership believed that letting private investors make choices through market mechanisms would reduce state interference and monopolistic behaviour, assumed barriers to efficient and effective welfare maximisation (de Oliveira and MacKerron 1992; Turkson 2000: 157). The support of privatisation by the governments of the USA, UK and Germany – major financiers to the Bank – served to amplify Bank acceptance of a reduction in state-led development.

The third trend was the shortage of capital for essential improvements to utilities, especially in developing countries. During the 1970s, governments in developing countries maintained their pursuit of social and political agendas despite escalating costs of electricity production. Heavy, continuous subsidies ensured these costs were not passed on to the customer, leaving state-owned utilities to shoulder the burden. Unable to cope, they spiraled into debt and had to postpone crucial investments in maintenance, leading to measures such as electricity rationing and the general degradation of service and infrastructure (de Oliveira and MacKerron 1992). By the 1990s, the electricity sectors of most Sub-Saharan African countries were marred by insolvency and technical and organisational inefficiency (Tellam 2000: 6).

1.1.2. Legitimising the model

The Bank's vision of reform coalesced into a strategy for electricity lending set out in its 1993 policy document, *The World Bank's Role in the Electric Power Sector*. This strategy promoted five key elements: transparent regulatory process, importation of services, commercialisation and corporatisation, private investment and commitment lending (World Bank 1993e). After pressure to make references to environmental concerns during drafting of the above paper, the Bank published an accompanying document entitled *Energy Efficiency and Conservation in the Developing World* (World Bank 1993c). Numerous Bank papers existed to complement these strategy papers but were merely good practice documents and not mandatory (Wade 1997; Tellam 2000). Despite ample warning by individual staff members within the Bank against seeing the 1993 policy as ratification of a single solution (see World Bank 1993e; World Bank 1993d; Besant-Jones 1993; Gratwick and Eberhard 2008), the prevailing neoliberal ideology that permeated the Bank at the time led to an interpretation of this policy at the institutional level that supported the single solution. According to de Oliviera and MacKerron (1992), the Bank believed long-term development goals would result from private sector-led expansion of the electricity sector. Reform would create the conditions needed to attract private investment and develop a competitive wholesale electricity market. Once properly organised, it was expected that the market would deliver on social and environmental concerns, an example of the "culture of optimism" (Lancaster 1997: 173) arguably rife within the Bank and which drove its lending in Africa. As a result, the environmental element was added to the Bank's reform strategy for its symbolic value, considered not as a primary goal but as secondary to financial and technical improvement agendas (Wamukonya 2003; Haselip 2007; Mebratu and Wamukonya 2007). In Chapter 4, I look more closely at the divergent views within different sections of the Bank over how electricity reform should be pursued and how this played out in reality.

The motivations within Sub-Saharan African countries cited as reasons for undertaking reform were varied: the need for financial assistance, to service both the utility and the national economy (Turkson 2000); the need for help in creating effective regulation (Wamukonya 2003); belief in wider economic and social benefits market liberalisation would provide (Haselip 2007); and pressure from donors to comply – what the Bank called commitment lending (Mebratu and Wamukonya 2007; Pineau 2007). It is hard to overestimate the combined importance of the need for financial aid and donor pressure. High inflation, increased oil prices and low prices of raw materials in the late 1970s left most developing countries in Sub-Saharan Africa in extreme economic crises, with severe balance-of-payments deficits. Assuming the situation temporary, these countries borrowed at high levels of interest and in the 1980s, when commercial lending in Africa dried up, governments were unable to repay their foreign loans (Lancaster 1997: 166-167). Being in such dire need of capital in a capital-intensive sector that rarely generated any foreign exchange, developing countries were motivated by the promise of private capital facilitated by Washington Consensus-style reform, but simultaneously were in no position to negotiate the terms and conditions of Bank loans of which reforms were part. The different reform paths across countries merely represented slight variations on a theme; the choice of route was limited and end results were expected to conform to the neo-liberal model. The Bank's intellectual and financial influence on electricity reform in the developing world was pervasive: where reform projects were financed by alternative sources of finance, such as regional development banks or bilateral donors, the Bank was usually a co-financier and its model for reform provided the template for other reform financiers to follow. Nevertheless, it must be acknowledged that developing countries in Sub-Saharan Africa did believe reform was necessary and that it would provide economic development in accordance with their social and political agenda of providing electrification.

Often neglected in analyses of reform is the role consultants played in the reform process, particularly during the design stage. Gratwick and Eberhard (2008: 3955-3959) contend that along with certain Bank staff and local officials, local, international[2] and Bank consultants have been instrumental in legitimising and perpetuating the one-size-fits-all model of reform: they came from countries where reforms had already taken place, they were widely used in designing reform in developing countries and the Bank often put a lot of faith in their recommendations.

1.1.3. The development of 'hybrid' models

In Sub-Saharan Africa, reform progress has been slow and painful. Where reform has been embarked upon, empirical evidence increasingly shows that they have had limited effect in achieving the broad goals of sustainable development (Dubash 2002; Bayliss and McKinley 2007): private capital remains elusive, utilities continue to be marred by inefficiency and insolvency and regulatory bodies struggle to assert their authority. In 1999, ESMAP published a study providing a detailed overview of reform progress in 115 countries around the world. Countries in Sub-Saharan Africa were found to have undertaken the least reform; 31% (15) of the 48 countries sampled had taken only one step – corporatisation – and this had often taken place prior to the 1990s (ESMAP 1999: 16). For example, in Tanzania corporatization took place in 1961 immediately after the two private companies operating the electricity sector were merged and nationalised (TANESCO 2007). Moves to reform sector legislation in Sub-Saharan Africa had only been made in 15% (7) of countries, whilst 19% (9) had taken steps to introduce independent power producers (IPPs). Efforts to create a regulatory body, restructure the utility, privatise generation and privatise distribution had been launched by 8% (4), 8% (4), 4% (2) and 4% (2) of countries respectively. In many cases, a few countries took most of the steps, thus representing a few 'good' reformers amongst many non-reformers (ESMAP 1999: 16-17). It is also important to note that these figures represented 'steps' to reform, which were merely an indication that reform was being

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[2] I use the term 'international' to encompass multinational consultancy firms or consultancy firms that work outside the country that they are based in.

considered. The study did not measure actual reform, successes and failures, barriers to reform, the intricate processes and decision-making within reform policy makers, nor the sustainability, impact or suitability of reforms.

By 2006, Besant-Jones' (2006: 21-22) sample of 49 countries in Sub-Saharan Africa showed that 79.5% (35) of countries still remained dominated by a vertically integrated state monopoly. Only 16% (8) had opened up generation to IPPs, just 4% (2) had unbundled the state monopoly into a single-buyer model, none had undertaken privatisation of unbundled entities and none had established a competitive electricity trading market. In many cases where reform was undertaken they failed to meet expectations, leading to repercussions such as 'slippage' from conditionality. For example, the Tanzanian government has recently rejected the full privatisation of its electricity utility after the failure of South African management company, Net Group Solutions, to adequately improve the service provided by the company (Hall 2007: 7). In Zambia, the government overturned the democratic rejection of privatisation in parliament and by civil society in order to conform to Bank conditions. However, the transmission and distribution utility, ZESCO, still remains a state-owned enterprise (SOE) and the Zambian government refuses to relinquish complete control (Akapelwa 2003). In those countries that have undertaken reforms, examples such as these are increasingly common. Bearing in mind that reforms were based on a model created to cater for developed countries and that developing countries often had little input into their design, it is not surprising that, in their implementation, reforms have not been sustainable (du Plessis 2001).

Around the turn of the century, reforming countries dealt with low levels of private investment and various domestic pressures in different ways. Sioshansi (2006) and Gratwick and Eberhard (2008) argue it is no longer acceptable to view these countries as experiencing setbacks whilst mid-way through implementation of the standard 'one-size-fits-all' reform model. Rather, these authors suggest these countries are establishing 'hybrid' models of electricity reform that have developed out of a variety of experience and learning as countries have tried unsuccessfully to implement the one-size-fits-all model. They have adapted accordingly, albeit on a trial and error basis over quite some time, and eschew single solution options (Sioshansi 2006; Gratwick and Eberhard 2008). This argument warrants serious consideration and offers some very interesting lines of inquiry such as why was a one-size-fits-all model perpetuated in the first place? What has given rise to hybrid models? And, given the Bank's desire to rebuild its reputation and prioritise climate change mitigation in energy projects, what now for reform? It is with these questions in mind that I propose a re-examination and redesign of the reform process in order to understand some of the causal mechanisms behind current reform failures and effectively guide those countries about to embark on the road to reform.

1.2. Matching rhetoric with reality: the research problem

Critical literature on electricity reform in Sub-Saharan Africa addresses a number of different perspectives. Much criticism has been directed at the Bank's one-size-fits-all solution, shutting out more appropriate policy alternatives (Xu 2005, 2006; Besant-Jones 2006). Many countries have shied away from reform because the model was seen as too limited to fit the specific dynamics and characteristics of their locality. Those who have undertaken reforms have found them often unsustainable as local contextual factors were not taken into account during the design and implementation of reform, leading to policy incoherence and mismatched agendas (Wamukonya 2003; Pineau 2007). A number of authors take issue with the pursuit of a privatisation agenda in Sub-Saharan Africa, especially considering the poor investment climate and subsequent lack of private capital the region has attracted (Bayliss and Hall 2001; Hall and de la Motte 2004; Thomas 2004; Bayliss and McKinley 2007; Hall 2007). For example, whilst total global investment in electricity between 1990 and 2005 amounted to over US$251 billion, Sub-Saharan Africa's share was a mere 2% (PPIAF/World Bank 2010). There are also reservations over the extent to which private sector involvement will actually improve the sector given the lack of competition and effective regulation.

Further perspectives on reform progress highlight the lack of social and environmental sustainability (Dubash 2002; Mkhwanazi 2004; ESMAP 2005; Nhete 2007). In terms of electrification, between 1990 and 2000, access to electricity in Sub-Saharan Africa increased from 16% to only 23%, compared to an increase from 46% to 64% in the developing world overall (IEA 2002: 380). Wamukonya (2003: 1285) argues that reforms, judged on the environmental performance indicators of both developing and developed countries, have had a limited effect: by neglecting the crucial diversity of reformers by just focusing on financial and administrative issues they have "jeopardised sustainable development".

Lastly, it is evident from reports on general policy (World Bank OED 2005; Rodrik 2006), investment and private participation (World Bank OED 2003; World Bank IEG 2006a) and sustainability in the electricity sector (World Bank 2004b; Jamasb et al. 2005; Besant-Jones 2006; World Bank IEG 2006b), that perceptions of electricity reform and the role of the state are changing within the Bank; it acknowledges the failure of reforms to achieve their expected goals and the need to move away from a one-size-fits-all policy. Compounding this has been the increasing acceptance by development practitioners that ownership is key to reform success (Branson and Hanna 2000: vii) and subsequent pressure from donor countries to improve the effectiveness of aid (DFID 2006: 29).

Whilst the above literature provides useful insights into why reforms have had limited success in achieving their expected goals, there has been very little work focusing on the relationship between the Bank and its recipient countries and how donor-recipient[3] relations shape and constrain the direction of reform. Given that "[e]lectricity reforms are situated squarely within relations of aid" (Ghanadan 2008: 407), the impact of donor-recipient relations on the reform process is an aspect that I suggest has an important bearing on the successful implementation of sustainable electricity sector reform and is therefore worth investigating. Over the past 15 years the Bank has funded 50% of electricity infrastructure projects within Sub-Saharan Africa as well as providing high levels of policy lending for reform programmes and this lending for the sector is increasing (IEA 2002: 381; PPIAF/World Bank 2010). Furthermore, the impact of complex interactions between the Bank's various departments, national governments and international consultants, identified by Gratwick and Eberhard (2008)

[3] In this thesis I use the term 'donor' to denote any multilateral or bilateral development agency that provides financial assistance to developing countries through concessional loans and/or grants. In practice, the preferred term is 'development partner'. I also use the term 'recipient' where others might use 'borrower'. Given that a borrower is still a recipient of a loan, I do not believe this difference in terminology is problematic. Of course, I acknowledge that both 'donor' and 'recipient' are loaded/normative terms, but at some stage terms must be chosen and these are widely accepted and, given the power relationship I am interested in, they seem appropriate.

as a factor in the development of hybrid models, requires further investigation, particularly in light of the fact that the Bank is set to continue its role as the intellectual and financial backer of electricity reform in Sub-Saharan Africa.

This thesis aims to improve our understanding of this important causal mechanism behind electricity reform outcomes by analysing the Bank-recipient relationship within the context of overseas development assistance (ODA).[4] This is done with the intention of improving the analytical framework used to investigate Bank-recipient country relations and provide insights into what opportunities recipient countries have to take ownership of reforms. The donor-recipient relationship is often modelled as a consecutive set of hierarchical principal-agent (PA) linkages in which member states delegate responsibility for distributing development assistance to the Bank who, in turn, delegate responsibility for on-the-ground implementation of development projects to recipient countries. Yet, given the dynamic, complex nature of Bank-recipient country relations and their position within a much wider network of relationships influencing the ODA system, PA theory requires continual modification and verification that such changes have not weakened it. Developing this theoretical framework, I plan to explain the recent change in the commitment of some Sub-Saharan Africa countries to existing reform plans and the implications this has for the sustainability of reforms.

Given that many countries are yet to begin reforming, those already on the reform path are reassessing their options and the Bank is re-evaluating its own energy strategy, research into the nature of the relationship between the Bank and recipient countries in the reform process is timely. A re-examination and re-conceptualisation of donor-recipient relations is imperative if problems of mismatched agendas, poor reform coordination and misunderstood objectives are to be rectified.

1.3. Overview of the thesis

This chapter has established donor-recipient relations in the electricity reform process in Sub-Saharan Africa as the focal point of this thesis. It has demonstrated the connection between electricity reform and donor-recipient relations, and why it is worth

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[4] In this thesis I use the term overseas development assistance (ODA) to cover any type of bilateral or multilateral development assistance.

investigating. Chapter 2 goes on to offer a theoretical framework to analyse donor-recipient relations in this context. It takes a critical look at how the PA literature has become the dominant theory of donor-recipient relations and reviews a number of concepts found in the recent ODA rhetoric in order to define them for use in a modified analytical framework. Drawing on this and other additions in PA literature, an analytical framework is then developed with which the case studies will be analysed.

Chapter 3 sets out the research design, including the rationale for choosing a case study approach, justification of case choice and limitations of this research design. It then explains how the main concepts of the analytical framework are operationalised and describes the process used for data analysis. It also discusses the methods of data collection and associated challenges.

Chapters 4, 5 and 6 make up the empirical section of this thesis. Chapter 4 presents the changing landscape of the Bank's lending mechanisms in the energy sector and more generally. Tracing the evolution of Bank thinking around reform, it provides an important backdrop to the specific case studies and allows them to be understood within the wider context of Bank lending paradigms. Chapters 5 and 6 contain the empirical analyses of electricity sector reform in Tanzania and Ghana respectively. Histories of each case are broken down into a number of phases delineated by common milestones to facilitate generalisation across cases (detailed in Chapter 3). Reform is followed from origins, through design and implementation, to the recent rethink over its direction and substance. Donor-recipient relations during each phase are investigated with respect to the analytical framework presented in Chapter 2.

Analysis in Chapter 7 uses the two case studies presented in Chapters 5 and 6 to transform specific explanations of the cases into more generalisable theoretical explanations of donor-recipient relationship dynamics in the process of electricity reform.

Chapter 8 summarises the contribution this thesis has made to knowledge and answers the research questions of the thesis. It also provides policy recommendations and presents potential avenues for further research.

2. Towards a modified principal-agent theory of donor-recipient relations

In this chapter I investigate how a theory of donor-recipient relations might characterise Bank lending in the electricity sub-sector. Section 2.1 traces development of PA theory as a tool to analyse ODA and expound on some of its limitations. Section 2.2 examines some concepts widely used in recent ODA discourse that PA has difficulty taking into account. Section 2.3 presents a modified PA framework that integrates wider notions of these concepts and findings in existing literature on PA theory. Section 2.4 describes the analytical framework I intend to apply to my empirical data.

2.1. The principal-agent framework: dominating theory and practice

ODA and the relationship between multilateral and bilateral donors and recipient countries is most commonly espoused in the academic literature as an example of a principal-agent relationship in which the principal (the donor) delegates responsibility for a certain task (perhaps a policy reform or implementation of a project geared at poverty reduction) to an agent (the recipient country) (Killick et al. 1998; Abegaz 2005; Easterly 2006; Bigsten 2006). In fact, it is often seen as a chain of principal-agent linkages leading from the member states through the senior management of the development agency and the staff 'on-the-ground' to the recipient government, and so on (Ostrom et al. 2001: 59-61; Nielson and Tierney 2003; Gutner 2005; Michaelowa and Borrmann 2006). In this section I trace the development of PA theory from its origins in economics to its position as the dominant theory[5] behind the analysis and practice of ODA and present some critiques.

[5] Harrison (2001: 657) claims there are three broad 'theories' in the analysis of donor-recipient relations: PA theory where donors meet recipients as self-interested individuals; conditional aid as new imperialism; and liberal globalisation resulting in forging of partnerships collectively charting a course of common sense and progress.

2.1.1. From firms to international organisations

Rooted in the new economics of organisation (NEO), PA theory was initially part of a response by some economists to move beyond the neoclassical theory of the firm, which "assumes away all organizational considerations" (Moe 1984: 739), to provide a framework to explain the observed behaviour of firms, corporations and other enterprises. The NEO framework that was developed consisted of three main features: a contractual perspective on organisational relationships; a focus on hierarchical control; and formal analysis via PA models (Moe 1984: 739). Tying together the first two features, the PA model provided an analytical tool to study the hierarchical relationship created when one party, the principal, delegated authority to a second party, the agent, by means of a contractual agreement.

PA theory, or agency theory as it is also known,[6] makes two key assumptions; interest divergence and information asymmetry (Kiser 1999: 146; Eisendhardt 1989: 58). The two are interrelated, but can be dealt with separately. Principals and agents are assumed to have conflicting interests – in economic parlance they have different utility functions. To maximise their particular utility functions, principals and agents will look to pursue certain courses of action. With a utility function different to that of the principal, the agent is unlikely to pursue a course of action that is in the best interests of the principal. Asymmetry of information is always skewed in favour of the agent; a principal can never know for certain whether their agent is acting as contractually agreed. Consequently, the agent is always in a position of relative power, knowing that the principal cannot fully monitor them. The cancellation and redistribution of the contract to a different agent does not solve this problem for the principal – the situation will merely recur.

These two 'participation constraints' lead naturally to the "central problem of principal-agent analysis" (Pollack 1997: 108); a state in which agent 'shirking' or 'slippage' – acting contrary to the interests of the principal – is the norm. In this case, the agent will pursue their own interests within the constraints laid down by the principal; that is, the

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[6] Eisendhardt (1999: 60) claims that principal-agent theory aims to provide an abstract, mathematical and generalisable form of agency theory. For the purposes of this thesis, I assume principal-agent theory and agency theory to be identical, differing in form by virtue of how they are applied.

agent will only pursue the principal's interests if they have an incentive to do so and the principal can only confirm this if they monitor their agent. As such, PA theory is concerned with creating incentives to overcome the problems inherent in a relationship characterised by interest divergence and information asymmetry. The options that principals have for containing these agency losses from shirking and slippage, such as monitoring behaviour and positive and negative incentive structures, come at a price. Therefore, a balance has to be sought between costs and benefits. (Eisenhardt 1989: 58; Pollack 1999: 109)

The rational-choice economics underpinning PA theory lead it to focus on *homo economicus*; the self-interested, isolated individual or organisation with a unitary utility function who, within the constraints of bounded rationality, chooses freely between alternative courses of actions. Individuals have preferred courses of action, or preferences, that they believe promote their own welfare most efficiently. These preferences can be viewed as their interests and are largely thought of in economic terms (Simon 1955: 114; Hirschmann 1992: 36).[7] In order to get an individual to undertake some activity they must have an incentive that causes it to become a preferred course of action, or in their interest. The assumption is that the most effective incentives to overcome agency problems between principals and agents with divergent economic interests are economic in character. For the purpose of this thesis I label PA models that explicitly or implicitly adhere to this framing as 'traditional'.[8]

Although non-commercial entities had long been recognised as organisations, according to Moe (1984), the use of the NEO framework to analyse them was virtually non-existent in the first decade after the framework's inception; the PA model lay buried in the economic literature, hidden from wider application. He called for a push beyond the borders of pure economics where the insights of the NEO framework could be applied to new arenas where a hierarchical relationship exists, such as the public bureaucracy (Moe 1984: 740). Kiser (1999) traces this intellectual diffusion of PA theory, providing

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[7] A more in-depth discussion of interests is beyond the scope of this thesis. See Hirschman (1992) for a detailed history of the concept. Also see, amongst others, Benditt (1975), Swanton (1980), Reeve and Ware (1983) and Swedberg (2003; 2005).

[8] I appreciate that this may cause problems, but for the purposes of this thesis this sweeping generalisation is necessary.

a detailed history of its use in economics, political science and sociology. Far from being a case of 'economic imperialism', he notes the spread of PA theory has resulted in appropriate alternatives to precise but narrow economic, or 'traditional' models. An example of this is the field of international relations. A dramatic rise in interest in the study of international organisations (IOs), correlating with the increased inclusion of alternatives to realist theory in mainstream international relations debates, created a need for suitable analytical frameworks to analyse the behaviour of IOs. Thus, as if in answer to Moe's request, over the last decade the PA model has been increasingly applied to the study of IOs (Pollack 1997; Doleys 2000; Kassim and Menon 2003; Nielson and Tierney 2003; Gutner 2005; Hawkins et al. 2006). This literature has done much to develop the suitability of the model for IOs and enhance its analytical power. This includes modifying assumptions and using alternative research methods to avoid the limitations of econometric models. Yet most analyses focus only on the first level of delegation; from states to IOs (or the management structures within them) rather than the final implementation stage (Gutner 2005: 27). Given the relative autonomy of IOs and their position of influence, there is ample room for using PA theory to assess this final stage, such as the Bank delegating to recipient countries (Barnett and Finnemore 1999).

2.1.2. ODA as a principal-agent relationship

Use of the PA model to analyse ODA can be found in a small section of expanding literature on the political economy of aid, running through which is the notion of aid as power (Murshed and Sen 1995; Killick et al. 1998; Ostrom et al. 2001; Dijkstra 2002; Martens et al. 2002; Abegaz 2005).[9] Furthermore, a good deal of development studies literature implicitly frames aid relations and associated problems using this model (see Bigsten 2005; for example, Gunning 2004; Rocha Menocal and Mulley 2006). This literature argues to varying degrees that, in order to implement their development policies, international aid organisations (principals) delegate authority to recipient countries (agents):

> Negotiations between the two nominal sovereigns can be turned into a principal-

[9] This literature includes both quantitative (formal, econometric) and qualitative (informal, descriptive) PA analyses.

> agent situation where the donor, as principal, specifies what the recipient country, as agent, must do if it wants to receive development assistance. (Ostrom et al. 2001: 65).

Or:

> The relationship between donor and recipient has the hierarchical character which is a feature of [principal-agent] analysis, with the donor seeking to use superior financial resources to induce the recipient government to undertake actions it otherwise would not do (Killick et al. 1998: 102).

The use of PA theory to analyse ODA appears to provide an exception to Kiser's intellectual diffusion story. Touted as a 'political economy' model of aid (Killick et al. 1998; Gunning 2005: 51-58), the ODA literature that employs PA theory explicitly or implicitly[10] frames the delegation in economic terms, rarely benefiting from many of the adaptations that have been made when applying the theory in other spheres (Kanbur 2000: 6-7), although this might come as no surprise given the neoliberal economics which, arguably, historically underpins much ODA in practice (Fine 2002). The result is that donors and recipients are imbued with the characteristics of unitary self-interested utility-maximising actors under conditions of bounded rationality. Whilst the limitations of such reductionism are acknowledged, they are not viewed as debilitating. There are usually the implicit assumptions that each entity is an 'interest group' and general welfare arises from individual interests groups pursuing their own interests in isolation.

Despite potentially shared general attitudes between donors and recipients, the interests and objectives of these 'organisations-turned-*homo economicus'* are always assumed to differ (see Killick et al. 1998: 92-93). Meanwhile, information asymmetry leaves donors without a clear picture of the extent of potential and actual implementation by the recipient (Dijkstra 2002: 311). This state of affairs provides the "necessary ingredients" (Killick et al. 1998: 103) for analysing conditional aid using a principal-agent framework.

As with all variants of PA theory, the issue is how to develop incentives to overcome the challenges assumed to be inherent in the hierarchical delegation between actors with

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[10] In the case of quantitative PA analyses, the economic framing is explicit, whereas in qualitative use of PA theory the economic framing tends to be more implicit.

different interests and different informational capabilities. For ODA, the question is: "How then can the donor achieve his objectives, if these are not fully shared by the recipient government over which the donor has imperfect control?" (Gunning 2005: 51). The PA framework predicts that the degree of implementation of a development policy by the recipient corresponds to the adequacy of incentives provided by the donor (Killick et al. 1998: 129). The most common system of rewards and penalties set up by donors to incentivise recipients to implement specific development policies that they otherwise might not, is known as 'conditionality'. Conditionality encompasses consensually agreed activities where interests of the donor and recipient are aligned. Of specific relevance to PA analysis is 'hardcore' conditionality: "actions, or promises of actions, made only at the insistence of the lender" (Killick et al. 1998: 11). These are measures that the recipient would not take of their own accord, or at least not within the time frame set by the donor. In short, the government involuntarily agrees to them because they are in urgent need of the money to which these measures are tied. This reasoning assumes such economic incentives can limit the extent to which a reluctant recipient would shirk from implementation. This type of incentive does not address non-economic motivations that may induce the recipient to forsake their tendency towards shirking behaviour (Ellerman 2006: 101).

The components of conditionality are espoused in a contract between donor and recipient, such as the Bank's Development Credit Agreement signed by an authorised representative of each entity. The terms and conditions written into the contract represent the incentives offered: positive and negative incentives usually correspond to the disbursing or withholding of financial assistance, either for that specific implementation activity or other public expenditure. As with traditional theories of PA, improving the design of the contract is expected to improve the chances of overcoming participation constraints: the greater the divergence of donor and recipient interests and the greater the recipient's perceived cost of implementation and risk associated with potential non-implementation due to unforeseen circumstances, the greater must be the incentive. (Killick et al. 1998: 101; Gunning 2005: 63-64)

Improved monitoring mechanisms and contract design can reduce information asymmetry but it can never be eradicated. For instance, defining clearly what 'implementation' entails and checking the extent to which it is being done informs the principal about whether punishment is necessary, but no matter how much donors spend on developing programmes and monitoring and supervising their execution, they can never gain complete information of the chances and extent of execution. Furthermore, because of ignorance, time-lags, noise and other complexities, it will rarely be feasible to infer actions from results (Killick et al. 1998: 102). Because of this information asymmetry, rewards and punishments are made on the basis of limited knowledge about reality. In essence, the power of aid is in the financial clout of the lender and its ability to enforce the written contract. Notwithstanding the variations in applying this theory, I associate the above model with a 'traditional' framing of PA.

The recent dominance of the traditional PA framework has largely been the result of a synergy between its use as an analytical tool and its application as a guide to the practice of development assistance. Those that use the framework as an analytical tool often go on to advise against its use as a tool to guide practice (see Killick et al. 1998). However, the continued use of conditionality suggests the assumptions of the PA framework may underpin the practice of aid in some organisations.

2.1.3. A critical look at the principal-agent framing of ODA

The usage of the PA framework as both a guide to, and for, reality is not without critique. At the turn of the century, a number of studies aimed to make sense of Africa's inability to turn billions of ODA into economic development gains (Dollar and Easterly 1999; Collier and Gunning 1999a; Collier and Gunning 1999b). These studies and others stressed the importance of local ownership of aid programmes and so began a wide debate on the effectiveness, a debate that has been growing in prominence in both academic and practitioner circles. Key to this debate was putting under the microscope the practice of conditionality, which the traditional PA framing of ODA presented as the only mechanism to achieve successful achievement of a delegated activity. In particular, conditionality's relationship with ownership and its bedfellow, partnership, became hotly contested (Kanbur 2000; Drazen 2002; Gunning 2005; Ellerman 2006; Bourguignon and Sundberg 2007).

The result of this debate was a call for a more equal partnership, local ownership and knowledge sharing (Kayizzi-Mugerwa 1998; Helleiner 2002; Groves and Hinton 2004;

Robb 2004), concepts potentially beyond the sphere of the traditional PA's predictive ability. Donors responded by placing increasing emphasis on 'national ownership' and 'partnership' in a bid to change the aid relationship (Jerve 2002: 389). Ownership, albeit largely undefined (Cramer 2002), became the buzzword when aiming for sustainability in ODA-funded/supported projects, programmes and policy reform. Donors also began to talk of shared knowledge as a key determinant of sustainable development (World Bank/IMF 2000; Helleiner 2002; World Bank 2005e: 7) Two high level meetings to discuss aid effectiveness, one in Paris in 2005 and a recent forum in September 2008 in Accra, were attended by heads of states from around the world, giving some indication of the degree to which the issue has been taken seriously. The 2005 dialogue established the Paris Declaration on Aid Effectiveness; a 5-point plan aimed at harmonising aid to reduce bureaucracy, minimise overlap and encourage budgetary support of home grown development plans (World Bank/CIDA 2008). The Bank itself focused its 1999 World Development Report on *Knowledge for Development*, in which it set out its vision for knowledge dissemination as the key to development. And in 2001, it approved the first Poverty Reduction Support Credit (PRSC), which was the Bank's contribution to donor alignment through collective provision of funds through the General Budget Support (GBS) process (World Bank 1999b; World Bank/IMF 2002). These will be looked at in greater detail in Chapter 4.

Analysing Bank-recipient relations within the electricity reform process without addressing the impact of this rhetoric on partnership, ownership and knowledge would yield insights of limited accuracy. As such, it might reasonably be assumed that use of traditional PA theory, which does not incorporate these concepts, would be irrelevant to such an investigation. Yet donor-recipient relations arguably continue to be characterised by dominance, hierarchy and control (Groves and Hinton 2004: 5; Robb 2004: 10), suggesting the broad structure of PA retains analytical relevance. I concur with a number of authors, within both ODA and wider policy analysis literature, that the traditional PA relationship is too simplistic and limited in its analytical power (Waterman and Meier 1998; Martens et al. 2002; Guston 2003; Mayer and Mourmouras 2005). But with certain modifications, I believe it is possible to overcome some of its more conceptual limitations.

Firstly, as a theory of incomplete contracting, the principal-agent model presumes that the relationship is between a principal who aims to a write an enforceable contract and an agent who can be punished if they do not meet the terms of the contract. This assumption is hard to reconcile with the fact that, in the case of ODA, the principal and agent represent sovereign states (Torsvik 2005). Whilst donors and recipient are autonomous to a certain degree, enforcing the contract between them without jeopardising sovereignty is challenging. The fact that donors are capable of influencing recipient governments under these conditions suggests that other forms of influence beyond the threat of contract cancellation might be at work.

Secondly, the particular bias in the traditional use of PA towards economic conceptualisations of interests and information not only offers little in the way of new insights but it produces an understanding only of a top-down ODA system framed to maintain donor agendas. Recent work by Eyben (2008) chastises aid practitioners for assuming the way they perceive aid relations is the only ‘framing’ of the world: any improvement in relations being reliant on improvement of the existing ‘framework’ (for instance, improving conditionality mechanisms or monitoring systems). Rather, she calls for a breaking of principal-agent’s (and its associated mechanisms) monopoly on how to manage donor-recipient relations by openly acknowledging the existence of alternative framings and the merits and demerits of the particular one to be employed (Eyben 2008).

These critiques highlight the need for an alternative framework to analyse the ODA relationships. I suggest there may be analytical value in investigating electricity reform using a subtler version of the PA framework, building upon the work of Killick et al. (1998) and Dijkstra (2002), to incorporate refined concepts of power, partnership, ownership and knowledge, prominent features in modern ODA discourse. In his analysis of conditional aid using a PA framework, Killick et al. (1998) concluded that deep-rooted factors stand in the way of effective conditionality and he presented a number of ideas in which alternatives to financial leverage could be used to improve aid effectiveness, particularly the importance of local ownership. In 2002, Dijkstra offered an augmented PA framework to take into account the domestic balance of power within the recipient country and the credibility of policy content. Based upon these insights, critiques relating to ODA and adaptations to PA theory in policy analysis, I develop a modified PA framework that incorporates ownership and the domestic balance of power as key analytical concepts as well as the notion of knowledge as power and knowledge asymmetry. I aim to explore how this modified framework is a relevant tool of analysis for investigating the phenomenon of donor-recipient relations, and the extent to which it provides relevant and normatively acceptable guidelines for the creation and operation of a mutually beneficial working relationship. Before I develop this framework, the next section clarifies the properties of power, partnership, ownership and knowledge that will feature in the modified PA framework.

2.2. Bridging the conceptual divide

In Section 2.1 I noted that power, partnership, ownership and knowledge have become key facets of the ODA lexicon yet the framework under which ODA is traditionally analysed and practised integrates them to a very limited scope and degree. Before I incorporate these concepts into a modified PA framework, this section provides a clearer identification of these concepts. Firstly, I look at the connection between partnership and power. Secondly, I look at ownership and conditionality. Thirdly, I look at knowledge in development.

2.2.1. Partnership and power

Recent ODA discourse focuses on a new kind of partnership (Kayizzi-Mugerwa 1998; Maxwell and Riddell 1998; Rocha Menocal and Mulley 2006).[11] Language of the 'new' partnership looks towards improving relations based on the partnership 'ideal'.[12] This includes an array of ideas such as 'equal power', 'joint agreement', 'guarantees', 'shared ideals', 'trust', transparency, 'dialogue', 'frequent review', 'equality' and 'mutuality' (Maxwell and Christiansen 2002; Killick 2004; Holden 2005). Following traditional PA theory, the best course of action would be better contracting to achieve agreement between two partners on equal footing. However, it is well accepted that the ODA partnership is power asymmetrical: the ideal is probably unattainable as power

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[11] See Maxwell and Riddell (1998) for a thorough literature review of how partnership has been defined in the development field since its first official use in the 1969 Pearson report.

[12] The move to call donors 'development partners' is one such term that suggests an attempt to remove the notion of power inequality from everyday discourse of aid.

dynamics both during and after negotiations are not eliminated by a signed contract (Crawford 2003; Andersson et al. 2002, Castel-Branco 2008; Robb 2004). It has even been argued that moves to 'better' partnership are actually surreptitious justification for more intrusion into policy-making:

> Contrary to the official discourse of partnership as encouraging locally formulated reform strategies, the notion of 'partnership' and 'local ownership' simultaneously disguise and legitimise the interventions of international agencies in domestic reform processes, serving to mystify power asymmetry. (Crawford 2003: 139)

Ignoring power relations between donors and recipients by focusing on contract clarity between two equal partners neglects the reality of ODA. For the purposes of this thesis, I employ Lukes' (1974) concept of 3-dimensional power to characterise the power asymmetry that impacts upon the contractual partnership.

The first dimension of power focuses on behaviour during decision-making processes where there is an observable conflict of interests,[13] defined as revealed policy preferences. The second dimension includes behaviour that prevents decisions from being taken on potential issues over which there is an observable conflict of interests. Lukes (1974: 23) then goes on to describe the third dimension in which "A may exercise power over B…by influencing, shaping or determining his very wants". He continues, "[i]ndeed, is it not the supreme exercise of power to get another or others to have the desires you want them to have – that is, to secure their compliance by controlling their thoughts and desires". This allows for the exercise of power in such a way that makes a conflict of interests not immediately observable. Observable interests are therefore not the same as 'real' interests, because the latter are hidden through the exercise of power. In this sense, the third dimension is about keeping *potential issues* out of politics, through many forces. The 3-dimensional view of power incorporates into the analysis of power relations the question of the control over the agenda of politics and ways in which potential issues are kept out of the political process. The use of knowledge as power, which I will talk about later in Sections 2.2.3 and 2.3.3, plays an important role.

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[13] My broader view of interests can be accommodated in all of Lukes' dimensions.

There are various ways to exert power, such as coercion, influence, authority, force and manipulation (Lukes 1974: 17) so it is important to understand the interests and ideas of each actor in order to understand the *type* of power relation. Power can also range in *strength*, viewed as “the extent to which different people can satisfy their interests” (Morriss 2002: 146). It is also important to acknowledge where the exercise of power is *located*. Although the focus is on organisational relationships, it is important to appreciate that personal relationships within them can have an influence on the outcome (Lister 2000).

In essence, PA theory models any empirical relationship that has the features of a hierarchical partnership plagued by goal conflict, uncertain outcomes and evaluation problems (Eisenhardt 1989). Conflict between notions of hierarchy based on power (Coase 1937; Moe 1984) or hierarchy based on contractual delegation of control (Alchian and Demsetz 1972; Jensen and Meckling 1976) can be avoided by employing Mitnick’s (1973) typology of hierarchical partnerships in which consent and contract are malleable concepts. His typology provides a tool to marry the power asymmetry and contractual partnership in a PA framing of the various delegations within ODA. This will be discussed further in Section 2.5.

2.2.2. Ownership and conditionality

‘Ownership’ is another key term used in recent ODA rhetoric and it is widely believed that greater ownership will result in greater success of development programmes (Bourguignon and Sundberg 2007). However, like partnership, conceptualisations of ownership come in all shapes and sizes and it is reasonable to assume that definitions lie with those who have the power to define the terms of the partnership within which ownership is expected to exist (Cramer 2001; Drazen 2002). Moreover, there is an inherent contradiction between the desire for greater local ownership and better partnership in ODA (Jerve 2002: 389-390).

Ownership in traditional PA visions of ODA has two facets: control over implementation and control over the content of what is to be implemented. Ownership as control over implementation of some activity, for example, policy reform, naturally occurs as the agent takes on responsibility for undertaking the activities the principal desires to see completed (Andersson et al. 2002: 6; Castel-Branco 2008). Ownership as control over content, such as specific aspects of policy reform, is determined by the extent to which it is designed to meets ones' own interests (Killick et al. 1998: 98). Limited interpretations of interests can perpetuate certain framings of ownership. For example, the control of implementation, which in ODA naturally lies with the national government, is often misconstrued as ownership of what is to be implemented. So if a recipient agrees to a certain set of conditions, this apparent commitment is commonly claimed by donors to represent ownership of the policy within an improved partnership (Khan and Sharma 2003: 246).

While the aid effectiveness debate has opened up discussion about this framing of aid relations (Jerve 2002), rather than replace conditionality, dialogue has in many cases modified and entrenched the use of commitment to conditions as a measure of ownership in donor programmes.[14] For example, in an effort to reform its lending system, the Bank announced its Comprehensive Development Framework (CDF) in January 1999. As part of the 1999 Annual Review of Development Effectiveness a paper by Branson and Hanna (2000: 1) sought to investigate the role of conditionality within the CDF, proposing a broader, dynamic conditionality built over time and based on mutual commitment:

> Conditionality should be understood as a credible indicator of commitment by the Bank and its partners to support a mutually agreed reform process, not an attempt to force externally designed policy changes on unwilling governments….The program would be owned by the country, and conditionality would define the parameters of external support.

The Bank's Development Committee requested a further review of conditionality in October 2004 and a report produced in 2005 with guidelines to strengthen good practice principles of effective Bank conditionality (World Bank 2005e). In essence, improved ownership in the Bank's eyes has become synonymous with a better contract through clearer conditionality (Roland-Holst and Tarp 2002).

The assumption in traditional PA models is that ownership can be recognised by commitment to conditions. This leads to a one-dimensional, top-down vision of

[14] SIDA appears to be the only donor who has given real thought to an alternative.

ownership based on alignment of economic interests. It is based on easily quantifiable targets but fails to address motivation, purpose and conflict between partners (Andersson et al. 2002: 29-30). Given that coercion and manipulation can do much to bring about joint agreement, commitment to conditions is a poor indicator of ownership. The legitimacy of content is not tackled, neither is the role of donors in the implementation. I believe the PA framework must move beyond parsimonious visions of ownership if it is to address the issue properly. For the purposes of this thesis, I retain the view that ownership can be achieved through aligning interests, but requires more than just commitment to conditions based on economic incentives. To achieve a broader vision of ownership I view interests more widely to include internal and external motivations over the short- and long-term, such as political support, credibility, legitimacy, economic power and national development. Based upon this, there are three facets to ownership of content that I wish to discuss.

Firstly, ownership of activity or policy change is far more complex than static ownership-as-control conceptualisations can deal with. A dynamic view of ownership would encompass features much more relevant to the application of PA to ODA. Power is a useful concept to employ here. Being situated within a power asymmetric partnership, notions of ownership in ODA must also address historical power realities (Andersson et al. 2002: 30-32; Castel-Branco 2008). To begin with, under the assumption of unequal power relations within the ODA/PA partnership *pure/full* ownership is impossible. Thus, ownership of policy change must encompass more than just who holds responsibility for implementing a policy, but who were the drivers of change? Why was a certain direction chosen? Who are the winners and losers? And where does resistance lie? Answering these questions requires investigating dimensions of ownership relating to different perceptions of ownership between actors that change over time (Castel-Branco 2008). Specifically, I am concerned with which actors were the *drivers of reform* at various stages in the reform process.

Secondly, conditions are contractual commitments written into loan agreements. Whilst there is ample room for agreement, if interests were aligned the recipient would voluntarily agree to the policies either because they owned or appropriated (legitimised) them (Castel-Branco 2008: 8). The Bank has attempted to develop conditions based on shared values by aligning them with national Poverty Reduction Strategy Papers

(PRSPs) (Andersson et al. 2002: 31). Commitment is gauged on agreement to a policy and its implementation in the short-term. But agreement and implementation (as a proxy for interest alignment) might represent a range of realities: an attempt to convince an uninformed donor; the appropriation or legitimisation by those in power of a policy put forward by the donor, often referred to as 'donorship'; or full ownership of a homegrown policy (Andersson et al. 2002: 32; Castel-Branco 2008: 8). The level of conviction held by the recipient about the need for a certain policy corresponds with Maxwell and Riddell's (1998) notion of strong and weak ownership. This facet of ownership I call the *depth of ownership*.

Thirdly, ownership is often preceded by terms such as 'country', 'national', 'government' or 'local'. But who or what constitutes the 'country' is an important consideration when you talk about recipient ownership because ownership may not be evenly distributed amongst individuals, or individual groups, within a larger entity (Jerve 2002: 394: Helleiner, 2002: 255). Power again becomes a concept that can be used to assess who really 'owns' a policy and what parts they own. I refer to this as the *breadth of ownership*. In this way, I distinguish between different domains of ownership: support for a policy amongst technocrats (technocratic ownership), support for a policy by the political elite (political ownership) and support for a policy by wider stakeholders (societal ownership).

Accommodating the above concerns results in a heterodox vision of ownership that more closely resembles reality. This is not the first attempt to do this. In their attempt to measure levels of recipient[15] ownership in the Bank's structural adjustment loans (SALs), Johnson and Wasty (2003) employed four components of ownership: *locus of initiative*, *level of intellectual conviction among key policymakers*, *expression of political will by top leadership* and *efforts toward consensus-building among various constituencies*. The components appeared to capture the dimensions, depth and breadth of ownership. However, Johnson and Wasty marked SALs on the basis of one of four discrete options for each component. By having only four options, turning those options into a numerical scale and aggregating across them in order to give a value of ownership intensity to compare across many SALs, much of the interesting nuance within

[15] Johnson and Wasty (1993) prefer to use the term 'borrower'.

components was lost. I aim to explore the dimensions, depth and breadth of ownership in a more qualitative way. I investigate this further in my modified PA framework.

2.2.3. Knowledge and ways of knowing

In the wake of the aid effectiveness debate, issues relating to knowledge have come to the fore. However, more often than not knowledge is merely used as a synonym for information in response to calls for greater transparency, accountability and capacity building. For instance, Bank documentation does not distinguish between information and knowledge and constant use of the terms side by side gives the impression that they are assumed to be interchangeable (see Wolfensohn 1996, World Bank 1997, World Bank 1999b, Stiglitz 1999). Most academic literature employing PA theory to analyse ODA rarely mentions knowledge (Svensson 2006; 75-82). Where knowledge is discussed and seen to be different from information, the incentives to reduce asymmetry are assumed to be similar, if not the same.

Although information and knowledge are "tightly coupled" (Fransman 1994: 715), they do not equate to the same thing. Information can be viewed as a commodity (Fransman 1994: 715); objective, quantifiable and easily and efficiently transferable, while knowledge, according to Nonaka (1994: 15), "is created and organized by the very flow of information, anchored on the commitment and beliefs of its holder". Key to this separation of information and knowledge is the notion that knowledge relies on information but has other properties. Knowledge is processed information (Fransman 1994: 715), whereby the processing represents a human action (Nonaka 1994: 15). In the case of donor-recipient relations, knowledge is a more useful concept to use than information because it greater appreciates the processes of understanding and learning that determine how actors view each other.

In order to incorporate a broader view of knowledge in the PA framework, I look to the literature on knowledge in development studies[16] and evolutionary economics[17] for

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[16] See Mehta (1999), Wade (1997) and others for discussion of the Bank's lack of reflexivity when it comes to its own role in knowledge creation.

[17]Evolutionary economists challenged the traditional properties of knowledge (transferability, rivalry, appropriability), identifying the importance and contextual

assistance, in particular the idea of 'dispersed knowledge', in which knowledge has *empirical*, *tacit* and *surprising* aspects (Minkler 1993). Knowledge is inherently relational and rooted in the previous experience(s) of the holder. Information in the hands of one person does not create the same knowledge as it does when held by another. This is the empirical aspect of knowledge. Information (as commodity) held by an actor can, for a price, be passed on. However, the knowledge associated with that information is not so easily transferred. Polanyi (1967) distinguishes between tacit and codified knowledge. Simply expressed, tacit knowledge is "personal knowledge that is hard to formalize or communicate to others" (Choo 1996: 334). It is embedded in the experiences of the holder of that knowledge so that it cannot be fully passed to another as it was formed from experience and experience can only be gained, not given away. Codified knowledge, on the other hand, is knowledge that can be expressed as information, through instructions, procedures, etc. However, Polanyi stressed the dominance of tacit knowledge over explicit, codified knowledge; "*we can know more than we can tell*" (Polanyi 1967: 4, emphasis original). The surprising character of knowledge relates to the notion of ideas and insights that create and expand knowledge. Because of the empirical/contextual and tacit nature of knowledge that means it must be learned, new discoveries – or surprises – are inevitable (Minkler 1993). From this, one can appreciate different *ways* of knowing: through codified knowledge and through tacit experience.

On top of this notion of different ways of knowing, there are two additional aspects of knowledge that can be included in my conceptualisation: different spheres of knowledge and the role of power in knowledge dissemination. Not only are myriad 'ways' of knowing ignored (such as knowledge – tacit and/or explicit – based on strategies chosen to deal with specific context/environment) in the 1999 World Development Report, but also on different 'spheres' of knowledge. Knowledge is not just technical, but it is also political, social and cultural (Mehta 1999: 155-157). Mehta (1999) adds to these another important issue: power relations may have an impact over access to knowledge and the

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features of the knowledge production process (learning) (Ancori et al. 2000: 256). There is a debate over whether some knowledge is by its nature uncodifiable or whether some knowledge is left as tacit because of the cost of codification. However, this debate is beyond the scope of this thesis.

way it is used. Access to knowledge is not simply about money (rich and poor – making it a commodity) but also about gender, class, race, etc. Knowledge claims can be created and legitimised by those with greater power and reach. Arguably, Bank literature implicitly assumes that its knowledge is more important than the knowledge held by less powerful actors (Mehta 1999: 157-159). The idea of the Bank being the central flame of knowledge dispelling the darkness of ignorance implies that the poor are the ones in need of knowledge, and merely perpetuates a certain form of knowledge – that created by industrialised nations (Mehta 1999: 159).

This broader definition of knowledge contributes to a broader PA framework of ODA in two ways. The first is knowledge as a form of influence that affects the strength of power relations. I call this intellectual power, and distinguish it from financial power. The second contribution that knowledge makes to the PA framing of ODA is the notion of knowledge asymmetry in the monitoring process. Both contributions are evaluated in the following section.

2.3. Rebuilding the principal-agent framing of ODA

Section 2.1 established that to investigate whether the rhetoric of ODA is being matched by reality, one must be concerned with the character of partnership, ownership and knowledge. Section 2.2 presented a detailed explanation of how I view these concepts. In this section, I incorporate these insights and other modifications in the wider PA literature into the PA framework. The nature of delegation in ODA is discussed, followed by the modified assumption of ownership constraints and knowledge asymmetry and the importance of framing the relationship within the wider political economy.

2.3.1. From formal contracts to dynamic power relations

In the economic literature, PA models were used to describe the nature of a formal, explicit contract between two parties and this was continued within traditional PA models in their description of donor-recipient relations involving contractually agreed hardcore conditionality. As noted earlier, this provides a challenge to the special case of fitting a sovereignty-respecting relationship between development agencies and recipient countries into the PA framework. Killick et al. (1998) and Dijkstra (2002) avoid this issue by presenting an informal representation of the PA model, and I follow this lead. However, because it focuses on the contract, it does not fully or explicitly explore the power dynamics between various actors in the chain where no formal contract exists but there are unspoken rules or agreements. Furthermore, it does not acknowledge the role of knowledge as a form of intellectual power (authority).

In Section 2.2.1, I noted the 3-dimensional aspect of power. To allow investigation of these aspects within the aid relationship, I use the ideas of Mitnick (1973) to identify a broader and more inclusive definition of the PA relationship in which delegation encompasses power relations and contractual agreements. Mitnick’s typology differentiates delegation types by their formal/contractual and informal/non-contractual nature, as well as by their explicitness and implicitness (See Figure 1).

The notion of formality refers to the degree of agent autonomy over the pursuit of the agreed goal. A formal/contractual relationship will specify the manner of behaviour expected of the agent when they perform the task assigned to them by the principal. An informal/non-contractual agreement will not be bound by such an agreement, thus behaviour is not expected to be so rigid. The level of explicitness corresponds to the need for a written agreement. In an implicit relationship, behaviour is merely mutually understood without need for formal articulation. In some cases, this will correspond to subtle power dynamics or altruism. Goals can be pursued without formal explicit agreement because of coercion, or because of a genuine wish to help without the need for external motivation.

The matrix in Figure 1 shows four possible types of PA relationship. Type A represents an explicit formal/contractual relationship. This would best describe complete contracting in which the principal has full information about the activities of the agent and the agent fully implements the principal’s objectives according to the principal’s wishes. This is impossible in practice, but a near perfect version might be a written contract in which the agent agrees to undertake a simple, pre-determined, measurable action, for example, a one-off sub-contracted job. Type B, an implicit formal/contractual agency relationship, might be the relationship between a military officer and subordinate soldier during battle, whereby an agreement is not set down on paper, but the exact nature of the delegated task might be clearly defined. A type C relationship is explicit and informal/non-contractual. Some employer-employee relationships are likely to fit this mould, where both sign a written agreement specifying the employee's role, but without stating the exact manner in which tasks must be achieved. The last member of the group is Type D, the implicit informal/non-contractual relationship. In this case, mutually understood actions without specific guidelines are undertaken, for example, delegation by constituents to politicians. Both constituents and politicians understand what the delegation represents, but there is no written agreement between them and the exact nature of the task is not made explicit. By assuming the boundaries between each axis to be blurred, this allows for a great deal of variation in delegation type.

Figure 1. Typology of PA delegation

	Explicit (written)	Implicit (unwritten)
Formal/ Contractual/ Specified/ Limited	A	B
Informal/ Non-contractual/ Unspecified	C	D

Source: adapted from Mitnick (1973)

The main point to stress here is that, whilst not all delegations are the same – some may be formal contracts between employers and employees, others will be implicit power relations, etc. – all delegation steps fit the PA framework and can be analysed as such. The power relations within each delegation include financial and intellectual influence. Depending upon which type of PA relationship is present in each stage and the extent of financial and intellectual influence, different levels of ownership, knowledge asymmetry and consequent shirking may be occur.

2.3.2. From simple interest divergence to ownership constraints

In Section 2.2.2, I argued that achieving commitment to policy reform by offering economic incentives does not indicate ownership and is unlikely to result in a sustainable reform programme. With this in mind, I replace the assumption of interest divergence with the assumption of ownership constraints. The starting point of this assumption is that ownership of content lies squarely with the donor who wishes to see a specific activity undertaken. Whilst this is not a hugely radical departure from the original assumption of interest incompatibility, it does shift the focus of efforts to reduce recipient shirking from making the conditions stricter in order to achieve recipient commitment (economic incentives) towards making the conditions and the policy content more appropriate in order to achieve recipient desire for it (broader incentives and greater ownership).

On top of this initial condition, ownership constraints are assumed to be pervasive because of a number of reasons: collective actors, abundance of actors and interference between actors. Firstly, the modelling of coalition building or collusion in PA relationships by Laffont (2000) stresses that expectation of cooperation by means of incentives wrongly assumes principals run the "game played by the agents" (Laffont 2000: 17). He argues that it would be natural to expect agents to collaborate in some form of cartel to ensure they maximised, within realistic boundaries, the rent they accrued from informational advantages. Within the context of electricity reform and Bank-recipient country relations, a coalition between donors as principals with respect to their lending conditions might seem more relevant, as evident in the recently developed General Budget Support (GBS) mechanism under which donors pour funds into a central pot. That money is then spent on programmes agreed in advance between the donors and recipient government. In this instance, the donors first have to work collectively to ensure they are aligned in order to avoid being played-off against one another.

Secondly, each individual principal and agent is more accurately viewed as a group of principals and agents, horizontal to one another, each with their own objectives (Killick et al. 1998: 103). For instance, employees of a bilateral or multilateral development agency are not a homogenous group of identical beings. Of course there will be an institutional culture that they broadly identify with that limits this diversity, but with large numbers of employees it is not likely that they all think and want the same thing. Similarly, the recipient government responsible for overseeing the implementation of the development programme will be made up of many different ministries, each with different objectives, and even within each ministry, there will be groups or individuals with different goals.

Thirdly, multiple PA relationships will generate interference that will impact upon the system (Waterman and Meier 1998: 178). Feedback may occur in which the impact of one relationship effects a change in at least one other relationship. In turn, this changed relationship will impact upon other relationships, including possibly the original relationship. The idea of multiple principals and interference provides support for the notion of non-alignment of interests. With such competing and interfering relationships it would be extremely unlikely, if not impossible, for principals and agents to ever have the same array of interests or ideas.

The existence of all these actors, each with individual priorities results in multiple objectives fighting for prominence within the aid system. Thus, the likelihood of full local ownership is low, even if it could be defined. That does not eliminate the possibility of some level of ownership on some issues, and, in fact, if similar interests behind these issues are dominant in both the principal and agent, then cooperation might be more likely than conflict. However, within the modified framework presented here, widespread ownership constraints are considered to be the status quo. As a result, conditionality geared towards getting recipient commitment to a policy is often ineffective. Instead ownership is achieved through non-economic incentives and more attention to appropriate policy content. Assessing the extent to which ownership constraints can be overcome requires analysing the three facets of ownership noted in Section 2.2.2. These facets included local design and control over direction and timing (*dimensions)*, stronger support (*depth)* and wider stakeholder involvement (*breadth*).

2.3.3. From information asymmetry to knowledge asymmetry

Central to the shirking problem in PA theory is the notion of ignorance: because of the 'natural' state in which the principal and agent are assumed to find themselves, the principal is ignorant in some way of the agent's behaviour. Traditional PA theory presents this ignorance as information asymmetry. However, a number of scholars have argued that not all ignorance is similar: ignorance may occur because of lack of knowledge, not just a lack of information (Minkler 1993; Broadbent et al. 1996; Foss 1999). Within the PA framework, this affects the way in which contracting and monitoring should be done. For instance, gaining knowledge about activities requiring tacit, rather than communicable, knowledge in order to do them successfully or even to distinguish whether they are being done successfully, is not simple (Broadbent et al. 1996: 272, Ostrom et al. 2001: 34). Therefore, I replace the assumption of information asymmetry with the assumption of knowledge asymmetry.

Simple information asymmetry models or 'parametric uncertainty' treat the problem as simply one of data collection. But this assumes the principal *knows* what data to collect. Parametric uncertainty results in the traditional PA state of affairs in which both the principal and agent *can list* the alternative courses of action that the agent can take, but the principal *cannot know* which course of action the agent actually will take. To rectify this, the contract can be designed to incentivise the agent to take the course of action the principal prefers and monitoring schemes can be put in place to inform the principal of which course of action has been taken. Structural uncertainty, on the other hand, is much more difficult – if not impossible – to remedy. It is present when the principal not only *cannot know* which course of action the agent will take, but also *cannot list* which alternative courses of action the agent might have to choose from. (Minkler 1993: 569-572; Eisenhardt 1989: 59).

Knowledge – and its dispersed nature – is more complex than easily transferable information. Thus, contracting under conditions of information asymmetry might completely fail under conditions of dispersed knowledge. In this case, trust and continuing relationships are even more important in ensuring successful outcomes (Broadbent et al. 1996: 272-273).

Along the delegation chain, actors have different resources and ability to minimise knowledge asymmetries and, given the breadth of knowledge, it is highly likely that both the principal and the agent will have facets of it that the other does not – in fact, given the dispersed nature of knowledge, this is inevitable. Knowledge can be separated into its technical, political, social and cultural dimensions. For instance, given the extensive technical expertise of a multilateral donor such as the Bank, it has knowledge about the likely success of certain programmes and how statistical evidence relates to certain reforms. The recipient country, however, will know what the various pressures from interest groups are and how they will be likely to impinge on reform efforts. In Mitnick's (1973: 3) terminology, this is the extent of the agent's disposition, or willingness, to perform the action. This can be distinguished from ability to perform action (based on resources available). The distinction between spheres of knowledge is mirrored all along the delegation chain. During evaluation, the recipient will have knowledge regarding the technical, political and social success of a programme. Knowledge of some aspects of problems met and how they were overcome, as well as the extent of implementation success (level of *de facto* implementation, compared to *de jure* implementation) that cannot be transmitted takes the form of tacit knowledge. As Osterloh and Frey (2000: 539) mention, this can be used as a form of competitive advantage to strengthen the negotiating position of the actor in possession of the tacit knowledge. Given that information can never be complete, the creation of unambiguous knowledge is impossible. As a result of this ambiguity, the knowledge of the agent or principal will provide the basis for interpreting information. If an actor does not have the same knowledge base then the interpretations will be different (Fransman 1994: 715).

Knowledge asymmetry in the PA framework has a temporal dimension. Knowledge exists and can be obtained both prior to, and after, the agent undertakes some activity on behalf of the principal. Knowledge gathered prior to action taking place takes the form of knowledge regarding the likelihood of, or barriers to, successful implementation of the policy (Hogwood and Gunn 1984). Knowledge after action is taken is knowledge about the extent to which implementation occurred, and was successful. Such knowledge is gathered from evaluation procedures. Given that the policy to be implemented is often contested, the expected results uncertain and outside influences on the target problem prevalent, it is very important to evaluate the implementation of policy; as Hogwood and Gunn (1984: 219) put it, "[i]f we lived in a world of complete certainty and perfect administration there would be no need for evaluation…[h]owever, we rarely have such certainty". Importantly, it must be acknowledged that the very reasons that justify evaluation are also the ones that hinder it. Evaluation, like implementation is fraught with danger and obstacles, and can never be considered perfect (Hogwood and Gunn 1984).

Each sphere of knowledge can suffer from asymmetry pre- and post-'implementation'. Arguably, knowledge asymmetry that exists as tacit knowledge in the form of experience is lost when information is transmitted between actors. However, asymmetry can be intensified both intentionally and unintentionally (often a resource issue) through distortion. Distortion of knowledge can occur during instruction (top-down) or feedback (bottom-up). Instructive knowledge (political, technical and social) contains the principal's objectives and is transmitted along the delegation chain with instructions of what to do, how and when. Given the length of the chain, the objectives of all principals in the chain are accumulated along the way, as is distortion. Distortion can occur if actors do not have the relevant resources (human or physical) to manage knowledge in certain spheres. Alternatively or additionally, actors can seek to undermine the objectives of their own principal by purposefully distorting the objectives to pass on to their agents. An example of this might be when the donor instructs the recipient country to undertake a report of a specific sector before agreement on a programme is made. The recipient may delegate the task to a department of the public administration with specific instructions to undertake the task in a certain way to provide biased results to appease the donor, when the donor actually wants accurate results so that the programme is tailor-made. Another example might be knowledge about a public sector reform. The senior leadership team in the donor agency might have the objective to privatise certain public sector activities, but as the knowledge behind programme design is passed onto recipient countries, staff members closer to the ground might distort this objective to make it more acceptable to the recipient. This is an illustration of how tacit knowledge can be used to influence the PA relationship.

2.3.4. External influences

A common policy in the literature has been to isolate the PA relationship from external forces. However, situating the PA relationship within its environment is necessary for theory to match empirical reality. The 'real world' influences the development aid relationship in two ways: through interaction with the wider political economy and interference between PA relationships in the wider delegation chain. Miller-Adams (1999: 14) notes the numerous linkages between the Bank and external actors, emphasising the competing interests that affect how it copes with change. Similarly, national governments are under myriad pressures from competing local interest groups. This climate must be taken into account when analysing the relationship between the Bank and recipient countries. Summing up across the most 'important' PA relationships is one way to solve this problem, as Nielson and Tierney (2003) did in their analysis of environmental policy implementation within the Bank. However, analysing the system as simply the sum of its individual parts can be limiting (Waterman and Meier 1998: 180).

There have been a number of calls for PA frameworks to be treated within their wider context and to include power dimensions. As discussed earlier, agents are agents to many principals – collective and multiple – and thus have choices to make about which principal(s) to respond to and how. At the same time, they find themselves under pressure from, or want to exert pressure on, other actors, although not necessarily in a PA relationship. Getting the internal relationship right does not guarantee success if a powerful external actor can derail policy implementation. By looking at the power dynamics between actors in the PA relationship and actors on the outside, valuable insight into the factors impacting upon the success or failure of implementation can be gained.

Dijkstra (2002: 311-312) focuses on how PA models can take into account the balance of power within government and within society as a whole, by looking at the power base and credibility of the negotiators. Dijkstra's conclusions find that not only is implementation related to the internal dynamics of the PA relationship, but is also dependent on negotiator power and knowledge, incentive alignment of the most powerful interest groups, winning forecasts and credibility. Mayer and Mourmouras' (2005: 450) use of a common agency model, whereby a decision-maker (agent) selects action under the influence of competing principals, complements the work of Dijkstra and provides analysis of why ineffective development policies are pursued by donor agencies and recipient governments.

Another type of external impact is the interference between PA relationships. This can occur in parallel with or perpendicular to opposing (negative interference) or complementary (positive interference) PA relationships. An example of a parallel relationship might be the sustainable development and private sector development arms of the Bank both being principals to a recipient country. The work of each can create negative or positive interference. Negative interference might cause both relationships to fail (measured in terms of programme outcomes); positive interference might create complementarities that can boost the chances of relationship success. Interference between perpendicular relationships would correspond to the Bank's relationship with a recipient country interfering with the relationship between the constituents of the recipient country and the ruling government. Again, these can be negative or positive.

The modified model takes the above into consideration by analysing the delegation chain within its contextual setting. The impact of domestic power dynamics, such as the influence of the electricity utilities (in particular, their Board members who tend to be close to – and are in fact chosen by - the Government leadership), on the success or failure of implementation is closely investigated. These external influences will not be considered as a separate concept but will be kept in mind when dealing with the key concepts previously discussed.

2.4. A modified principal-agent framework

This chapter has aimed to integrate insights on power, ownership and knowledge into a principal-agent framework, two streams of literature prominent in the analysis of ODA. Section 2.1 showed how traditional PA theory has become the dominant theory of ODA and presented the limitations it faces as an analytical tool. In particular, I noted that it cannot incorporate much of the new discourse within ODA and as a result its explanatory power is restricted. Section 2.2 reviewed notions of power, partnership, ownership and knowledge and proposed interpretations of these concepts that facilitate their integration into the PA framework. Section 2.3 completed the task of integrating these concepts into the PA framework to create the building blocks of a modified PA framework. In this section I outline the analytical toolkit associated with the modified PA framework and present my research questions.

2.4.1. Analytical framework

In Table 1 below I present elements of the modified PA framework used to characterise ODA. The analytical framework enhances the analysis of ODA using a PA model by adding to the insights that a traditional framework would offer. Table 1 identifies the modifications made to the traditional PA framework.

Table 1. Analytical framework for exploring donor-recipient relations

Trad. theory	**Modified theory**		
Concept	***Concept***	***Facet***	***Detail***
Delegation under contract	Power dynamics	Type	Coercion (finance), authority (knowledge)
		Strength	Can influence be resisted?
Interest divergence	Ownership constraints	Dimensions	Who are the drivers? Who chose direction?
		Depth	Level of conviction: weak (legitimisation), strong (locally defined)
		Breadth	Political, technocratic, etc.
Information asymmetry	Knowledge asymmetry	Level of asymmetry	Ignorance, distortion
		Sphere	Political, technical, social, etc.
		Nature	Tacit, explicit

Contractual delegation of responsibility is augmented by power dynamics, which range in type and strength. The mainstay of traditional PA theory, the ability to withhold payment for contracted work, is classed as coercion through financial power. Added to this is the notion of intellectual power, whereby the assumed superior knowledge of one actor might hinder another actor from being able to make certain choices. The traditional assumption of interest divergence has been augmented by the assumption of ownership constraints. These constraints have a dimension, depth and breadth, corresponding to the driving force behind a certain activity, the level of conviction within the implementing body over the need for that activity and the level of support for that activity amongst wider stakeholders. The assumption of information asymmetry has also been broadened to knowledge asymmetry. The concept of knowledge asymmetry includes facets such as level of asymmetry, sphere of knowledge asymmetry and the nature of that knowledge asymmetry. A more systematic explanation of these concepts and how they are operationalised can be found later in Section 3.2.1.

Table 1 provides a good basis for gathering qualitative data on the characteristics of donor-recipient relations and their influence on the electricity reform process. The methods used to gather and analyse this data are described in Chapter 3.

2.4.2. Research questions

In the introduction to this thesis I noted that the donor-recipient relations in the electricity reform process have received very little attention in the academic literature despite their evident influence. In order to fill this gap in empirical knowledge, the main research question driving this study is:

Q1. How do World Bank-recipient relations shape and constrain electricity reform?

In this Chapter I proposed that Bank-recipient relations are most commonly analysed using a traditional PA framework. Central to this framework is the notion that donor-recipient relations are a hierarchical power relation with different objectives and a natural lack of knowledge about each other's activities. I argued that whilst this offers much valuable insight, its parsimony often means it does not adequately reflect the reality of complex interactions between donors, recipients and those individuals and interest groups who make up these entities. In order to shed light on this important causal mechanism behind electricity reform outcomes in such a ways that overcomes this limitation, I proposed a modified PA framework, incorporating the notion of intellectual power, a broader conceptualization of interests and ownership and the idea of knowledge asymmetry into the traditional PA model. To explore these theoretical refinements in the context of electricity reform a further research question with three sub-questions is posited:

Q2. How does the modified PA framework explain the ways in which World Bank-recipient relations shape and constrain electricity reform?

   a. How do intellectual power dynamics between the World Bank and recipient affect negotiating power?

b. In what ways can recipient ownership have an impact on the achievement of the World Bank's aims?
c. How does knowledge asymmetry explain the behaviour of the World Bank and recipient countries?

In this chapter, I have argued that a 'traditional' PA framework is limited in its ability to adequately explain Bank-recipient relations in the electricity sector. In order to overcome its limitations, I have developed a modified PA framework that integrates broader understandings of power, partnership, ownership and knowledge within development studies literature into traditional political economy accounts of ODA. Two research questions were presented that allow the value of this modified PA framework to be explored. In the next chapter I set out the research methods used to undertake this exploration.

3. Research methods used

Chapter 1 defined the research aim as understanding how donor-recipient relations shape and constrain the direction of electricity reform. Chapter 2 established that the conceptual tools most suitable for this analysis are those based upon a modified PA framework. The task of this chapter is to explore in practical terms how these concepts have been used to plan and guide the empirical research undertaken for this study and to frame findings in a manner that maximises my ability to identify generalisable themes. Section 3.1 outlines the research design. Section 3.2 explains how the analytical framework is operationalised and presents the methods used for data collection. Section 3.3 provides some observations regarding the limitations of the research design.

3.1. Case study approach

The chosen research method for this investigation is a comparative historical case study approach. This section explains the rationale for choosing this approach, the case selection and the unit of analysis.

3.1.1. Rationale for case study approach

This thesis is based on two case studies. Although precise definitions of a case study vary, it can broadly be described as:

> …an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. (Yin 2003: 13)

Case studies are extremely good at generating insight into causal mechanisms within complex phenomena (Yin 2003: 2; George and Bennett 2004: 9; Gerring 2006: 7), such as the policy-making process (Eckstein 1975: 79; Odell 2001: 161; Alston 2005: 8). In particular, they enable the researcher to trace processes, grasp patterns and follow causal mechanisms over a long period of time and in a holistic way that is sensitive to local context (Gerring 2006: 48; Numagami 1998: 2). As such, it provides an attractive method for undertaking research into the complex, dynamic and context-specific nature of donor-recipient relations in the electricity reform process in Sub-Saharan Africa.

There are many different types of case study with many different aims. For example, they can be single-case, multiple-case or embedded cases (Yin 2003: 41-53), and their aim can, amongst others, be atheoretical, interpretative, hypothesis-generating, theory-confirming or analysing deviant cases (Bennett 2004: 21-22). For all types and aims, the strength of case study research lies in its internal validity, causal insight and depth of field (Gerring 2006: 37-63). Construct validity is a particular asset of case studies because of the in-depth nature of the research and appreciation for contextual factors (Bennett 2004: 19). Furthermore, as Siggelkow (2007: 21) notes, case studies are valuable when “there might be something missing in the theory, motivating further research and justifying more refined conceptualization”. Given that this thesis is concerned precisely with exploring the refinement of constructs associated with a modified PA framework, case study research is particularly suitable.

As with all methodological choices, there are inherent trade-offs in undertaking case study research: in-depth knowledge of a specific case or cases rather than more superficial knowledge about a wider number of cases can result in greater within-case accuracy (internal validity) at the expense of across-case applicability (external validity). In particular, this leads to case studies being criticised for their lack of generalisability, or for generalisability that is very contingent (Bennett 2004: 19). Trading depth for breadth was felt more important given the exploratory nature of this study. But in order to strengthen external validity, I have chosen to do a comparative analysis of two cases. Undertaking a comparative case study increases the possibility of generating insight into how robust the constructs are across more than one case. As Munck (1998: 32) notes, comparative analysis allows concepts to be studied within different contexts. With the insights from two cases to draw upon, my conclusions are expected to have wider relevance.

3.1.2. Case selection

In this thesis, the two countries in which electricity reform is studied are Tanzania and Ghana. These cases of electricity reform were chosen based upon the procedure of purposive (i.e. non-random) selection (Gerring 2006: 88). Given the variety of countries in Sub-Saharan Africa, the contextual factors that affect the reform process and the limited availability of data on this process in different countries, categorisation of countries from which to select a case was considered arbitrary. Instead, cases were chosen that showed high experience levels of the phenomenon (class of events) of interest (Pettigrew 1990).

Both cases show high experience levels of the phenomenon of donor-recipient relations in the electricity sector. Tanzania's electricity sector has a long history of Bank involvement. Between 1967 and 1992, the Bank approved five major electricity projects totalling US$245.2m and it continues to exert substantial influence, both in terms of its lending envelope and its technical expertise. Ghana also has also been historically dependent on Bank support in its electricity sector: expansion of the sector between 1960 and 1990 has gone hand in hand with six electricity projects totalling US$205.4m for development of hydroelectric power stations and transmission and distribution systems. During the 1990s and early 2000s, direct Bank support in the electricity sector has amounted to US$871.9m and US$981.1m in Tanzania and Ghana respectively. On top of this, since the 1980s, both countries have been receiving macro-level support from the Bank and continue to do so.

Defining the limits of a case and what should be included in the definition of a process presents a significant challenge to case study research (Yin 2003: 23; Langley 1999: 692) and mine is no exception. Given that Bank support in both countries has been so pervasive for so many years and is set to continue, it is not clear when the case of 'Bank-recipient relations in electricity reform' begins or ends. However, in the 1990s, the governments in both Tanzania and Ghana embarked on a process of restructuring their electricity sectors. These processes were largely begun at the behest of, and funded by, the Bank under the auspices of its conditional lending mechanism. In 2007/8, the Bank approved an Energy Development and Access Project in both countries (TEDAP in Tanzania and GEDAP Ghana), marking a clear return to a condition-light energy sector project. The temporal boundaries to my work begin with the genesis of reform during the 1980s and end with the culmination of TEDAP and GEDAP project negotiations in 2007/8.

It is important to note that a number of practical considerations also made a contribution to case selection and therefore may be seen as limitations. Given that in-depth data was required, it was important that there were no language barriers, so fieldwork sites were chosen where key stakeholders of interest had a good level of English and where local documentation would also be in English. The longitudinal nature of the study required substantial fieldwork and access to data. Fieldwork sites were chosen where the process of obtaining a formal research visa was clearly understood and where connections within local universities existed to assist in this process. As one might expect, issues over safety and security also had a bearing on case choice. Lastly, financial and time constraints only allowed my research to cover two cases. A larger number would have been highly beneficial for generalisation. However, as George and Bennett (2004: 30-31) note "[c]ase study researchers do *not* aspire to select cases that are directly "representative" of diverse populations and they usually do not and should not make claims that their findings are applicable to such populations except in contingent ways". Nevertheless, generalisability of this study is expected to reach beyond the level of electricity sector reform in Sub-Saharan Africa. It is reasonable to assume that my findings might also be relevant to the Bank's infrastructure lending, given the sectoral similarities, and indeed Bank lending processes more generally where its lending mechanism is similar. Furthermore, this research might offer valuable insights relevant to wider donor-recipient relations, where similar challenges are faced. But given my main focus on examining conceptual validity I hope that the issue of generalisability might be addressed more explicitly in further research.

3.1.3. Unit of analysis

Each case represents an instance of a *class of events* (George and Bennett 2004: 17-18) or *phenomenon (*Yin 2003:12-13) of interest. The instance of interest in this study is electricity reform. Of course, electricity reform in both Ghana and Tanzania could be viewed as an instance of many different phenomena or classes of events, such as interest-group politics or high-level decision-making. However, the phenomenon, or class of events, that I am concerned with in this investigation is donor-recipient relations.

The unit of analysis connects the case with the broader body of knowledge (Yin 2003: 23-25). Following from this, the primary unit of analysis in my study is the interaction between the Bank and recipient country. This is largely assumed to be represented by interactions between Bank project staff and government officials. This is the main delegation step my research is concerned with. Secondary and tertiary units of analysis are, respectively, internal interactions within the Bank, and the wider relationships within the international aid architecture that impact upon Bank-recipient country relations. These include, among others, the relationship established when senior bank managers delegate responsibility to project staff. Of course, the separation of units of analyses is not clear, but this is not considered to be a grave problem given that relationships are naturally embedded in context.

3.2. Operationalising the analytical framework

In this section I explain how the analytical framework set out in Section 2.4 is operationalised in practice and how the technique of process-tracing is employed to analyse the data collected.

3.2.1. From theory to data: analytical concepts in practice

Constructs were determined from the analytical framework offered by the modified PA theory and made operational by specifying observable activities and behaviour associated with those constructs. In essence, it is necessary to work out how one will know concept A or theory B when one sees it (Gerring 2006: 215). For the purposes of ease, the analytical framework is reproduced in Table 2 below:

Table 2. Analytical framework for exploring donor-recipient relations

Trad. theory	**Modified theory**		
Concept	***Concept***	***Facet***	***Detail***
Delegation under contract	Power dynamics	Type	Coercion (finance), authority (knowledge)
		Strength	Can influence be resisted?
Interest divergence	Ownership constraints	Dimensions	Who are the drivers? Who chose direction?
		Depth	Level of conviction: weak (legitimisation), strong (locally defined)
		Breadth	Political, technocratic, etc.
Information asymmetry	Knowledge asymmetry	Level of asymmetry	Ignorance, distortion
		Sphere	Political, technical, social, etc.
		Nature	Tacit, explicit

Power dynamics

In Chapter 2 I defined power dynamics in terms of *type* and *strength*. These concepts can be operationalised by combining insights from Mitnik (1973), Lukes (1974) and Morriss (2002). *Type* can be seen as including coercion, influence, authority, force and manipulation. It is important to understand the interests of each actor in order to understand the *type* of power relation. Employing Lukes' notion of 3-dimensional power also means appreciating not only where a group might dominate where there is a conflict of interest or be able to suppress such a conflict from arising, but also where the very interests are influenced to avoid conflict. This latter element is most pronounced in the use of knowledge as power. To observe this, Morriss advises us to pay attention to unspoken assumptions (Morriss 2002: 133). The idea of *strength* is found in the notion of power as ability of an individual (or group) to realise their interests (Morriss 2002: 146). Perceptions of power, to the extent that they can be captured during data collection, are important when deducing *strength*.

Ownership constraints

As noted in Chapter 2, ownership is a very difficult term to define. It is right to assume that it will mean different things to different people. In Chapter 2, I defined ownership as having the following variable characteristics: *dimension, depth* and *breadth*. In Section 2.2.2 I noted that Johnson and Wasty (1993) investigated recipient ownership of the Bank's structural adjustment loans (SALs) using a set of quantitative indicators not dissimilar to those above. Their concepts are helpful for operationalisation, however I aim to offer a more qualitative picture.

To identify *dimensions of reform*, I look to observe who initiated and drove the reform process. It is not possible to ascertain exactly which actor brought up the notion of reform, and when. The seeds of reform are likely to have been planted in many places by different actors. However, actor perceptions of where pressure to reform originated from, as well as which documents came first, and under what circumstances was reform brought up can help to clarify this concept. To investigate *depth of ownership*, I observe the level of conviction within the recipient over the need for reform. Gauging the level of conviction over the need for reform is challenging, as such a measure will always be subjective. Yet it is still important to have confidence in any claim, in order for it to be defensible. As a qualitative indicator, the level of conviction provides a relative measure, determined by the extent to which actors perceived it to be a necessary activity, with priority over alternative, or potentially conflicting, activities. The way I achieve confidence in such a relative measure is through triangulation. The majority of evidence comes from personal reflection, although documentary evidence did provide corroboration. To analyse *breadth of ownership*, I observe the level consensus amongst technocrats, the political elite and wider stakeholders over the need for reform. Judging the breadth of ownership requires ascertaining the political and public support for reform. This can come from personal reflections of indications of political support, speeches, resolution of conflicts and the media. Often disgruntlement or approval is very widely known. At other times, it is under the surface, but contradictory actions – such as saying one thing and doing another – give an indication of the level to which that breadth of ownership exists. For each of these aspects of ownership, triangulation over a variety of sources is extremely important to validate my claims about the level to which they are, or are not, present. Section 3.3 offers more detail regarding how the various sources of data were triangulated.

Knowledge asymmetry

In Section 2.3.2, I noted different *ways* of knowing (retaining knowledge) and different *spheres* of knowledge. I also identified issues associated with *access to* and *directions of* knowledge. From this, I operationalise the concept of knowledge asymmetry in the modified PA framework as the *level of ignorance* an actor has of what another actor is doing. I infer knowledge asymmetry by directly exploring how actors perceived their own knowledge and those of others they worked with: knowledge is taken to be what people think they know and how they apply it. It is important to note that with this operational definition I am not giving an epistemological value to a person's knowledge. An actor's experience, qualifications and skills all give additional insights into their knowledge.

3.2.2. From data to theory: process-tracing

In order to trace the evolution of donor-recipient relations during reform, I use the technique of process-tracing. Process-tracing "allows researchers to meticulously identify and analyze the historical sequence whereby potential explanatory variables affect outcomes" (Munck 1998: 30). The technique involves analysing long causal chains using observations that are non-comparable. That is to say, it is used to trace complex processes using multiple types of evidence from different perspectives (Gerring 2006: 173).

Process-tracing usually provides explanations in terms of the "sequence of *events* leading to an outcome" (Langley 1999: 692). For the purposes of this study, I separate the process of electricity reform into four distinct phases. This is what Langley (1999: 703) calls the *temporal bracketing sensemaking strategy*. Certain continuity in activities within phases and discontinuities at the frontiers of phases transforms the lengthy and complex reform process into a sequence of more distinct but associated stages. This is especially helpful when it comes to comparative analysis across cases. The *phases* in my cases were determined in an iterative process, resulting in four distinct phases: reform origins, reform design, reform implementation and reform rethink. The reform origins constitutes the phase in which Bank-recipient relations were established in the electricity sector and the trend towards reform developed. The reform design phase describes the relationship when reform became a condition of continued Bank support. The reform implementation phase relates to the relationship development during implementation of certain reform steps. Finally, reform rethink is a phase in which relations evolved in response to implementation issues and changing actor interests.

In my data analysis, there were two stages to process-tracing. Firstly, the spaghetti mess of data was unpacked to create a manageable database of evidence using a systematic manual data coding process. Data were grouped into the reform phase to which they referred and in each phase data were then separated into themes based on the analytical concepts shown in Table 2 and by source. The data were then checked twice; once for occasions where data entered for one phase were also relevant to another phase and once for occasions where data entered under one theme were relevant to another theme (in the same phase). The advantage of the database was that data from multiple sources could be lined next to each other allowing for constant comparison, shedding light on some data that might have otherwise stayed hidden.
As mentioned in Section 3.2.1, concepts such as ownership are very difficult to pin down, particularly when one is trying to determine the 'level' of ownership. The database helped to triangulate individual observations regarding the concepts of my analytical framework from a diversity of sources in order to create a more robust

general observation about the various concepts. The evidence base built up in the matrix offered a way to compare perceptions/impressions relating to a particular concept. Taking depth of ownership as an example, data from different actors would be placed horizontally next to each other to allow for fairly easy comparison. Actors with the same institutional affiliation were grouped next to each other. Comparing data from different actors in the same and different institutions allowed the jigsaw puzzle of evidence to be pieced together. Where data entries were contradictory, the strength/magnitude of a general observation regarding a concept was considered less than if data entries supported one another. Of course, a light touch was needed to account for perceived institutional biases and personal agendas (see Section 3.3 for more on this).

The second stage of the process-tracing technique was to set out an analytical chronology (Langley 1999; Gerring 2006: 5) in order to trace the evolution of donor-recipient relations during the various phases of the reform process. During this stage, the historical narrative of electricity reform is converted into an analytical causal explanation couched in explicit theoretical terms as described by George and Bennett (2004; 211). The analytical chronologies provide descriptive within-case analyses central to generating insights into the nature of the relationship under investigation. These analytical chronologies for Tanzania and Ghana are presented in Chapters 5 and 6 respectively. This dual-stage process-tracing activity allows the theoretical concepts to be well defined and followed in the analytical narrative. The two stages were, in reality, quite intertwined and iterative. They provide an innovative attempt to maintain accuracy during analysis of the donor-recipient relationship. Much nuance can be lost when using software to codify data. Given the care required when interpreting data from sources in different and challenging contextual settings, this method of data analysis was extremely insightful.

Comparative analysis of the two case studies is undertaken in Chapter 7. The analyses from each case are synthesised in order to transform specific explanations of the cases into more generalisable theoretical explanations of Bank-recipient country dynamics in the process of electricity reform. I look at how a traditional PA analysis might explain the cases and then use the modified PA framework to present additional insight into the influence of the relationship on electricity reform.

3.3. Sources of data and data collection methods

This section presents the sources of data used to support the investigation. Data related to historical processes mostly include stories about "events, activities, and choices ordered over time" (Langley 1990: 692). Such stories suffer from the problem of reliability, particularly regarding things like dates – for example, who said something first. In order to minimise this reliability issue, triangulation using multiple sources of data was employed. Triangulation is widely accepted as an effective method for combining expert opinion and factual data in such a ways that theoretical constructs are empirically valid (Eisenhardt 1989: 537-538; Creswell 2003: 196; Yin 2003: 97-98; Tansey 2007: 766).

Analysis of the two case studies (and the background) relies mainly upon three sources of data:

- Semi-structured interviews
- Relevant policy documents
- Relevant literature

Other sources comprise observational material and private conversations gathered from attendance at formal and informal meetings.

Data collection took place in three locations. From October-December 2007 and March-June 2008 I undertook fieldwork in Tanzania, from September 2008-January 2009 I undertook fieldwork in Ghana and from March-April 2009 I undertook fieldwork at the Bank headquarters in Washington, DC, USA. In order to facilitate my fieldwork in Tanzania and Ghana, I affiliated myself with the Institute of Development Studies at the University of Dar es Salaam and the Institute for Statistics, Social and Economic Research at the University of Ghana respectively. In order to assist with my fieldwork in Tanzania, I undertook four weeks intensive language training at MS-TCDC in the north of Tanzania. In Ghana, English is the official language so no language training was needed.

3.3.1. Semi-structured interviews

64 interviews were undertaken across the three fieldwork locations: 24 in Tanzania, 28 in Ghana and 12 in the USA. Interviews are an excellent way to reconstruct policy processes through the use of first-hand accounts of decisions and actions lying behind certain happenings. In particular, they allow the researcher to tease out hidden agendas and stitch together pieces of complex phenomena (Tansy 2007: 767). Interviewees were chosen based on their participation in the reform process. Where possible, interviewees were identified from existing documentation, such as workshop participants lists. Where this was not possible, I relied on the snowball effect. I mapped out the actors in the sector using secondary sources and went to visit the relevant organisations to identify those involved in the reform process. Inevitably, this led to further connections.

All interviews were recorded and fully transcribed. In order to achieve consistency and confidentiality when referencing interviewees, those cited in the text are given code names. Code names represent the area of empirical research followed by the sector affiliation and chronological number:

C = Contextual background (Chapter 4), T = Tanzania case study (Chapter 5), G = Ghana case study (Chapter 6).

MD = Multilateral donor, BD = Bilateral donor, EU = Electric utility, RA = Regulatory authority, GD = Government department, PP = Politician, CF = Consultancy firm, EI = Electric industry, IC = Industrial consumer

An example is T-MD1, which corresponds to an interviewee from a multilateral donor who is used in the Tanzania case study. Please refer to Appendix A for more details, including a list of code-named interviewees showing their position, affiliation and date of interview. Interviewees who have not been cited have not been listed in the Appendix.

The interviews were semi-structured, with questions based upon operationalisation of the analytical framework. A sample interview questionnaire is given in Appendix B. Given the different roles and knowledge of various actors, it was important to tailor questions to relevant issues and time-scales. For instance, some actors had been involved in all parts of the reform process since the beginning. Others had more limited experience, perhaps of simply one aspect of reform – for example, regulation – and maybe only for a couple of years – for example, during design of reform but not implementation. Of course, in many instances interviewees were happy to give their opinion about areas of reform that they were not necessarily an integral part of. This was always welcomed, as it would assist triangulation. In general, interviews included a combination of factual and opinion questions. They began with structured "nonschedule" questions (Richardson et al. 1965: 46), which involved questions of a similar meaning but formulated in words relevant to the respondents' experience of reform. As the interviews progressed, questioning naturally led down different avenues of interest, depending on what the respondent had – or wished – to offer. This freedom was extremely important.

In all cases, interviews were conducted in English. Although the official language of Tanzania is Kiswahili, formal government work is usually carried out in English and the locals and donor representatives that I interviewed all tended to have a very high standard of English. The official language in Ghana is English. In both fieldwork locations, it was not appropriate to take some of the terms and phrases used in interviews on face value given the problem of translation. For example, nuances in a respondent's use of the term 'ownership' might only be captured if the context was fully appreciated. These challenges were important to acknowledge and deal with, particularly during data analysis.

3.3.2. Relevant policy documents

Policy documents provided valuable insights into some of the formal justifications and explanations for how electricity reform policies were developed. Those that are cited in the text appear in the References chapter. Overall, access to documentation other than Bank project documents available on its website was not easy. In many cases, officials did not know the whereabouts of the reports and the weak administrative capabilities of many local organisations meant that there were very few electronic versions. Nevertheless, for the most part, interviewees were very forthcoming in providing relevant policy documents.

The policy documents used can be placed into three groups. The first includes fully public national documents. These include government legislation, parliamentary records, government publications and reports of the regulators. These were good for clarifying planned and past actions, dates and statistics. They were obtained from official government websites, public libraries and from interviewees. Ghana's Parliamentary Hansards were used as they are written in English. However, Parliament Hansards in Tanzania are written in Kiswahili so were not used.

Second are semi-private national documents. To some extent, electricity company annual reports were publicly available, however they were only obliged to publish annual audits, not full reports. In most cases electricity companies were happy to provide me with the annual reports they did have; however, on occasion there was some reluctance to make them available. Consultancy reports financed by the government or electricity companies were viewed as private government documents, but in most cases I was given access to them.

Third are Bank project documents. These provided important insights into the position of the Bank in relation to what it felt were the recipient needs. Much of the Bank's project documentation is publicly available from its website. However, in some cases I was able to gain access to aide-memoirs from Bank missions, which are not publicly available. These provided a very helpful additional insight into Bank officials' views.

3.3.3. Relevant literature

The relevant literature used in my analyses includes academic and grey literature on electricity reform, public sector reform in general and Bank energy lending strategy. Existing research on the electricity sector in Tanzania and Ghana was confined to work done by the Managing Infrastructure Regulation and Reform research group at the University of Cape Town in South Africa and the Kumasi Institute for Technology and the Environment in Ghana. The work of these two organisations provided extensive descriptive analyses on areas of reform in both Tanzania and Ghana. Reliance on the work of these two institutions to back up my case studies might appear to be a weakness, particularly when discussing the development of national energy sectors and the beginnings of reform. However, I generally consider them to be accurate and I have corroborated their evidence through triangulation as much as possible.

3.3.4. Limitations

The sources of data and data collection methods presented a number of challenges that limit the insights generated from the data. Interview data naturally comes under scrutiny because of its subjective nature. Interviewees may be inclined towards self-justification and may intentionally conceal information in order to paint a specific picture of what happened. Projects in infrastructure sectors are renowned for corruption,[18] as was the case in Tanzania. As a result, some respondents may have wished to distance themselves from the issue at the expense of answering an interview question fully. Respondents may also unintentionally lead the investigation down dead-ends: personal memory is never perfect and data cloudiness is fully understandable. Furthermore, given that this research was concerned with the donor-recipient relationship, perceptions of who held what power are relative. The fact that the Bank was still active and influential in Tanzania and Ghana meant most interviewees were not inclined to threaten the relationship by saying anything that might have appeared insensitive or damaging. Having said that, I was impressed with the candour of most respondents.

The above challenges were not confined to interview data alone. Policy documentation and relevant literature cannot fully capture everything that took place. Also, specific issues can purposefully be left out in order to present a particular version of events within the policy process. In order to iron out discrepancies in data as much as possible, triangulation was employed. But it is also worth acknowledging that this kind of subjective data was important to build up a picture of how various actors perceived the reform process and the role of the actors within it.

Finally, various practical issues presented challenges during data collection. Extensive bureaucracy made the process of accessing some data very time-consuming. Securing access to busy informants was also challenging and often ad hoc. In one instance, I went to the Ghanaian Ministry of Mines and Energy twelve times in four weeks in an attempt

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[18] For a discussion on corruption in infrastructure projects, see Estache (2004: 21-25).

to meet the Director of Power. Each time, as I waited to see him, he was called away by the Minister and I was asked to return the following day. In Tanzania, my request to meet the Director-General of the regulatory authority responsible for electricity was continually declined because I was only allowed to see him after I had met with a subordinate and the request passed on through him. However, whilst talking to the IMF Country Director at a workshop, I happened to be introduced to the Director-General in question and upon my verbal request to meet he instantly agreed, thereby bypassing the original bureaucracy.

In this chapter, I have explained the rationale for undertaking case study research to investigate Bank-recipient relations in the electricity sector and why Tanzania and Ghana offer suitable cases to explore. I have also described how the modified PA framework is operationalised and detailed the sources of data and data collection methods. In the following three chapters I present the empirical element of my research. I begin with a landscape in Chapter 4. I then go on to present the case of electricity reform in Tanzania and Ghana in Chapters 5 and 6 respectively.

4. The changing landscape of World Bank electricity lending

In Chapter 2, I set out a modified PA theory of donor-recipient relations. In Chapter 3, I discussed how this could be operationalised and why Bank-recipient relations in the electricity reform process in Ghana and Tanzania provide interesting case studies. In this chapter, I present the changing landscape within which lending for electricity reform in Tanzania and Ghana took place. It reviews some of the factors external and internal to the Bank that had an effect on its lending policies, allowing the country case studies to be understood in relation to broader debates on lending mechanisms and electricity reform. Although I am not undertaking an analysis in this chapter, it is informed by the different sources of data described in Section 3.3.[19]

The well-documented history of the Bank is inextricably intertwined with the history of post-war development.[20] The structure of this chapter follows the three development paradigms the Bank claims to have followed (and by extension, defined) over the years (World Bank OED 1999: 3; World Bank 2000a: 2). Although this distinction is by no means standard and has its limitations, for the purposes of this thesis it provides useful temporal boundaries to discuss the Bank's general and electricity sector lending. Section 4.1 follows early years of the Bank during the 'planning' paradigm. Section 4.2 looks at the adoption of neoliberalism as the prevailing ideology within the Bank during the 'adjustment' paradigm. Section 4.3 discusses increasing rhetoric on local ownership and client-responsiveness as part of the recent 'CDF' paradigm.

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[19] As a reminder, interview codenames for this chapter begin with C- followed by one of the following: MD = Multilateral donor, BD = Bilateral donor, EU = Electric utility, RA = Regulatory authority, GD = Government department, PP = Politician, CF = Consultancy firm, EI = Electric industry, IC = Industrial consumer.

[20] Not least by the Bank-commissioned histories by Mason and Asher (1973) and Kapur et al. (1997). Other perspectives are provided by Please (1984), Miller-Adams (1999) and Gilbert and Vines (2000).

4.1. The early years of the Bank

This section describes the birth of the Bank and the planning paradigm it pursued during its first decades. It looks at how this affected general lending strategy before discussing its electricity lending in particular.

4.1.1. The Bank is born

Situated in Washington, D.C., the Bank consists of two development organisations: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).[21] It is owned by 185 member governments and provides low-interest loans, interest free credits and grants to developing countries as well as substantial levels of technical assistance. It has more than 10,000 employees situated in more than 100 offices worldwide.[22]

The Bank and its sister institution, the International Monetary Fund (hereafter, the IMF), were conceived by the United Nations member states and their Second World War allies at Bretton Woods, New Hampshire in 1944. The Bank, officially christened the International Bank for Reconstruction and Development (IBRD), opened its doors in 1946, providing loans for post-war reconstruction during its first few years, and later on loans for development. The emphasis of these loans was "sound productive projects and not for balance of payments support" (Mason and Asher 1973: 2). The IMF, on the other hand, was designed to provide balance-of-payments support to countries as they undertook measures to implement trade and foreign exchange reforms designed to improve the free movement of global capital, but only after the Bank had successfully aided the industrialised nations to regain financial strength (Please 1984: 7; Mason and Asher 1973: l-3).

Although conceptual twins, the Bank and the IMF were far from identical at birth. Differences were evident in their size, sources of funding, the expertise of their

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[21] The wider 'World Bank Group' comprises of these two core institutions as well as a group of affiliates - the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). However, for the purposes of this research, I will be concentrating on only the World Bank.

[22] See the World Bank's website (http://www.worldbank.org) for latest details

personnel and their approach to development (Mason and Asher 1973: 28-33; Please 1984). The larger of the two, the Bank was funded through borrowing on global capital markets. Its employees, although predominantly economists, did include engineering and agricultural experts and its approach to development was relatively long-term. The Fund sourced its financial capital using credit from the central banks of its members. Its staff members were all economists and its development role consisted of short-term interventions (Polak 1994: 2-3). Despite their differences, these two institutions were designed as complementary and this can be seen in the fact that Bank membership required Fund membership in order to mitigate against freeriders and ensure Bank loans were used in the 'correct' fiscal environment (Polak 1994: 1). Kapur et al. (1997: 2) suggest that member states believed "they were the principals, and [the Bank] was their agent". This view was further entrenched by the Bank's governance system in which more powerful member states (as determined by financial contributions) had greater influence over the Bank (as determined by voting rights on the Board) (Kapur et al. 1997: 2). The relationship between the Bank and recipients of its loans was merely viewed as one between a bank and a borrower.

Post-war reconstruction dominated the Bank's first decade of existence although it did undertake some projects of a development nature during this time. However, by the late 1950s, reconstruction in Western Europe was practically complete and so the Bank turned its attention to development and the newly independent nations of the developing world (Gilbert and Vines 2000: 14-15). The post-war period brought a wave of independence sweeping through Asia, Africa and Latin America, stimulating "a nationalist project that assigned itself the objective of accelerating modernization and enriching society through industrialization" (Amin 2007: 2038). For many national elites in power, modernisation meant following in the footsteps of 'developed countries'[23] on a path delineated by Rostow's (1960) classical modernisation theory. This theory declared four linear stages in the road to economic maturity: traditional society; precondition for takeoff; drive to maturity; and high mass consumption. Sub-Saharan Africa was assumed to be sitting dormant on the bottom of rung of the ladder, the traditional society largely dependent on primary materials production and

[23] I use the terms developed country and less developed country in their tacitly understood context. Gillis et al. (1992: 6-8) provide a useful discussion about use of these terms.

subsistence agriculture, awaiting a push to drive it forward towards the goal of high mass consumption (Iheduru 1999: 8-9).

In accordance with the central position of the state in the national economy during colonialism, the government inherited control of the modernisation effort in newly independent African nations. Although a heavy state role conflicted with spontaneous market forces, such a conflict was neither noticeable nor obvious. Across the world, those in power saw the need for the state to build the market and facilitate modernisation (Iheduru 1999: 10; Amin 2007: 2041). At this point, the Bank was driven by its planning paradigm of lending. The Bank's role was primarily, as its title suggests, banker to developing countries and it frequently funded big capital-intensive infrastructure projects, such as roads, hydroelectric dams and banks. The state was viewed as key planner and facilitator of development in recipient countries and so Bank loans were made directly to government ministries to allow them to oversee these large projects (Kapur et al. 1997: 7; Mason and Asher 1973: 2). Such enormous and expensive projects further entrenched the need for government control because local entrepreneurs had neither the expertise nor the resources to undertake them (Iheduru 1999: 116).

In 1960, in order to assist developing countries that were too poor to access IBRD loans, the Bank created the International Development Agency (IDA). IDA provided credits with much longer repayment times and very low interest rates and was funded by World Bank Group profits and grants from Bank members. Integration of IDA and IBRD staff essentially created one workforce working on both sides of the Bank. Although the focus remained on funding projects, this marked the beginning of the Bank's transformation from a bank that simply lent for development projects into a development agency. Further consolidation of the Bank's role as a development agency came about with the appointment of Robert McNamara as president of the Bank in 1968. His vision for the Bank was one in which poverty reduction was central to every activity within the Bank. (Gilbert and Vines 2000: 12-19).

Of course, not all African countries believed in or followed the same development paradigm: one must be careful of reading history through the victor's eyes (for a useful overview, see Killick 1998; Geda 2003). But regardless of ideological affiliation, from

1967 until the oil crisis in 1974, Sub-Saharan Africa participated in the global economic boom. Commodity prices increased leading to increased export earnings. This, coupled with external commercial borrowing at low interest rates and official development assistance, drove further investment and growth. Per capita growth in the region averaged 2.9% whilst industrial growth averaged 11% (Little et al. 1993; Chege 1995: 312-319; Willis 2005: 49-51).

4.1.2. Helping countries to develop electricity systems

From the outset, the Bank favoured lending to the electricity sector and investments in that sector often accounted for up to 25% of its lending portfolio (World Bank 1983: 89). Beginning with a US$13.5m loan to Chile for a Power and Irrigation Project in 1948, by the mid 1980s Bank lending for the electricity sector had covered 413 projects in 86 countries totalling around US$17.8bn (Collier 1984 19-20; World Bank 2010).[24] A Bank review of lending for electric power in 1971 admitted that the capital-intensive nature of the electricity sector provided:

> …an especially appropriate channel for the efficient transfer of a significant part of the capital developing countries require. (World Bank 1971: 3)

The sector was necessary to economic growth, but developing countries lacked the finances to invest in it (World Bank 1979: iv). In the Bank's paradigm of planning, lending for centralised development projects filled the gap perfectly. The Bank was very proud of its investments in electricity, which it approached largely from an engineering point of view and evaluated primarily in financial terms. They fitted the Bank's investment criteria well with projects displaying sound financial viability, being managed well and meeting demand in a reliable way (Mason and Asher: 715-716). The sector was also seen to be a sure bet for success and the Bank proved very successful in helping many countries set up new electric utilities or reorganise their existing ones. Initially Bank funding was made available on a plant-by-plant basis, but it soon changed to larger scale lending in order to achieve coordinated national electricity systems (Mason and Ascher 1973: 716). At the time, the state-owned vertically integrated utility

[24] Note that most of the lending went to only a few countries (India, Brazil, Colombia, Indonesia, Mexico, and Thailand) (Co1lier 1984: 19-20).

structure was widely accepted as the best option in a sector characterised by natural monopoly (World Bank 1971: 5).

Because electricity sector lending had been such an important part of Bank lending operations since the beginning, many of the Bank's lending policies arose out of experience in this sector (Collier 1984: 5). The relationship between the Bank and its recipients at the time gave the Bank "weapons" (Collier 1984: 133) to achieve its objectives. Supervisory missions were perceived to reduce information asymmetries and Bank assessments carried a lot of weight. But this was all tied to the Bank's biggest leverage tool; the power to withhold loans. During this time, the Bank self-proclaimed it was "the single most important official source of external capital for energy development in the developing countries" (World Bank 1983: 81), suggesting it had, or believed it had, considerable influence. This power was rarely used because "suspension [was] a confession of failure" (Collier 1984: 132-136).

The power to withhold loans was only necessary if loans contained some condition unfavourable to the recipient government. At this point, the Bank's lending was largely done on financial terms. As a result, the only contentious issue was agreement of a tariff increase to achieve a set rate of return. This was merely to reduce risk of loans not being repaid by getting the recipient to reach a self-supporting level in its electricity sector. These conditions were not concerned with the tariff structure. That was considered an economic development issue. McNamara's ascendancy to the Bank presidency in 1969 and subsequent focus on poverty reduction within the Bank briefly affected the level of electricity sector lending. Issues such as looking at expanding to meet potential electricity demand (such as in rural areas), rather than just focus on meeting existing demand, slowly began to gain attention (Mason and Asher 1973: 717-718). The oil crises of the 1970s created renewed demand for investment in the energy sector. Whilst petroleum exploration and production were the main focus, as a consumer of petroleum products, the electricity sector also enjoyed increased support (Collier 1984: 124; World Bank 1980: 67-71). The result was a renewed commitment to lending in the energy sector. Between 1979 and 1982, Bank energy lending doubled from US$1.5bn per year to US$3.4bn, although most of this was accounted for by projects in petroleum exploration (World Bank 1983: 81-82).

4.2. The Washington Consensus

This section details the development of the structural adjustment paradigm and the rise of neoliberalism within the Bank. It sets out how the planning paradigm was refuted in favour of letting the market decide, and how this affected the Bank's lending and gave rise to a change in its electricity lending strategy.

4.2.1. Neoliberalism and structural adjustment

Despite an initial boom in Sub-Saharan Africa in the post-war decades, from the mid-1970s, per capita growth across most of region began to decline and eventually stagnate.[25] The average annual growth in income fell from 2.9% in the period between 1965-1973 to 0.1% between 1973-1980 and between 1980-1992 it struggled to reach 0.8% (Chege 1995: 309). Similar declines in growth rates were seen in industry where growth of 11% in the 1960s and early 1970s dropped to 0.3% between 1980-1986, only managing to rise back to 2.7% in the late 1980s. Agriculture was hit by similar slow growth. Meanwhile, balance of payments and fiscal problems grew, unemployment increased, spending on education and social services decreased, nutrition and infant mortality rates worsened, corruption and administrative inefficiency persisted and drought and famine spread, yet the population growth continued unabated (Blomstrom and Lundahl 1993: l; Chege 1995: 315-319). With respect to the Bank's lending paradigm, this marked what Kapur et al. (1997: 21) call the "Great Bend in Events" as planning gave way to adjustment.

At the time, causal explanations of Africa's economic stagnation varied widely. Diagnoses sought to emphasise different factors, from economic to political, structural to procedural and internal to external (van de Walle 2001: 8-9). One of the first attempts to assess the problem of stagnation was the Bank's *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* in 1981 – more commonly known as the 'Berg' report after its author. It attributed the problem to specific internal factors; excessive government expenditures, overvalued exchange rates, domestic price distortion controls,

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[25] For literature on this see Brett (1985); Stewart et al. (1992); Blomstrom and Lundahl (1993); Chege (1995); Collier and Gunning (1999a); van de Walle (2001); Geda (2003); Amin (2007).

high levels of public ownership, excessive state intervention, protectionist trade policies corruption and administrative inefficiency, poor investment choice, neglect of agriculture, lack of industrial tradition and low technological capability, poor health care and education and high population growth (World Bank 1981; Chege 1995: 312-3 13; van de Walle 2001: 8).

The Berg report was instrumental in legitimising the existing trend within the Bank towards the so-called adjustment paradigm characterised by structural adjustment lending for neoliberal reforms. By the early 1980s, market-oriented growth enshrined in neoliberal economic theory had risen to popularity within both Reagan's Republican administration in the USA and Thatcher's Conservative government in the UK. As two of the largest financial supporters of the Bank, it is no surprise that the Bank signed up to this economic ideology. Given the support of neoliberalism amongst the Washington-based IFIs such as the Bank and the IMF, it became known as the 'Washington Consensus'. Centred on deregulation, privatisation, and financial and trade liberalisation, neoliberalism put faith in the power of the market and sought to reduce the role of the state in economic affairs (Broad 2006; C-MD4). The Washington Consensus advocated liberalisation of markets, viewing the state as exacerbating the debt crisis and one of the main obstacles to economic growth, preferring a policy of state minimisation rather than confronting state problems (Sandbrook 1995: 278).

At the same time as neoliberalism was gaining popularity within the Bank and wider world, Bank senior management were becoming increasingly dissatisfied with the way in which its ad hoc project lending failed to motivate recipients to undertake macroeconomic reforms. In 1974, the IMF had created the Extended Fund Facility, which provided loans for stabilisation through structural adjustment and was geared towards medium-term development. In 1976, the IMF's "Trust Fund" was created with two key concepts; soft conditionality with a medium-term vision and a stronger, IDA-like near-zero interest rate lending for a sub-category of low-income developing countries. This was later consolidated into the 1986 Structural Adjustment Facility (SAF) and the 1987 Extended Structural Adjustment Facility (with stronger conditionality) (Polak 1994: 9). Following the example of the IMF, in the late 1970s, the Bank developed Structural Adjustment Loans (SALs) and Sectoral Adjustment Loans (SECALs) designed to give out relatively fast balance of payments loans to middle-income countries "with broad understandings on the borrowing country's general economic policies" (Polak 1994: 10; Kanbur et al. 1997: 23).

The Bank's Articles of Agreement actually only allowed non-project lending "in exceptional circumstances" so the Bank initially played down the financial role of these SALs and SECALs at first. But the Berg report in 1981, in which flawed domestic policies were blamed for the African crisis, justified the use of Bank loans as tools to leverage policy reform in line with neoliberal vision of a reduced state role. Although initially intended for middle-income countries, SALs and SECALs soon became the "fashion in-house" (Kanbur 1997: 22-23) when lending to African countries in need of assistance to battle economic stagnation. By the end of the 1980s, it was accepted that structural adjustment was a major part of the Bank's activities (Polak 1994: 10-11). Structural adjustment was focused on the mitigation of internal problems such as inflation and balance of payments deficits in order to adjust to growing debt services in the short-term and accelerate economic growth in the long-term. Initially this was done through price policies alone, but later, after conceding to critics, included institutional reform and governance components (Chege 1995: 313-314).

In order to ensure the implementation of structural adjustment, official development assistance, led by the IFIs, became conditional on policy reform measures. From the beginning, the IMF had employed conditionality as a means to ensure recipient countries undertook the 'right' policy measures to stabilise their economies. But it was not until in response to the crisis that the Bank moved into policy lending and began to use conditionality: "[p]olicies in effect became projects, with investment in economic policy-making infrastructure replacing investment in physical infrastructure" (Gilbert and Vines 2000: 22). However, conditionality differed between the Bank and the IMF. The IMF rarely had more than ten monitorable indicators of performance. All had to be met before disbursement of subsequent tranches. In contrast, by 1989 the Bank had an average of 56 conditions per SAL, many of which were general and difficult to monitor making the release of tranches subject to negotiation and judgement (Polak 1994: 14-15).

4.2.2. Developing a new electricity lending strategy

As the Bank's perspective began to change during the 1980s, so did its electricity lending, culminating in the publication in 1993 of a new lending strategy for the electricity sector as part of the Bank's wider public sector reform effort enshrining its neoliberal ideology (World Bank 1993e: 13; Caulfield 2006). The shortage of public finance for investment and growing discontent over the service provided by state-owned electric utilities led to a worldwide trend towards liberalisation of the electricity sector.

Despite an increase in Bank lending in the energy sector after the oil crisis in the 1970s, investment requirements between 1982-1992 were estimated at US$658.4bn for all developing countries, with US$173.9bn in low-income countries (World Bank 1983: 68). This was much bigger than the Bank's overall budget and, in any case, trade-offs between sectoral concerns and the poverty reduction mandate meant Bank lending for energy could not exceed 20-25% of total commitments (World Bank 1980: 71). The Bank identified the private sector as the perfect candidate to fill this investment gap (World Bank 1983: 84).

As noted in the previous section, by the late 1980s, neoliberalism, politically supported by the Reagan and Thatcher administrations, was firmly established as the Bank's prevailing economic development ideology. Neoliberalism's trust in the power of the market is closely related to privatisation, which became favoured in the Western world at a time when private finance was beginning to flourish and political leadership believed that letting private investors make choices through market mechanisms would reduce state interference and monopoly situations which are barriers to efficient and effective welfare maximisation (de Oliveira and MacKerron 1992; Turkson 2000: 157). Within the oil and gas industry, private investment had already proven successful after the energy crises in the 1970s (World Bank 1983: 84) and the UK experience with electric utility privatisation gave a working example of reform (de Oliveira and MacKerron 1992). By the late 1980s, moving the utility from government hands into the private sector was viewed as the best way to reducing its meddling. In essence, the Bank believed that "the basic sectoral problem relates to undue government interference in those day-to-day organizational and operational matters that should be under utility control" (World Bank 1993e: 33). Support of privatisation by the governments of the USA, UK and Germany, major financiers to the Bank, served to amplify Bank acceptance of a reduction in state-led development. From the Bank's point of view, electricity was no longer a public good, but a private commodity. Therefore, any prioritising of social equity issues such as increased access and rural electrification merely perpetuated the notion of cheap electricity, increasing the burden on the national coffers (World Bank 1993e: 32).

During the 1970s, governments in developing countries maintained their pursuit of social and political agendas despite escalating costs of electricity production. Whilst heavy, continuous subsidies ensured these costs were not passed on to the customer, utilities spiralled into debt and crucial investments in maintenance were postponed leading to measures such as electricity rationing and the general degradation of service and infrastructure (de Oliveira and MacKerron 1992). By the 1990s, the electricity sectors of most Sub-Saharan African countries were marred by insolvency and technical and organisational inefficiency (Tellam 2000: 6).

In the early 1980s, the Bank's continued involvement in the energy sector was justified on the basis of the "priority that the…sector has in the overall adjustment process for many developing countries" (World Bank 1983: xxii). Bank support was expected to catalyse private investment, but restructuring and privatisation was not mentioned (World Bank 1983: 89). The Bank focused its investments on improving planning and efficiency and, with the United Nations Development Programme (UNDP), set up the Energy Sector Management Assistance Programme (ESMAP) to assist oil-importing countries to devise policies and programmes for energy development, including exploitation of alternative energy resources such as hydropower (Collier 1984: 127-128).

However, towards the end of the 1980s, continuing decline in utility performance, married with the general trend in the Bank towards neoliberal prescriptions, led to a growing number of studies pointing to the incompetence of the state as a manager, regulator and operator of the electricity sector and the increasing burden of utilities on government resources (see Munasinghe and Saunders 1989; Churchill and Saunders

1989; Munasinghe et al. 1989; World Bank 1989; World Bank 1991).[26] The general method prescribed in these studies for reducing political interference and inefficiency in state-owned electricity companies was decentralisation and divestiture (full or partial privatisation). The authors were quick to warn against the notion that wholesale privatisation without adequate regulation (Churchill and Saunders 1989: 4; World Bank 1991: 4-5), with options such as private management contracts and private equity financing put forward. Another recommendation of these studies was the tying of aid to the precondition of increased utility autonomy (World Bank 1991: 4-5; Glen 1992: 14).

The Bank undertook an official study of its energy sector lending in 1989:

> The Bank is concerned with the overall structure and policies of a country's power sector…Bank policies encourage autonomy and participation of the private sector where appropriate. (World Bank 1989: 5)

In terms of its lending strategy, the Bank began to place greater emphasis on policy and institutional reforms and economic efficiency by lending for structural and sector adjustment aimed at improving macroeconomic or sector issues and programmes. These were to restructure capacity and increase resource mobilisation and efficiency in resource allocation (World Bank 1989: 4). Its relationship was turning into one where it would "support policies that lead to efficient development of the sector. It therefore voices concern with policies such as the role of the government, pricing, the regulatory framework, the environment, efficient usage of energy, and demand management" (World Bank 1989: 4). This was a clear indication that the Bank felt it was in control. In order to influence the direction of reforms, the Bank ensured that it was involved in the process from an early stage to guarantee key development plans were identified and followed with agreement of both partners (World Bank 1989: 7).

Official adoption of this move to conditional lending for electricity reform was acknowledged in a new lending strategy for the electricity sector, *World Bank Lending for Electric Power*, in January 1993. Table 3 below summarises the five guiding

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[26] The Bank's Energy Sector working papers series, numbers 106-111 were all on energy. The 14 IFC discussion papers prior to Discussion Paper 15 were all focused on private sector participation (Glen 1992).

principles in the Bank's 1993 policy document outlining its strategy for electricity reform.

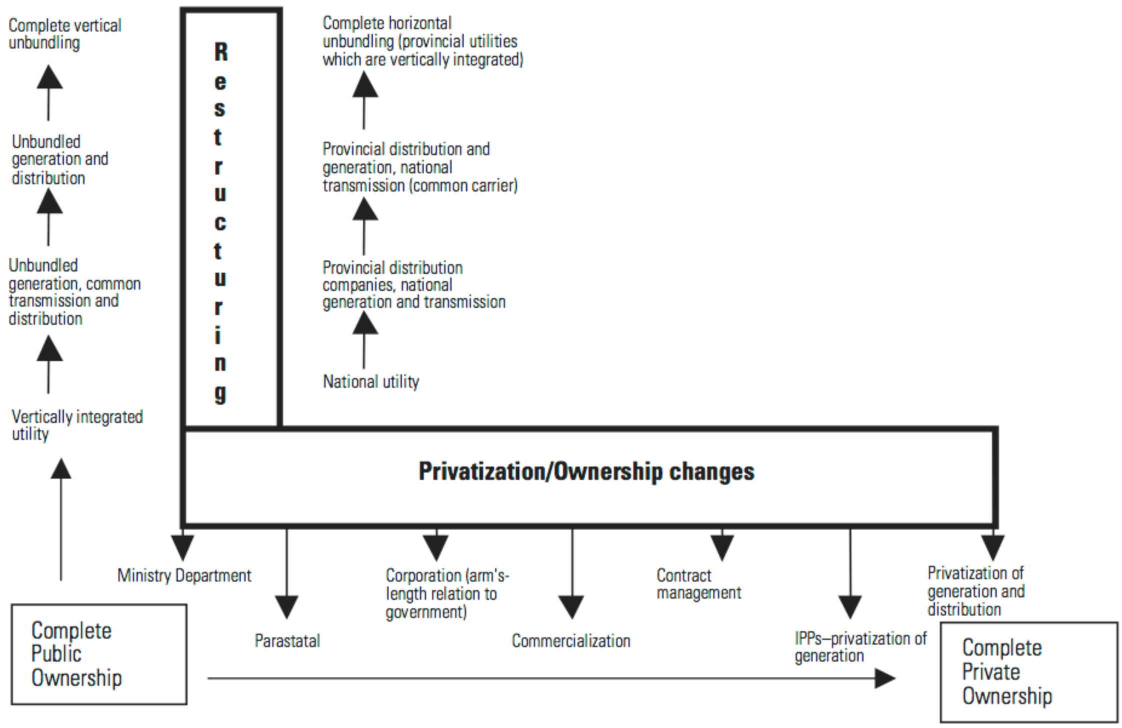
Table 3. The Bank's guiding principles for electricity sector lending

Transparent Regulatory Process	A requirement for all power lending will be explicit country movement toward the establishment of a legal framework and regulatory processes satisfactory to the Bank….the Bank will require countries to set up transparent regulatory processes that are clearly independent of power suppliers and that avoid government interference in day-to-day power company operations (whether the company is privately or publicly owned).
Importation of Services	In some of the least developed countries, where there are weak public and private sectors, a relative lack of market forces, and undeveloped capital markets, an early step in bringing about power-sector reform and increasing sector-management efficiency will be to bring local, developed-country, or more advanced developing-country electric power services into the sector.
Commercialization and Corporatization	The Bank will aggressively pursue the commercialization and corporatization of, and private sector participation in, developing-country power sectors.
Private Investment	To encourage private investment in the power sector, the Bank will use some of its financial resources to support programs that facilitate the involvement of private investors.
Commitment Lending	The Bank will focus lending for electric power on those countries with a clear commitment to improving sector performance in line with the above principles.

Source: World Bank (1993e: 14-18)

Although the guidelines given in the Bank's policy document suggested myriad possible routes to reform, three main components can be identified; the unbundling of vertically integrated state monopolies into separate generation, transmission and distribution entities; the commercialisation/privatisation of these entities; and, if possible, the facilitation of competition through horizontal unbundling (Turkson 2000: 6-8). Figure 2 shows different phases within the three components. During the process of vertical unbundling, the vertically integrated utility is split into constituent parts; generation, transmission and distribution. Typically, generation is the first to be separated as it still allows transmission, a natural monopoly given the infrastructure set-up, and distribution to be handled together. Privatisation of a national public utility is complete when ownership is fully transferred to the private sector. There are a number of pit stops on the way to achieving this, including corporatisation and commercialisation of national utility, public-private partnerships through management contracts and privatisation of certain vertically unbundled components. Finally, horizontal unbundling involves the creation of multiple utilities within constituent parts (generation, transmission and distribution), either with regional concession areas or in competition with one another. All components require careful regulation to ensure that incomplete unbundling does not lead to abuse, and to lower risk thus creating conditions favourable to private investment. Therefore, the creation of a regulatory body counts as a fourth key component (World Bank OED 2003).

Figure 2. Electricity reform through unbundling and privatisation



Source: World Bank OED (2003: 8)

Whilst varying in pace, degree and order, these components combined to form a ‘conventional wisdom’ on how reforms should be implemented (Wamukonya 2003: 1274). Figure 2 offers a graphical representation of how many options existed within a single conventional wisdom. Although countries attempted to take reform paths tailored to their local context, different reform paths across countries merely represented slight variations on a theme; the choice of route was limited and end results were expected to conform to the neoliberal model. Whilst financing and implementation of reforms came from other sources, the Bank’s self-proclaimed monopoly on development knowledge has led to arguments of a one-size-fits-all policy propagated by the Bank as it tried to copy a reform process based upon the experience of developed countries, in particular the UK (Barnett 1993; Harrison 2001; Xu 2005; 2006; C-MD4). The countries themselves were often very limited in their understanding and capacity with regards to how to rectify issues in the sector (C-MD3; C-MD6). Whilst this argument has some merit, it is too simplistic to lay all the blame for the pursuit of an inflexible reform model on the Bank.

The Bank's lending strategy and accompanying documents gave ample warning that different countries had different starting points (and hence institutional histories and capabilities). In theory, it clearly acknowledged that choice, timing and sequencing of reform options within the general array of reform alternatives should be carefully tailored to country situations and the level of domestic commitment to the programme (World Bank 1993e; World Bank 1993d; Besant-Jones 1993; C-MD4). But in many cases, Bank staff did not have the technical expertise required to adapt the reform model to the local context, or they depended on the advice of consultants who often failed to appreciate local needs (C-MD7, C-MD4; Covarrubius 1996: 60).

Considering the range in staff ability, experience and viewpoint, what happened in practice cannot be attributed to dogmatic Bank policy alone, pursued at all costs. Contrary to the common perception of a one-size-fits-all model, it is much more accurate to view the Bank's policy as a one-shop-fits-all model. Each participant is given the task of dressing up for the same party (improve sector efficiency) but they are only allowed to buy clothing at one shop. Inside the shop there are different outfits in different sizes (reform options). Different participants will look good – and believe they look good – in different things according to their shape, size, natural look, etc. (different starting conditions and different perceptions of concepts such as efficiency, etc.), so participants are encouraged to pick and choose the particular outfit that suits them (no universal application).

As noted by Gratwick and Eberhard (2008), a number of factors had an impact: knowledge and experience of Bank staff, study tour choice, eager-to-please consultants[27] and recipient expectation of what the Bank wanted from them. And so continuing the metaphor, the Bank was the shop assistant, giving advice to participants on how they looked in different outfits. A seasoned professional in the fashion world might be able to judge what looks best, and indeed, some participants might have brought along their own friends who understand fashion or who know the preferences of the participant (local consultants/experts). But in some cases, there will be no friends helping and the shop assistant might not have the expertise to make an informed decision. Instead they might just choose the option they have heard is the latest fashion regardless of whether it suits the participant and do so for every participant who comes into the shop and asks for advice. Co-workers of the shop assistant (international consultants) might try to help in the hope of sharing the commission made on a sale, but on hearing the assistant's recommendation they will merely endorse it because they are keen not to offend the assistant in order to get asked back to help later. An example of this was electricity reform in the state of Orissa in India where the Bank made assistance in the sector conditional on reform. The Bank provided "moral and material support" (Xu 2005: 660) and a consortium of international consultants from the UK, Canada and the USA did nearly all the design work (Xu 2005: 661). The template for reform was the UK model. Keen to appease the Bank, the government of Orissa went for wholesale reform, beyond what the Bank had actually expected (Xu 2005; Bhattacharyya 2007).

As discussed in Section 1.1.2 efforts to reform the electricity sector in Sub-Saharan Africa were slow and lagged far behind other regions. The challenge in convincing governments to reform was appreciated from the start. Debate on the issue of restructuring and diminishing the role of the state in such a central sector within the national economy was marred by vested interests and political manipulation. On top of this:

> Convincing [Sub-Saharan African] countries to change their modus operandi after condoning it, for decades in some instances, [was] difficult, and a good design does not guarantee commitment on the borrower's part. (Covarrubius 1996: 71)

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[27] See Ostrom et al. (2001: xxv) for a similar experience with consulting firms funded by SIDA.

An ESMAP symposium entitled Power Sector Reform and Efficiency Improvement in Sub-Saharan Africa was held in December 1995 in an attempt to discuss how countries in Sub-Saharan Africa might join the reform path (ESMAP 1996). Recommendations included the need for 'home-grown' solutions, regional interconnection, foreign financing, targeted subsidies and tariff setting and utility management independent of government. In a Bank working paper, Covarrubius (1996: 6-7) further recommended that the Bank and other financiers take the lead on promoting reform, warning that until reforms happen, guarantees to private investors will be costly:

> The Bank should nurture [Sub-Saharan African] borrower ownership of its new sector policy principles, of institutional development programs to support the reforms, and of the delivery of technical assistance by locals and expatriates. Effective dissemination of good practice and build-up of stake- holders' support of reform should be an integral part of project preparation. (Covarrubius 1996: 6-7)

The Bank's idea of nurturing ownership was to include reform policy conditions in nearly all loans to African countries for electricity sector activities from the mid-1990s onwards. At this point electricity lending was under the auspices of the Bank's Private Sector and Infrastructure Vice-Presidency and in many cases lending for electricity reform was actually done under the auspices of private sector development credits managed by the highly influential and ideologically driven Private Sector Development (PSD) Group within the Bank with the energy team providing a supporting role.

4.3. A post-Washington Consensus?

This section offers insight into the recent 'paradigm change' within the Bank: from adjustment to the Comprehensive Development Framework (CDF). Unlike during the change from planning to adjustment, the neoliberal underpinnings of the Washington Consensus have not been refuted. This section discusses the impact of recent discourse and reform experience on the Bank's electricity lending.

4.3.1. Revamping the Bank's structure and activities

Towards the turn of the century, descriptions of Sub-Saharan Africa such as a "Fourth World" (Amin 2007: 2037) and 'underdevelopment's last stand' (Chege 1995: 310), clearly pointed to the continuing development dilemma in the region (Dollar and

Easterly 1999). Even one of Sub-Saharan Africa's best success stories, Ghana, still remained, like much of the rest of the region, as poor in per capita terms as it was at the beginning of the 1970s. The region continued to suffer from consistently declining growth despite receiving huge sums of financial aid. Economic reform to counter this – conditions of structural adjustment loans – was sluggish and irregular with no increase in investment, stability dependent on external resources, continually widening balance of payments deficit and minimal improvement in human welfare (Chege 1995: 309-310; van de Walle 2001: 6-7). In fact, Mosley et al. (1991: 135) estimate that roughly forty percent of conditional reform policies during the 1980s were never actually implemented, and suggest this trend continued throughout the 1990s.

The growing concern over the failure of the 'adjustment' paradigm, especially in Sub-Saharan Africa led to calls for a new paradigm of development assistance and a move away from the Washington Consensus (Rodrik 2006). This was paralleled by queries over the Bank's relevance as the leading development institution in the new post-Cold War globalised world, especially considering its unwieldy bureaucratic structure (Burki 2001). In order to address the continuing challenge of development, the Bank sought to streamline its structure and activities. The Strategic Compact in 1997 and the CDF in 1999 were key attempts to reform the Bank in these two areas respectively, resulting in a new lending instrument, the Poverty Reduction Strategy Credit, and the decentralisation of Bank staff in order to be more responsive to clients.

By the late-1990s, the Bank was suffering a serious identity crisis. Almost a third of Bank projects had been rated as having unsatisfactory outcomes, its financial toolkit appeared outdated and it risked losing its lead role in development assistance. Client countries were disgruntled with the Bank's bureaucratic procedures and rigidity and political opposition to the Bank from civil society was becoming more vocal. The world was changing but the Bank was not changing with it (World Bank 2001a: 1). Since the presidency of McNamara, the Bank had become a formidable research institution in the development field although more in terms of propagating best development practice rather than advancing theory itself (Gilbert and Vines 2000: 19). In order to capitalise on this and re-brand the Bank in such a way that it would be indispensable as an institution, in 1996 the Bank's president, James Wolfensohn, proclaimed the Bank as the 'Knowledge Bank', seemingly completing the transformation from purely a lending institution, to becoming "arguably the most prestigious and…most powerful producer…of international development knowledge" (Harrison 2001). This was followed by the launch of the Strategic Compact in April 1997, a compact between the Bank and its stakeholders to invest US$250m over 3 years to reform the Bank (World Bank 1997). It was to be "quicker, less bureaucratic, more able to respond continuously to changing client demands and global development opportunities, and more effective and efficient in achieving its main mission – reducing poverty" (World Bank 2001a: i).

One of the four priority programmes within the Strategic Compact included making the Bank more client-focused by revamping its institutional capabilities.[28] This involved decentralisation to the field of many staff, Country Directors in particular (World Bank 2001a: iii). Decentralisation is heralded as the biggest success of the Strategic Compact and succeeded in effectively challenging the image of the Bank in its ivory tower in Washington DC. By 1999, almost half its country directors and around 30% of its staff were located overseas (Weaver and Leiteritz 2005: 377-378). The Bank's own report on implementation of the Strategic Compact recommended that decentralisation be further promoted and the process of developing country assistance strategies made more inclusive in order to improve understanding of local conditions (World Bank 2001a: v).

With internal structural change underway, it was clear that a new way of lending was needed to complement the Bank's new streamlined/modernised way of working. The waves of criticism following the failure of structural adjustment induced the Bank to rethink its inflexible lending strategy (van de Walle 2001: 9). Alternative visions of development have become more widely accepted by the influential IFIs, and much of what was originally an alternative to the Washington Consensus can be said to have now been subsumed, for better or for worse, into a mainstream 'post-Washington Consensus' (Ndulu and van de Walle 1996; Rodrik 1996: 9; Pieterse 1998: 370).[29] From

[28] The four programmes were: refuelling current business activity; refocusing the development agenda; retooling the knowledge base; and revamping institutional capabilities.

[29] Contrary to this notion of consensus, many academics are suspicious of any union between alternative and mainstream development thinking suggesting confusion as a more apt descriptor than consensus (Fine 2001; Rodrik 2006). Some continue to advocate the role of alternatives to inducing growth in Africa (Sender 1999). Demands for more ownership and less conditionality (Held 2004; Ellerman 2006), contrast with

the Bank's perspective, this represents the CDF paradigm of development. This new paradigm of development assistance included some standard guiding principles: national variations, the importance of governance, sequencing and timing of reforms, strengthening of domestic institutions, local ownership of reforms, poverty alleviation and growth combination (Ndulu and van de Walle 1996: 8-13).

The actual CDF set out by the Bank in 1999 contained themes based on the perceived consensus within the development community that the goal of sustainable economic growth through neoliberal values must be coupled with social justice (World Bank 2000a: 1-2). Measures to achieve this come in all shapes and sizes: maintenance of economic stabilisation through a viable balance of payments and less reliance on outside support; increased state capacity; an attractive environment for private investment facilitated by the government; increased participation and institution building; improvement to level of human capital to enhance productive capacity through adequate remuneration of employees, employment programmes and provision of basic needs; alleviation of poverty by government promoted productivity growth in agriculture; and an outwardly-looking industrial sector development (Stewart et al. 1992: 7-8; Ndulu and van de Walle 1996: 3-4). In order to operationalise the new CDF, the Bank and the IMF took steps to develop and put in place a new lending strategy (World Bank OED 1999: l).

In December 1999, the Bank and IMF Boards approved a new approach to lending for poverty reduction based on country-authored poverty reduction strategy papers (PRSPs) (World Bank/IMF 2002: 2). This approach is espoused in the Bank's Poverty Reduction Support Credits (PRSCs), which were introduced in May 2001 in order to assist low-income countries to implement their PRSPs (Factora 2006: 47). Aimed at reinforcement of country ownership embedded in the PRSP initiative, PRSCs were designed to be programmatic, disbursed over 3-4 years with annual tranches for medium-term objectives. They provided the Bank's contribution to the emerging General Budget Support (GBS) mechanism, which offered the opportunity to harmonise the multiple flows of aid provided by various donor agencies. Run by the Bank's Poverty Reduction

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calls for increased aid and tighter controls (Stepanek 1999; Collier and Gunning 1999a). Even the 'democracy for development' cause has been challenged both theoretically and empirically (Chege 1995: 324; Leftwich 2000; van de Walle 2001: Ch6).

and Economic Management (PREM) Group, the PRSC approach consisted of gathering sector programmes and strategies under one strategic framework, thus helping to appreciate the multidimensional constraints on development. In order to align budget support, donors created a common donor matrix known as the Performance Assessment Framework (PAF). Since both the PAF and PRSC draw upon the PRSP, the PRSC framework (or policy matrix) was usually just a replica of the PAF (Factora 2006: 49-50).

The importance of PRSCs to countries in Sub-Saharan Africa is substantial. During the first four years of their existence, PRSCs made up 53% of operations and 61% of commitments for IDA, 60% of which went to Sub-Saharan Africa (Factora 2006: 47). A report in 2002 on the PRSP approach concluded four achievements: a growing sense of recipient ownership; more open dialogue; more prominence for poverty reduction in policy dialogue; and, more alignment within the donor community (World Bank/IMF 2002: 5). However, as the focus on ownership, alignment and open dialogue has increased, so too has debate over the approach (Factora 2006: 50).

On the pro-PRSC side, the policy matrix is viewed as based on a locally-owned PRSP and shared understanding of required actions derived from a negotiated process within governments. Tension is inherent in policy dialogue, but a move to ex-post conditions helps to build a good partnership by relieving tensions between country ownership and donor need for due diligence and results (Factora 2006: 51-52): as one interviewee put it, there is “a change in the body language of negotiation…there is more flexibility” (C-MD5). Further efforts by the Bank to meet country needs by becoming more programmatic and less policy specific led the Bank to publish a new operational policy statement in which privatisation, financial sector reform and public sector reform were all retired as fixed policy prescriptions in favour of tailored programmatic lending schemes based on a nationally-owned PRSP (Koeberle and Walliser 2006: 271).

However, on the anti-PRSC side, there is much cynicism about PRSPs and the Bank’s ‘new’ lending scheme. Some suggest that decentralisation has allowed implementation of the CDF through PRSCs to perpetuate the Bank’s neoliberal ideology under the guise of locally-tailored programmes (Whitfield 2005: 658-659; Fraser 2005: 336-338). Meanwhile, the difference between the ‘triggers’ and ‘targets’ in PRSC lending and the conditionality of old is not always clear (Factora 2006: 51-52, C-MD5). The Bank appears to believe that decentralisation and improvement of the process involved in designing country assistance strategies helps facilitate national ownership of PRSPs and PRSCs, whilst giving itself the opportunity to "enhance [its] …unique capacity to deliver global knowledge and expertise" (World Bank 2001a: v). But such faith is questionable for a number of reasons.

Firstly, this presupposes that in essence there is only one 'right' way of doing things, and that is enshrined as 'best practice' within the Bank's library of development knowledge and where alternative knowledge might exist, the Bank's 'global knowledge and expertise' is superior – or at least dominant. Secondly, despite internal contradictions, there is "a strong process of mutual reinforcement in Bank-related literature" (Harrison 2001: 532), and such shallow discourse arguably perpetuates a 'myth of ownership' (Harrison 2001: 541-542). This suggests governments are given control, but only within a set of stated boundaries designed by the Bank. In its aspiration to be the "mother of all governments", Cammack (2002: 50) claims the Bank manipulates the participatory nature of its programme to secure hegemony. For instance, it has been argued that the development of microcredit projects as a 'safety net' for local communities is an attempt to gain support for neoliberal 'adjustment', because any resistance to financial sector liberalisation as a precondition to increased credit is claimed by the Bank as hindering poverty reduction (Weber 2004: 357-379). Thirdly, a well-documented method for ensuring the Bank agenda is met is treatment of its employees (Broad 2006; Wade 2002). According to Broad (2006), the hiring, promotion, selective enforcement rules, discouragement of dissonant discourse, manipulation of data, and external projection are all part and parcel of the Bank's staff control programme. Wade (1997, 2002) identifies these collective activities as 'paradigm maintenance', an institutional force that ensures all staff activities remain in line with the neoliberal economic ideology that continues to underpin much of the Bank's work.

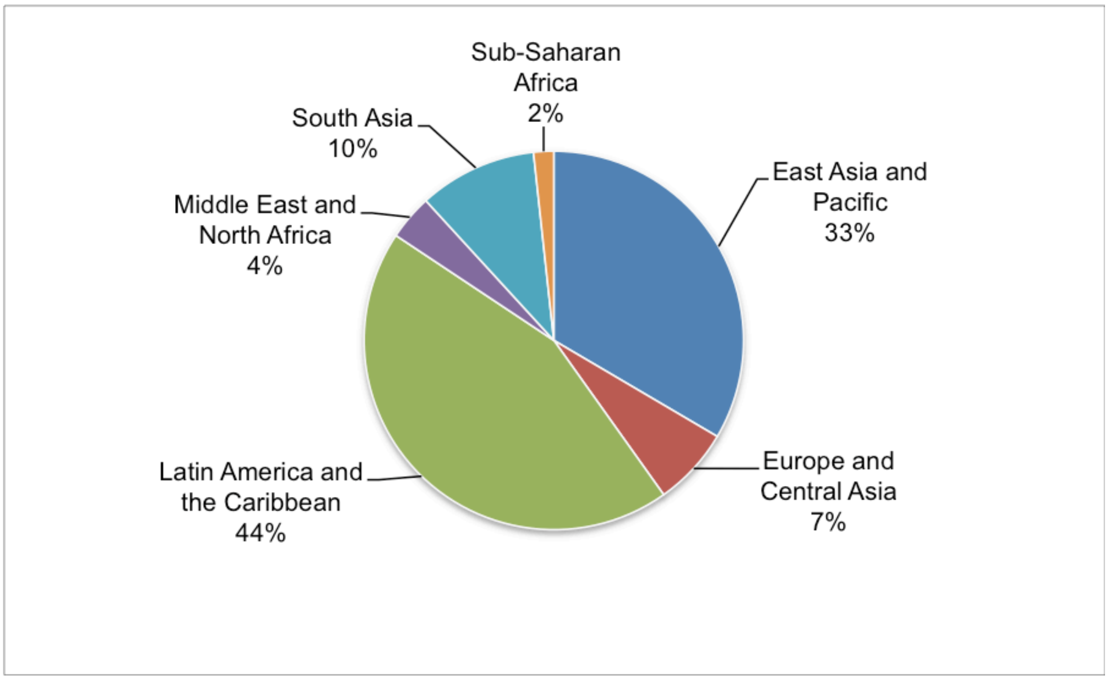
4.3.2. Rethinking reform and electricity sector lending within the Bank

By the late 1990s, a handful of African countries had embarked on the path to reform and many others were in the process of considering reform (Bacon and Besant-Jones

2002: 6). At the same time, declining private sector investment in developing countries and wider questions about effectiveness of aid in achieving poverty reduction led to a rethink of the Bank's electricity sector and infrastructure lending strategy. The change in the Bank's overall lending strategy and thinking led to a flexibility within the electricity sector, albeit retaining much of its neoliberal underpinnings. This flexibility within the confines of neoliberalism can arguably be thought of as the essence of the post-Washington consensus.

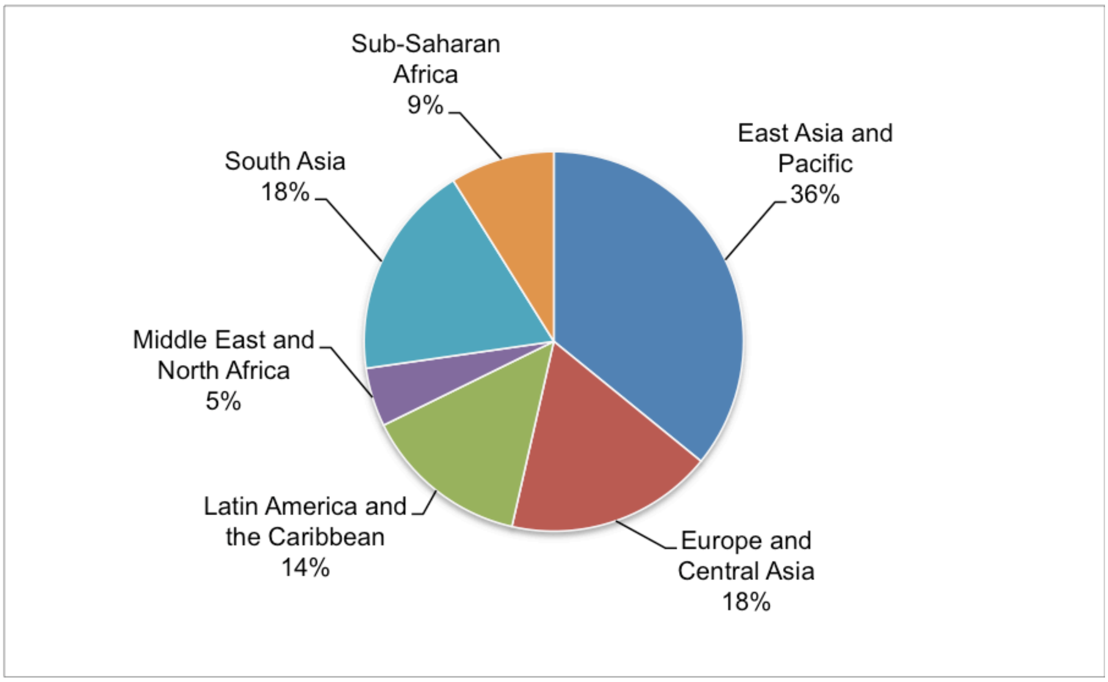
One of the main aims of the Bank's electricity reform policy had been to move the supply of electricity into the realm of the market by placing the utility management into private hands, open it up to competition and private investment and create the relevant regulatory mechanisms to ensure all this was done fairly and effectively. After the publication of its strategy for electricity sector reform, private investment in electricity projects in the developing world increased through most of the 1990s, most notably in Latin America and the Caribbean and East Asia and the Pacific regions. Sub-Saharan Africa, on the other hand, fared poorly in terms of private investment, the region's high-risk reputation leaving it unattractive to hungry investors (see Figures 3 and 4). After the 1997 Asian financial crisis, private investors became even more risk averse and global funding in electricity dropped sharply: from US$46 billion in 1997 to less than US$15billion in 1999, albeit recovering to US$30 billion in 2000. Although the crisis resulted in no significant drop in already low levels of private investment in Sub-Saharan Africa, the initial argument that reform would lead to private investment was no longer credible. As a result, opposition to reform grew.

Figure 3. Global distribution of private investment in electricity, 1990-2000



Source: PPIAF/World Bank (2010)

Figure 4. Global distribution of World Bank investment in electricity, 1990-2000[30]



Source: World Bank (2010)

[30] Data were taken from World Bank projects database using their advanced search criteria. Data included IDA and IBRD loans (grants were omitted) for projects in the Power sector (as defined by the Bank's search criteria) approved between January 1990 and December 2000 inclusive.

Attempts at reform in Sub-Saharan Africa under the conditions of low private investment opened up a huge funding gap as nothing replaced declining donor support. This worsened the existing financial and technical crises affecting most electric utilities, particularly in transmission and distribution sub-sectors. Of the private investment in electricity that did occur between 1990 and 2005 in Sub-Saharan Africa, 73% of it (63% of projects) was in generation. Private sector investment in transmission and distribution, areas in dire need of rehabilitation and expansion, accounted for only 27%. Meanwhile, any indication that a country was planning to reform its electricity sector often opened the doorway for many bilateral donors, already facing pressure from home to focus on lending in more socially-oriented sectors (such as education, health, governance), to reduce funding for the electricity sector (C-MD3).

Meanwhile stark figures for access levels, such as two billion people without access to electricity (World Bank 2000b: 19), could not be ignored. It was clear that the poor were gaining little from reform since access expansion had been essentially driven out by the need to commercialise. Focusing on industrial areas in order to achieve economic growth, at the expense of rural areas, had been the initial priority of the Bank's reform model (World Bank 1989: 24-25; Covarrubius 1996: 2). However, the slow pace of reform meant that it was no longer acceptable to wait for full reform before addressing poverty reduction in the form of access expansion. Even had private investment materialised, there was acknowledgement that it would only focus on urban areas. Whilst many maintained that the neoliberal model worked as long as it was implemented properly (ESMAP 2000; Brook and Smith 2001; Karekezi and Kimani 2002; Kessides 2004), growing concern over the ability of the Bank's private sector development strategy to match its dual agenda of poverty reduction and access to infrastructure services by the poor filtered through (Powell and Starks 2000; World Bank OED 2001; C-MD4).

Concern from outside the Bank over declining private sector investment, the importance of meeting access needs and general aid effectiveness was paralleled by dissent from within the Bank, which slowly began to filter up into the purview of senior management (C-MD2; C-MD4). The objectives of the Private Sector Development group had, for many years, been given priority over sectoral concerns and any opposing views held by Bank employees had usually been suppressed (C-MD9). The pervasiveness of such 'paradigm maintenance' throughout the Bank was made apparent by a leaked memo from Wolfensohn in 2001 in which he stated that external criticism of the Bank by staff could be taken as a desire to leave the institutional fold (The Guardian 2001; Wilks 2001; Weaver 2003: 129). Despite this, Bank staff, informally supported by management, continued to help countries access concessional lending and senior management within the Bank was eventually forced to rethink the organisations lending strategy for the electricity sector (C-MD4).

Accumulating a critical mass of reform experience from staff on the ground was an important element in the lead-up to this rethink, an element made easier by the rehabilitation of the Private Sector and Infrastructure Vice Presidency at the turn of the century. Appointed as Vice President of this section in 1999, Nemat Shafik described the situation she inherited as:

> …something that reminded me of the Ottoman Empire – a loose confederation of fiefdoms paying token allegiance to the leader but with no coherent strategy, synergy or approach to operational delivery (Mercer 2007).

Energy activities had previously been based within sub-regional infrastructure departments: knowledge sharing was confined within different infrastructure sectors in the same sub-region. In order to facilitate more sectoral cross-pollination, a regional sector strategy was developed so that all energy lending within a region was on the same page and that information could be shared among energy activities in that region (Mercer 2007; World Bank 1989: 7; C-MD9).

By 2001, the concern amongst operational staff over the effectiveness of the Bank's infrastructure lending policy was being echoed by some senior management figures. In a speech that year, Bank President James Wolfensohn (2001) proclaimed:

> Unless we deal with the infrastructure issues, there is no way that we get to the human requirements and no way that we can satisfy the issues of poverty…the rhetoric of people, the rhetoric of social demands, the rhetoric of poverty is also the rhetoric of infrastructure.

By 2003, Shengman Zhang, the Bank's Managing Director at the time, made it clear in an interview for an in-house Bank newsletter, *Transition*, that infrastructure was back on the Bank's agenda (World Bank 2003a; World Bank 2004a). With infrastructure on the Bank's agenda at the highest level, client demand for infrastructure lending, especially from India and China, added critical pressure, particularly considering the environment in which the Bank, through its Strategic Compact, had promised to become more 'client-focused' (World Bank 2005b; Bank Information Center 2004; C-MD4; C-MD9). This coincided with the departure from the Bank of Nemat Shafik, the Vice-President for Private Sector and Infrastructure and a strong proponent of PSD (C-MD9; DFID 2009; Ideas4Development 2010).

These converging and interrelated forces culminated in the further restructuring of the Bank's infrastructure activities in May 2003 through separation of the Private Sector and Infrastructure Vice Presidency into its two component parts (World Bank/IMF 2003). This was a quite clear indication that the Bank's policy on infrastructure was not simply the same as private sector participation. The move to redefine and clarify the Bank's position on public and private sector roles in infrastructure continued and in July 2003, the Bank Board of Executive Directors approved a new Infrastructure Action Plan (Bank Information Center 2004; World Bank 2005b).

In electricity specifically, the senior management requested the Operations Evaluation Department (OED)[31] study into the electricity sector guidelines and the result was the publication by the OED of Public and Private Sector Role (World Bank OED 2003; C-MD4). This document raised serious concerns over the application of a one-size-fits-all model – although noted that where applied properly and in the right conditions it had worked well. It recommended an operational guidance note be published to clarify to Bank staff the organisations position on public and private sector roles in the electricity sector. This was published in 2004 (World Bank 2004b) and two years later a mass of reform experiences and lessons learned was compiled as a Bank discussion paper by Besant-Jones (2006) to accompany this guidance note.

The change in perspective on electricity reform within the Bank mirrored a change in perspective worldwide from a 'big bang' approach to one in which countries reformed

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[31] This was the Bank's independent evaluation unit housed within the Bank. It is now known as the Independent Evaluations Group (IEG). See http://web.worldbank.org/ieg.

gradually until they reached an appropriate stage: what Sioshansi (2006) and Gratwick and Eberhard (2008) called 'hybrid' models. This new perspective acknowledged that the one-size-fits-all model based upon the experience of the UK, and to some extent the USA and Chile, was largely connected to the availability of cheap natural gas and gas turbine technology. With these conditions no longer the case, and in any case irrelevant for countries with smaller systems dependent on hydroelectricity, as was common in Sub-Saharan Africa, the model was acknowledged as inconsistent with drivers of a competitive market in these countries (C-MD4; C-MD6). Perspectives on how to regulate the electricity sector were also changing. It became clearer that the end was more important than the means. The independence of a regulatory authority was not essential as long as its operations were transparent and it was still able to function effectively. More important was ensuring that regulators who had been trained to deal with the private sector were adequately equipped to regulate SOEs after privatisation did not materialise. Also, electricity sector planning became fashionable once more and with the state being acknowledged as having a key role to play (C-MD2; C-MD7).

With views on reform paths being more flexible, other agendas filtered through into Bank activities in the electricity sector. The financial impact of inefficient utilities was still regarded as a danger to macroeconomic stability so the Bank's Board saw tariff increases as vital. But ownership of utility assets was no longer considered such a primary concern. Access expansion became a key component of the Bank's activities in the electricity sector and the Bank appeared keen to right the wrongs of its dogmatic private sector strategy and in rural areas off-grid supply was becoming more popular (C-MD1; C-MD4). A significant effort was made to align electricity support with the Bank's new lending mechanism, the PRSC, and staff decentralisation. Putting electricity reform into high-level dialogue was nothing new: in many countries, electricity reform had already made it into structural adjustment loans. However, reform conditions in sector lending and previous deference to the Bank's PSD Group had created some resentment amongst Bank in-country staff and local energy officials. It appears that a division of labour was agreed in which policy conditions would be included in the 'locally-owned' PRSCs, leaving sector projects/programmes to concentrate on essential technical rehabilitation projects in transmission and distribution sectors. The Bank continued to refrain from supporing new projects in the generation sub-sector as it was considered to still be attractive to the private sector. The result was a spate of projects concerned with rehabilitating and expanding electricity infrastructure with the purpose of increasing access to modern energy services. Between 2002 and 2008, 24 projects of this type were approved in 17 countries in Sub-Saharan Africa (See World Bank 2010; C-MD4).

At the same time as the Bank was moving away from a fixed idea of reform, it was also gradually decentralising its energy sector operations, in accordance with the Strategic Compact aimed at getting closer to the client. By 2007, an estimated 50% of staff in the Bank's Africa Energy Unit (AFTEG) were in the field. The extent to which decentralisation has made a difference is difficult to tell, partly because it is so recent, and partly because the technical nature of recent energy projects means that conditions are not really an issue and the project scope is fairly well-defined and necessary (C-MD5). It appears that Bank staff have mixed opinions over decentralisation. Of those interviewed, some felt it showed the Bank appreciated the issues of the political economy of reform was evidence of the Bank trying to understand country starting conditions through personal contacts in the countries (C-MD4). Others worried about staff being captured by the country as management supervision becomes diluted (C-MD8). Arguably there is still limited support at the corporate level within the Bank on how regulation and reform should be and within-case learning is limited. For example, the Bank's Implementation Completion Reports are written only a few months after projects close (C-MD6; C-MD4). It remains to be seen whether the new energy strategy currently being developed by the Bank will address these issues.

4.4. Conclusions

In this chapter I have presented the landscape within which Bank lending in the electricity sector has evolved. This evolution has closely mirrored the trends in Bank thinking more widely, partly because electricity sector lending has been such a core Bank activity. Over the first few decades of the Bank's existence, it heavily supported the development of centralised electricity systems in line with its 'planning' paradigm. The rise of neoliberalism and structural adjustment brought about a significant break from this planning era. No longer did the Bank deem electricity to be an area that government should be involved in, particularly given the deteriorating financial and technical performance shown by many electricity sectors in the developing world. The

Bank presumed the private sector was much more equipped to run the sector. Efficiency and competition would improve service delivery and bring full cost recovery at affordable prices. With this in mind, in 1993 the Bank formally made electricity reform a condition of its electricity sector lending.

Since the early 1990s, progress on electricity reform has been mixed. Some countries have reneged on initial reform plans. Others have implemented widespread reform. Many have or chosen not to embark upon any reform at all. Almost all have suffered from controversy of some kind. By the late 1990s, the effectiveness of aid was becoming a serious question amongst aid practitioner community. Internal reform within the Bank resulted in the self-proclaimed 'comprehensive development framework' paradigm. The change in thinking on electricity reform within the Bank that occurred in the early part of the new millennium was the product of this internal reform. The new thinking on electricity reform was not necessarily in line with the new paradigm, but internal reform allowed the variety of electricity reform experiences on the ground to filter upwards to senior management and for alternative electricity reform pathways to find support.

The Bank is currently developing a new energy strategy and it will be interesting to see how reform is included and how the Bank intends to work with recipients to implement its top-down strategy. With this changing landscape in mind, in the next two chapters I analyse the case of electricity reform in Tanzania and Ghana respectively.

5. Case study 1: electricity reform in Tanzania

In Chapter 2 I outlined a modified PA framework with which to analyse the process of electricity reform. Using the concepts outlined in that framework, in this chapter I investigate the relationship between the Bank and the Government of Tanzania (GoT) over the course of the electricity reform process.[32] Chapter 3 discussed how the electricity reform process could be broken down into four distinct phases comparable across cases – the build-up to reform, reform design, reform implementation and rethinking reform. This chapter follows this format to investigate electricity reform in Tanzania (see Appendix C for a chronology of the reform process in Tanzania). Section 5.1 looks at the origins of reform in Tanzania, Section 5.2 investigates how reforms were designed, Section 5.3 analyses the implementation of reforms and Section 5.4 looks at how relations have manifested themselves during the recent energy crisis and subsequent project negotiations. Section 5.5 then provides a concluding discussion.[33]

5.1. Origins of reform (1964-1992)

In this section, I look at the first phase of the electricity reform process in Tanzania. I look at the origins of reform and analyse Bank-GoT relations in the electricity sector during this time.

5.1.1. Description of the origins of reform

Until the late 1990s, the structure of Tanzania's electricity sector was dominated by a vertically integrated, state-owned monopoly utility, a situation representative of that in most developing and many developed countries (see Appendices D and E for detail of the electricity sector structure and national grid system in Tanzania). The Tanzania Electric Supply Company (TANESCO) had been established as a state-owned limited liability company in 1968, four years after national independence, and given sole

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[32] As a reminder, the concepts within this framework were *power relations*, *ownership constraints* and *knowledge asymmetry*.

[33] As a reminder, interview codenames for this chapter begin with T- followed by one of the following: MD = Multilateral donor, BD = Bilateral donor, EU = Electric utility, RA = Regulatory authority, GD = Government department, PP = Politician, CF = Consultancy firm, EI = Electric industry, IC = Industrial consumer.

responsibility for the provision of electricity to the country. As part of the wider national and international trend to undertake large projects to facilitate 'modernisation', it embarked on a series of new electricity projects to meet the increasing demand for electricity from industrial, commercial and residential sectors (TANESCO website 2007)

Domestic funding constraints led the GoT to seek support from the Bank, resulting in influential Bank involvement in lending for the energy sector in Tanzania: the Bank has played a part in every major expansion and rehabilitation project in the sector since the 1960s. In accordance with with an initial focus on project-based lending,[34] the Bank's early involvement in the electricity sector was in the form of a series of electricity projects (see Appendix F for a full list of the Bank's electricity sector projects in Tanzania). Between 1967 and 1992, the Bank approved five major electricity projects totalling US$245.2m. The projects contributed to the preparation and construction of 36MW of diesel generation plant at Ubungo Power Station in Dar es Salaam and 260MW of hydropower plant at Kidatu and Mtera. In addition the Bank financed the extension and rehabilitation of the transmission and distribution system throughout the country and various training activities. The influence of the Bank during this time was mostly project-specific. Policy conditions were not initially a feature of the Bank's lending strategy given that Bank and recipient development strategies for infrastructure provision and expansion were relatively compatible (World Bank 2010; Holtom 2005: 550). However, the Bank's move away from straightforward project lending in the 1980s and early 1990s had a significant impact on Tanzania's electricity sector and national economy as a whole.

Under the leadership of Julius Nyerere, newly independent Tanzania followed a largely socialist national development programme, characterised by large infrastructure projects, the promotion of Kiswahili as a unifying national language and the policy of

[34] Project-based lending can be thought of as lending given for specific projects that have quite easily measurable targets. As discussed earlier, the World Bank moved away from project-based lending towards what is known as policy-based lending, where lending is given for policy changes. In actual fact, policy-based lending is usually based around an actual project in a similar way to project-based lending, but also includes funding to implement policy reform/objectives related to the sector the project falls under.

'ujamaa',[35] in which rural inhabitants were forced to relocate to larger village settlements (villagisation) in order to centralise production. Early results in sectors such as education were favourable, receiving praise from the bilateral donor community, in particular the Nordic countries. But by the early 1980s, the country's 'self-reliance' project was beginning to suffer from serious political and economic corrosion, and relations with the IFIs began to sour (Barkan 1994: 20-21; Tsikata 2003: 36-44; van der Geest and Köttering 1994: 70-71; Holtom 2005: 553). In 1982, the Government agreed to a Bank SAL in an attempt to combat economic stagnation.[36] SAL conditions were based upon the Government's *National Economic Survival Plan* and those conditions unfavourable to Nyerere's policy of self-reliance were largely deflected through partial implementation. The SAL failed to resuscitate the economy and a further decline in agricultural and industrial production, combined with escalating inflation, produced a sharp drop in living standards. Nyerere's continued pursuit of the socialist project came under increasing pressure domestically and led to his eventual retirement in 1985, precipitating a shift towards IFI-endorsed liberalisation (Barkan 1994: 29; Tsikata 2003: 36-40; Holtom 2005: 554-556).

In line with a general move away from a command and control economy during the presidency of Nyerere's successor, Ali Hasan Mwinyi (1985-1995), an IMF/World Bank *Economic Recovery Plan* (ERP) was negotiated in 1986 which concentrated on structural adjustment rather than simply macroeconomic stability. The ERP was followed by an *Economic and Social Action Plan* designed to address the social dimensions of structural adjustment by consolidating the achievement of the ERP whilst improving and developing the social sector, including electricity provision (GoT/MEM 1992: 2; Mwandosya and Lunhanga 1993: 442-444; T-GD3). By the end of the 1980s, donors that were initially less inclined towards neoliberalism, such as the Nordic countries, began to align with IFI prescriptions, significantly amplifying donor leverage. Whilst the overriding concerns of the cold war had, in some cases, made donors more lenient, by the early 1990s donors became more demanding through their use of quick-

[35] Kiswahili for the practice of reciprocity by members of the same family – see Barkan (1994).

[36] Nyerere "vigorously resisted" the IFI demands for currency devaluation to increase agriculture exports, deregulation of agricultural commodities market and curtail social welfare spending to reduce state budget and privatisation or liquidisation of SOEs. He considered such demands an infringement on sovereignty (Barkan 1994: 28-29).

disbursing conditional aid (Barkan 1996: 31; Ndulu and Mwega 1996: 125; Tsikata 2003: 44).

As GoT embarked upon a neoliberal development path, not all elements of its structural adjustment efforts ran smoothly. Progress in the divestiture of state-owned enterprises (known in Tanzania as ‘parastatals’) was particularly slow (Tsikata 2003: 37; Ndulu and Mwega: 123). Under pressure from the IFIs, who were keen for widespread legitimisation of divestiture as a policy tool, the GoT undertook an appraisal of the public service in 1990, which reported the extent to which parastatals were an especially heavy burden on national finances. A series of studies and high-level seminars followed and the GoT was eventually convinced to follow the example of other countries around the world and the advice of donors, especially the Bank, by privatising these parastatals (T-MD3; T-RA2). In 1992, the Public Corporations Act was passed in Parliament, paving the way for private sector participation in areas of the Tanzanian economy previously dominated, if not wholly run, by the GoT (T-MD3; Public Corporations Act 1992). The Act initially did not signal the imminent privatisation of TANESCO because, although it legally endorsed the privatisation of all parastatals, when it was passed it was agreed that infrastructure parastatals would remain as they were until some later date (T-RA2).

Whilst the 1982 SAL and the 1986 ERP included components relating to energy, studies on how to improve sector management and planning were also being undertaken at a sector level. In 1984, the Bank’s Energy Sector Management Assessment Project (ESMAP) completed a report on the state of Tanzania’s energy sector and recommended that a dedicated Department of Energy and Petroleum Affairs be established and an official energy policy be adopted (T-GD2; ESMAP 1984: 108-109; Mwandosya and Lunhanga 1993: 444). In 1985, a new department was set up within the Ministry of Energy and Minerals (MEM) and the process of formulating a National Energy Policy was initiated. The policy was approved in 1992 and expressed a willingness to consider future reforms and private sector involvement in generation. By remaining vague, the policy appeared to match donor objectives whilst remaining non-committal (GoT/MEM 1992: 25-17; Ghanadan and Eberhard 2007: 5; Gratwick et al. 2007: 16-17; T-GD3; T-EU1).

The Public Corporations Act and the National Energy Policy, both in 1992, presented two complementary signals that the GoT was willing to consider private sector participation in the electricity sector. The Public Corporations Act bestowed upon Cabinet the power over which parastatals to privatise and an amendment in 1993 created a 'special purpose vehicle' to undertake the work – the Presidential Parastatal Sector Reform Committee (PSRC) (Public Corporations Act 1992; Public Corporations (Amendment) Act 1993).[37] As a special purpose vehicle, PSRC had a limited lifetime to carry out the task it was given and as a Presidential Commission it had direct access to the President through the Chairman, although its official line ministry was the Ministry of Planning[38] (T-CF1; Public Corporations (Amendment) Act 1993: Part V). The actual details of PSRC's work were set out in the Public Corporations Act of 1992: for each parastatal that had been 'specified'[39] by the Government for privatisation, PSRC was responsible for determining how to privatise (or liquidate if necessary) the parastatal in such a way that would maximise its value. PSRC was then expected to actually implement the process of privatisation.

The creation of PSRC was a condition of starting the Bank-funded Parastatal and Public Sector Reform Project (PPRP) negotiated between the GoT and the Bank's Private Sector Development (PSD) Group. This condition was intended to allow the GoT to demonstrate its commitment to pursuing parastatal reform (T-MD3; World Bank 1992). Interestingly, legislative approval of PSRC as the body responsible for carrying out the activities set out in the 1992 Public Corporations Act only came after approval of the Bank credit (Public Corporations (Amendment) Act 1993). With a total budget of US$41.9m, PPRP was financially smaller in comparison to capital-intensive energy sector projects. But its multi-sector scope was expected to have wider ramifications by radically changing the way the public sector worked and drastically freeing up Government resources to enable spending on poverty reduction activities (World Bank 1992). Sourced from IDA and the UK Overseas Development Administration[40]

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[37] Dissolution of PSRC was scheduled for 1999.

[38] This later became the Ministry of Planning and Economic Affairs.

[39] I will use the terms 'specify', 'specified' and 'specification' throughout this paper to refer to the Cabinet decision printed in the Government gazette to privatise a utility.

[40] In 1997, ODA became the Department for International Development (DFID). On its website, the World Bank's project documents refers to ODA as DFID to reflect this update.

(US$34.9m and US$7m respectively), the credit provided funding to strengthen PSRC's ability to facilitate the coordination and implementation of the GoT's parastatal privatisation programme, including the necessary funds to provide capacity building and everyday administrative activities.

Meanwhile, parallel negotiations were underway within the energy sector between the Bank's energy specialists and GoT. Coinciding with the Bank's newly published electricity sector lending strategy was approval in 1993 of the Power VI Project, the sixth and latest in a long line of power sector projects in Tanzania that the Bank had supported. The Power VI Project typified the move from a focus on project lending to a more complex type of project including a central project component coupled with related policy objectives. The total project cost was US$340.5m, of which the Bank provided US$200m. The project consisted of three main parts. The first part was targeted at TANESCO and involved the construction of an 180MW hydroelectric plant at Lower Kihansi and associated works, management training and technical studies. The second part was the implementation by the Zanzibar State Fuel and Power Corporation of a feasibility study, hiring of a commercial manager and purchase of prepayment meters. The third and final component focused on the Ministry of Water, Energy and Minerals (MWEM)[41] who were expected to use Power VI funds to explore ways to restructure the electricity sector to attract private sector participation and the mobilise resources to exploit the Songo Songo and Mnazi Bay gas fields (see World Bank 1993a: Schedule 2, Part H).

5.1.2. Analysis of build up to reform

It is evident that the Bank's relationship with the GoT during the decades building up to reform transformed from a simple lender-borrower relationship to something more complex in which policy conditions became coercive leverage tools with which to limit and regulate activities in the electricity sector. Although from the very start the GoT was dependent on the Bank for funds, until the early 1980s conditions were specifically project-oriented and Nyerere was successful in maintaining his development policy of

[41] Energy was housed under the Ministry of Energy and Minerals (MEM) from 1986-1991, the Ministry of Water, Energy and Minerals (MWEM) from 1991-1996 and MEM again from 1996 onwards.

self-reliance. In this sense, power relations were less about coercion and more about contractual authority in straightforward construction projects. The SAL attempted in the early 1980s was tempered by Nyerere's refusal to undertake IFI-recommended reforms, showing a reluctance to give up power over domestic policy making – Nyerere considered policy conditions as an attack on national sovereignty. At this point, the GoT does not appear to have been intellectually dependent on the Bank for policy direction. However, Nyerere's resignation in 1985 and the installation of the Mwinyi administration provided the political climate for meeting donor conditions. Although implemented under the auspices of trying to improve the country, the ERP solidified donor presence in sector and macroeconomic lending and actually allowed the Bank's intellectual influence to grow and weakened GoT's ability to resist that influence. In this sense, the Bank's power strengthened. Furthermore, by making the creation of PSRC a condition of the PPRP credit, it created a direct ally within the GoT. The increased need for alternatives to hydropower coupled with an ESMAP study illuminating low technical and financial performance within the sector left the inadequately resourced Government desperate to invest in thermal generation and rehabilitate and recapitalise the sector but completely incapable of doing so. This indicates the strength of the power relationship in favour of the Bank: dependency on the Bank for assistance left GoT with no real bargaining power when it came to negotiating the Power VI Project.

Strong ownership based upon national sovereignty was an important facet of Nyerere's policy of self-reliance. However, after his resignation this was replaced by faith within both the Bank and GoT that the adoption of an externally designed policy would result in successful implementation. In effect, GoT energy policy tended towards legitimisation of Bank policy. The drive towards parastatal reform and moves to study reform options in the electricity sector came from within the Bank. Parastatal reform was a firm condition of the Bank's SAL and PPRP credit agreements and a study of restructuring options was part of the Power VI credit. In an attempt to generate local ownership over the process of parastatal divestiture and establish a Government ally, the Bank's negotiating team from the Private Sector Development (PSD) group made conditional the creation of PSRC. Specific conditions of the PPRP credit relating to the setup of PSRC are a clear indication that the Bank felt that, given the resistance to privatisation, a separate body keen on privatisation (success being measured in divestitures) was needed. This created an isolated group within PSRC that was intellectually convinced that privatisation and private sector participation were in the interests of the country. MWEM officials, on the other hand, were rather ambivalent towards private sector participation – they were not necessarily averse to it, but had limited capacity and knowledge of how to develop and manage it. Political will to privatise parastatals did exist as indicated by the passing of legislation and it can be assumed that support came from pro-IFI officials in the Mwinyi government. However, the fact that infrastructure utilities were left off the list of parastatals to be privatised suggests widespread political support was not forthcoming and suggests many political actors were not fully convinced. Interestingly, PSRC's long delegation chain created to foster inclusive dialogue on parastatal divestiture was often a weakness, providing ample opportunity for delay.

The Bank's pervasiveness in the electricity sector initially ensured it was to all intents and purposes fully knowledgeable about GoT and TANESCO activity. However, as macro and sector policy was steered towards privatisation and liberalisation, project complexity meant monitorable conditions became the tool for gauging what was going on. Real knowledge of the policy process became more and more difficult to obtain, especially considering the variety of public sector reforms that were happening. The Bank's desire to access that knowledge was a good reason for stricter conditionality in all its lending activities. On top of this, the Bank's PSD group, although not involved in transactions, was consulted at all stages. This ensured alignment between the PSD group and PSRC, and also helped the Bank attain knowledge of how the process of divestiture was proceeding for a specific parastatal. The Bank's historical involvement in the sector meant that it held a great deal of codified knowledge on Tanzania's electricity sector within its extensive project documentation. From this mass of information and the ESMAP report, diagnosis of the key problems within the sector appeared relatively straightforward. However, tacit knowledge underlying why the problems remained was more difficult to ascertain. The Bank assumed the problem to be predominantly technical: knowledge of the sector problems clearly pointed at technical failure of the state-owned utility in a potentially competitive system (according to assumptions of neoliberal theory). As a result, the Bank pursued a technical solution. The Power VI Project outlined the treatment and it was expected that consultants would objectively recommend the right way to administer it. At this point, a timeframe was set for the completion of the restructuring study but not for any subsequent reform or mobilisation of resources to exploit Songo Songo gas fields.

5.2. Designing reform (1993-1999)

In this section I look at the second phase in the reform process: the design (or articulation) of reform.

5.2.1. Description of reform design

By the early 1990s, the Public Corporations Act and the creation of PSRC had given a reasonable indication that the GoT was committed to privatising sectors formerly dominated by the state – although, as mentioned, utilities, including energy, were not initially included (Public Corporations Act 1992; World Bank 1993b). At the same time, the 1992 National Energy Policy formally stated MEM's willingness to involve the private sector in generation (National Energy Policy, 1992; T-GD3). The Power VI credit provided funds for studies of possible options in both areas.

Exploration over the previous forty years at the Songo Songo gas field off the coast of Tanzania had resulted in commercially viable proven reserves and MEM had already indicated a willingness to involve the private sector in the exploitation of these proven natural gas reserves located along the coast of Tanzania (Gratwick et al. 2007: 22). In an effort to meet the Power VI Project objective of mobilizing resources to exploit the Songo Songo gas field, the Bank and GoT started to look for investors to develop, construct and operate the gas field at Songo Songo, a pipeline to Dar es Salaam and generating facilities at the existing Ubungo plant. Proposals for a Bank-led Songo Songo Gas Development and Power Generation Project (hereafter, the Songo Songo Project) began to emerge in the early 1990s. Eventually costing US$296m, the project was large, expensive and complex. Moreover, it involved the creation of a new independent power producer (IPP), Songas (World Bank 2001b).

However, as negotiations gained momentum the development of a second IPP project generated considerable controversy.[42] In November 1994, as additional equity partners in the Songo Songo Project were being considered and a multitude of different contracts to suit each partner were being drafted, Tanzania was hit by a serious drought. Under pressure to relieve electricity shortages and reluctant to wait for negotiations to conclude, MEM began to seek additional emergency generation capacity at the Ubungo plant in Dar es Salaam (Gratwick et al. 2007: 24; T-EU2; T-GD4). A proposal was submitted to the GoT by Independent Power Tanzania Limited (IPTL) – a South-South collaboration between Mechmar of Malaysia (holding a 70% share) and VIP Engineering Limited of Tanzania (holding a 30% share). Both IPTL and GoT agreed the project could not meet the emergency electricity deadline of mid-1995, but the proposal was accepted as a possible long-term option. And so in May 1995 they signed a Power Purchase Agreement (PPA) to supply 100MW using slow-speed diesel generators under the expectation the generators would be converted to run on natural gas once the piped gas supply from Songo Songo was ready (Gratwick et al. 2007: 24-25).

Reaction to this alternative IPP deal by Songas investors and the Bank was severe: in the words of MEM's Permanent Secretary at the time, "the World Bank raised hell with IPTL" (T-GD3). Concern over the transparency of the procurement process and the impact another IPP would have on TANESCO's ability to keep up with capacity charge payments to Songas was compounded by misgivings over the need for extra capacity and technology choice. A distinct lack of knowledge about the exact terms of the deal only served to raise the tension further (C-MD8; T-GD2; T-MD2; T-GD3; T-GD4).

In 1997, fears over IPTL became reality as contractual issues arose. During financing arrangements it was noted that IPTL intended to install medium-speed diesel generators rather than slow-speed as specified in the original PPA. Government negotiators believed this modification would bring about a reduction in project cost because the former were typically cheaper than the latter but IPTL disagreed, maintaining that the project cost would remain the same. Wary of this dispute, the Bank put Songo Songo Project negotiations on hold and in 1998, the GoT, with the help of the IMF and Bank, requested international arbitration according to the guidelines laid out in the original

[42] For an extensive analysis of the development and performance of IPPs in Tanzania see Gratwick et al. (2007). For an overview of IPP experiences in Africa more generally see Gratwick and Eberhard (2008).

PPA (T-MD2; C-MD8; Gratwick et al. 2007: 27-28). Although the Bank did not make termination of the IPTL deal a formal precondition of Songo Songo Project approval – that would have been a serious infringement on sovereignty – its vocal concern about the situation suggests greater clarity about the IPTL deal was an informal condition. The postponement of negotiations was a clear punishment for non-compliance (C-MD8; World Bank 1998b: Attachment 1, Item 20). Once arbitration was under way in 1999, Songo Songo negotiations resumed, and after successful arbitration in 2001, where a reduction in cost was achieved, the Songo Songo Project was approved. In 2002, IPTL came online and in 2004, Songas first started producing electricity from gas (T-MD2; Gratwick et al. 2007: 12-13; Songas 2010).

Around the same time as Songo Songo Project negotiations were ongoing, Power VI funds were being used to assess options for restructuring and privatising TANESCO. The process was very much led by the Bank: the Power VI Credit Agreement clearly stated the conditions under which a study of privatisation options should be undertaken and, following Bank approval, recommendations implemented (World Bank 1993a: Section 3.03b). The following statement by an MWEM official at the time indicates how the Bank attempted to dress up conditions in persuasive language:

> The Bank came and said 'gentlemen, [reform] is happening elsewhere and we'd like you to achieve [it]. With good policies, the economy will grow, TANESCO will strengthen and the Government will be spared funds': I would say it was [our] marching orders. (T-GD1)

In 1995, Electricity Sector Board International (ESBI) of Ireland and Price Waterhouse were engaged under the Power VI project to study restructuring and privatisation options and their final report, *Proposals for Power Sector Restructuring in Tanzania*, was published in April 1996 (African Development Fund 2007: Annex 16; Coopers and Lybrand 1998: 11). The report questioned the appropriateness of privatisation, recommending a variety of alternative restructuring options including retaining vertical integration and state ownership until technical and financial turnaround of its operations made it attractive to potential private buyers (T-GD1; Coopers and Lybrand 1998: 11). Not surprisingly, the report "generated considerable debate" (Coopers and Lybrand 1998: 11). As far as the Bank was concerned these recommendations were not in line with its own reform strategy and therefore unacceptable. The Bank's Implementation Completion Report (World Bank 2003d: 21) for the Power VI Project states that:

> The project completed the restructuring study but found it inadequate for deciding on how to restructure the electricity sector in Tanzania and privatize Tanesco. There were two reasons for this. Firstly, the justification for recommendations was weak and there was no realistic strategy for attracting private sector investment. Secondly, it did not evaluate the option of separating [TANESCO's] generation function from its transmission and distribution functions, allowing it to compete with the Independent Power Producers for generation contracts with the transmission and distribution companies.

Having very little experience of dealing with the private sector – and that little bit they did have being confined to those few officials involved in the Songo Songo Project negotiations – MEM officials essentially agreed with the Bank's evaluation (T-GD1; T-GD3). With no basis for comparison, they had limited knowledge to do otherwise: "we were at the mercy of the Bank – when the Bank said here's the roadmap, we did not have anything to compare with so thought maybe they were right" (T-GD1). Supportive of the general trend to remove the state from business activities, the donor community endorsed the Bank's decision to ignore the report.

As a result of Bank pressure to dismiss the ESBI-Price Waterhouse report, the GoT continued along the Bank-prepared path to TANESCO privatisation. After the decision to privatise all parastatals under the Public Corporations Act of 1992 using PSRC as a vehicle, the so-called 'strategic' parastatals in utilities, infrastructure and banking were initially given a temporary reprieve because of fierce opposition in the Cabinet and Parliament. However, by mid-1990s, donor discussions, persistent load-shedding and the existing policy basis had helped to convince the GoT to include these strategic parastatals on the list of entities to be privatised (T-GD3; T-MD2). Since the establishment of PSRC, the Bank's PSD Group had continued to push for the privatisation of infrastructure utilities in a bid to align the GoT with its own macro and sector policy objectives. Attempts at performance contracts as a way to provide better monitoring had proved ineffective and bouts of load-shedding in 1992, 1994/5 and 1997 increased the perception amongst policy makers that the electric utility in public hands was inefficient and unable to plan properly. Given that the Public Corporations Act of 1992 had legitimised the privatisation of all public corporations meaning that the legal and policy framework was already in place, all that was needed was a Cabinet decision (T-RA2; T-GD3; T-MD2).

In August 1997, TANESCO was 'specified' for privatisation (T-GD3). [43] Although the Board was involved in the decision, TANESCO employees, including the senior management, were apparently only made aware as a result of reading the news in the GoT newspaper. Such limited stakeholder input left many with the impression that the decision was imposed and ownership minimal (T-GD5, T-GD1, T-EU1; T-MD2). However, as far as the Bank was concerned, the decision to privatise was sufficient evidence of government "ownership" (World Bank 1999c: 18), although it did identify the risk of wavering on such a commitment as "substantial" (World Bank 1999c: 26).

The impact of specifying TANESCO was to put it under the 'receivership'[44] of PSRC and place responsibility for preparing the sale of the utility in the hands of PSRC's Divestiture Technical Team (DTT). Whilst under receivership, no major investments in TANESCO could be made without clearance from PSRC, the reason being two-fold: to avoid any value added through additional government spending being inherited, not by GoT, but by the private sector (T-MD2) and to prevent the Board of TANESCO from entering into transactions harmful to the sale of the utility (T-CF1). The response within the donor community to specification of TANESCO was to cut back on funding. Competing demands on budgeting and accountability already created a bias amongst donors towards socially-oriented lending in line with their poverty reduction mandates. Under the expectation that the TANESCO would soon be privatised, it appears that there was an implicit understanding that no assistance to the sector should be requested from the donor community (T-EU1; T-MD2)

Although MEM was still responsible for policy issues and regulation of the sector, being under receivership also meant TANESCO being managed by non-sector experts. PSRC were funded by, and heavily under the influence of, the Bank's PSD group,

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[43] This was achieved by specifying in the Government gazette that TANESCO would be privatised. Because the 1992 Public Corporations Act legally mandated divestiture of any parastatal, specifying a specific parastatal only required Cabinet approval.

[44] I will use the term 'receivership' throughout this paper to refer to the status of TANESCO under the control of PSRC after being listed for privatisation (specified).

whose expertise lay in planning and executing sale of assets, not sector specific management (T-EU1; T-CF1). This seems to have generated a good deal of negative sentiment amongst some government and TANESCO officials, resulting in passive and often unconstructive behaviour. The TANESCO Board and senior management in particular provided significant opposition, unhappy that their decision-making power had been usurped by PSRC and greatly concerned about their own positions within the company. It would appear that scepticism of private sector participation was the result of a lack of knowledge and capacity to manage it as much as it was to do with Tanzania's socialist background. In any case, the legality of the decision provided by the Public Corporations Act meant that any disagreement had to be kept to a low grumble (T-GD3; T-MD2).

Although the ESBI-Price Waterhouse report had been discredited, it did set out a number of concepts that were built upon after TANESCO was despecified, such as the need for an independent regulatory body. In July 1997, PSRC drew up terms of reference for another study, which was undertaken by Coopers and Lybrand[45] in late 1997. The recommendations of the report, published in April 1998, were more acceptable to the Bank and MEM, advocating the procurement of two sets of consultants; one to assess possible electricity trading arrangements for the sector and the other to look at restructuring options. These consultancies were to be carried out under the auspices of PSRC (Coopers and Lybrand 1998: 10; T-GD1; T-GD3).

In order to formally recognise the overall objectives of reforming the electricity sector, PSRC and its advisors seconded from the international consultancy firm PricewaterhouseCoopers (PwC) worked together with members of MEM, the Ministry of Finance (MoF), Ministry of Planning, Ministry of Judicial and Consitutional Affairs and TANESCO to draft a *Power Sector Reform Framework* (hereafter, the reform framework) (T-CF1; T-GD1; T-GD3; Gratwick and Eberhard 2008: 3956). In order to give legitimacy to the notion of reform and help tailor the reform strategy to the

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[45] In 1998, Coopers and Lybrand merged with Price Waterhouse, co-author of the previous discarded restructuring study, to form PricewaterhouseCoopers (PwC). Incidentally, unlike ESBI-Price Waterhouse, Coopers and Lybrand chose to recommend full unbundling and the newly formed PwC went on to provide technical assistance to PSRC during the subsequent study phase.

Tanzanian context, a Bank mission in mid-1998 advocated a study tour for those involved in drafting the reform framework and in due course a SIDA-funded visit to Bolivia,[46] Argentina and Jamaica was undertaken. Upon return from the study tour, a workshop involving government and donor stakeholders was held in March 1999 to discuss the various countries' experiences and decide on the way forward. Following this, the final draft of the reform framework was presented to Cabinet (Gratwick and Eberhard 2008: 3956; World Bank 2003d: 21-22; World Bank 1998b: 2; T-CF1; T-GD2; T-GD3). Cabinet approved the reform framework in October 1999. Its key features included: better service quality for electricity consumers; improvement of the government's fiscal position; scale-up of access and affordable access; reform of tariffs to be cost effective; and formulation of responsive legal and regulative framework (T-GD1; T-GD2; T-GD3; World Bank 2001b: Annex 8).

Specification of infrastructure and utility parastatals from 1996 onwards had created the need for clear regulation of these strategic sectors. So, in parallel with the creation of the reform framework, a policy statement entitled *Competition and Industry Specific Regulation of the Utilities and Infrastructure Sector* (hereafter, the regulatory policy statement) was prepared, setting out planned regulatory structure and activities (GoT/PSRC 1999). Supported by the Bank's Project Preparation Fund, the GoT employed international regulatory consultants, Booz Allen Hamilton, to assist in drafting the policy and undertook a study tour of the USA, Panama, Chile, Australia and New Zealand to learn from their experiences (GoT/PSRC 1999: Appendix 10). The regulatory policy statement was published in 1999 and set out the plan for two independent multi-sectoral regulators (GoT/PSRC 1999). With the design of reform complete, restructuring, privatisation and a implementation of new regulatory regime was left to PSRC.

5.2.2. Analysis of reform design

The Bank initially pursued its reform strategy for the electricity sector through studies funded by the Power VI credit. These laid the groundwork for the Songo Songo generation project and the development of the reform framework under the auspices of

[46] Bolivia in particular was of a similar size and generation make-up and was the classic case of unbundling.

PSRC. Two separate relationships developed, one between the Bank's energy sector team and MEM and concerned with the complex IPP project, the other between the Bank's PSD team and PSRC and concerned with privatisation of the utility as part of a general drive to privatise parastatals. Whilst these two relationships were not isolated from each other – MEM and TANESCO were involved in PRSCs work – it is useful to treat them separately to appreciate the nuances of the Bank's lending strategies and the importance of separate but overlapping Bank agendas.

Unsurprisingly, the Bank-GoT relations during the design (or articulation) of reform retained their power asymmetry. During the development of the Songo Songo Project, the Bank's postponement of negotiations clearly points to its ability and willingness to exercise its power over the GoT. However, the fact that the GoT felt bold enough to undertake an alternative IPP project in the face of Bank discontent shows that perhaps the Bank's power was not so strong. This could be viewed is an example of the GoT attempting to show it could satisfy its own interests without needing help from the Bank, although in the end it did require assistance during the arbitration process. In the case of restructuring and privatisation of TANESCO, lack of understanding of what electricity reform should and could look like on the one hand yet the seemingly political acceptance of public sector reform on the other created an opportunity for the Bank to take control of this element of reform design through its intellectual power. Clear conditions relating to reform had been set out in the contract for the Power VI Project and the Bank's position of dominance in the Tanzanian electricity sector along with the intellectual force behind its privatisation and liberalisation drive left the GoT with little choice but to comply.

From the delay caused to Songo Songo Project negotiations by the GoT's deal with IPTL, it is clear that the Bank staff were not concerned that the drive to attract private sector participation should come from the GoT. The Bank was understandably uncomfortable with the relatively locally-owned South-South collaboration between GoT and IPTL – not because it was locally-owned but because it seemed risky. They preferred a project that had more Bank and investor control, and hence, according to their criteria, less risk. Overall, the negotiation process for the Songo Songo Project suggests the level of conviction that private investment was necessary was deep but narrow. Only three members of the GoT were heavily involved in negotiations and fully understood the IPP deal for Songas. This represents depth of ownership, but is a clear example of extremely narrow support. On the other hand, political support for private sector participation appeared broad but shallow. The policy and legislative conditions had been created suggesting there was political commitment to private sector participation in generation. However, the depth of this commitment can be considered shallow, given that external influences, such as IMF/Bank SAPs played a big part in the GoT's move to this policy: key political players being on board was not a sign of full commitment. The legacy of this has been troublesome: limited consensus amongst stakeholders (including the public) about the need for private sector participation and the lack of relevant institutions to regulate its development have resulted in more, not less, reluctance to hand over activities to the private sector. In essence, efforts to develop large scale IPPs were undertaken before the notion of private sector participation had properly matured: perhaps a case of too much, too young. Interestingly, despite Bank and investor concern, the IPTL project still went ahead after arbitration, indicating a limit to the Bank's persuasive ability. However, it must have been difficult for the Bank to argue against an IPP whilst at the same time promoting them within the sector.

With regards to privatisation, interaction between the Bank and GoT provides a good example of informal power relations at work. As during the origins of reform, the Bank continued be the driving force: it undertook advocacy activities and had outlined disbursement conditions informally, whilst wider donor discussions added pressure to an existing policy basis in the face of continual load-shedding. The decision to specify TANESCO certainly indicates political commitment to reform at the top level, but it masks a continued suspicion of reform within the political sphere and within the electricity sector. Public acceptance of the need for improvement within the energy sector gave the GoT a 'green light' to acquiesce to donor requests that might otherwise have appeared unpopular or been seen as 'giving in'. By the time TANESCO was specified for privatisation, the Power VI condition that a study be conducted to determine restructuring options had been met. But from reaction to the ESBI-Price Waterhouse study, it seems fair to suggest that the Bank was pursuing a one-shop-fits-all model of reform. Alternatives that did not include some form of privatisation were irrelevant as they did not conform to Bank lending policy, despite the fact the 1993 strategy and subsequent documents had noted the need to account for different local conditions. Conviction that reform was necessary did not lie with MEM employees – their knowledge of what might be right for the sector in terms of restructuring was fairly limited. PSRC officials, on the other hand, were highly experienced, assumed a high degree of conviction regarding the privatisation drive and were keen to get stuck into the meaty prospect of utilities. PSRC and the privatisation drive were largely controlled by the PSD group. If any grumbling existed within other Bank staff, it was kept hidden because the PSD group was prioritised within the organisation and senior managers were not keen to support dissent.

Knowledge asymmetry between the Bank and GoT was obvious to both parties during negotiations on the Songo Songo Project. Lack of knowledge about the IPTL deal was a big problem for the Bank and investors and resulted in the Bank flexing its muscles by delaying project negotiations. It was only after arbitration that they considered there to be enough ‘clarity’ to continue with negotiations. If Bank staff had been cognisant of the disputes within GoT over both IPTL and Songas, they may have reacted differently. But investors and Bank staff evidently believed they knew what was right for the sector. They considered themselves to be well-informed of what was happening in the sector and appear to have believed that the reform prescription they were pushing was appropriate. With respect to restructuring, it is clear that after the ESBI-Price Waterhouse study the GoT had very little understanding of what the sector required in terms of reform or restructuring. It is likely that the Bank was fully aware that GoT capacity was low and widespread political support was uncertain, hence the study tour. But the Bank tended to concentrate on codified knowledge of political and technocratic commitment to reform as set out in the GoT’s Letters of Development Policy (LDPs), reports and documentation. It is no surprise that tacit knowledge was lacking – Bank staff were situated in Washington and so they only really communicated with GoT officials from a distance, apart from the occasional 2-week overseas mission: codified knowledge was all they really had access to.

Overall, Bank-GoT relations under this conditional lending strategy continued much as they had done before. The Bank’s dominance in the sector and the GoT’s dependence on them for assistance was unchanged. However, this did set the scene for challenging reform implementation.

5.3. Implementing reform (2000-2005)

In this section I investigate the implementation of reform plans after the publication of the GoT's reform framework and regulatory policy statement in 1999.

5.3.1. Description of reform implementation

Implementation of reform can be separated into the implementation of the two key goals – private sector participation in generation and privatisation of TANESCO – and the implementation of necessary additional components – the creation of a regulatory authority and a dedicated rural energy institution. Having already supported the development of the reform framework and regulatory policy statement, the Bank was keen to support the work required to "achieve [reform] objectives quickly and professionally" (World Bank 1998b: 2) through the continuation of PSRC funding. In December 1999, the US$80m (US$45.9m from IDA) Privatisation and Private Sector Development Project (PPSDP) was approved by the Bank Board and the Public Corporations Act was amended to extend PSRC's lifetime and change its mandate to include developing appropriate regulation (Public Corporations (Amendment) Act 1999). PPSDP was to finance four activities: technical assistance for public enterprise divestiture; support for a debt collection programme; design and implementation of institutional framework for infrastructure and utilities regulation; and a forum for government-private sector dialogue (World Bank 1999c: 3).

Under the divestiture arm of PSRC, the DTT for TANESCO continued to operate and meet together most weeks. As recommended by Coopers and Lybrand, the services of two consortia of consultants were procured to look at the restructuring of the industry (led by Stone and Webster Consultants, Inc. from the USA) and the electricity trading arrangements and market structure (led by Mercados Energeticos from Argentina) (Stone and Webster Consultants, Inc. 2002; Mercados Energeticos 2002). Coopers and Lybrand had also proposed the commissioning of a consultant to undertake a management audit of TANESCO as part of preparatory work before restructuring consultancies began (Coopers and Lybrand 1998: Appendix C). Following this recommendation, in May 2000 consultancy firm Deloitte Touche Tohmatsu was hired to analyse the financial management performance of TANESCO. Its final report in July 2000 "highlighted shortcomings in operational efficiency and in TANESCO's commercial performance" (World Bank 2001b: 22): senior staff at TANESCO, it seemed, were good at engineering but bad at management (T-GD3). A Bank mission in August 2000 concurred with these findings and lobbied for a change in management as an interim step before privatisation in order to improve the efficiency and financial attractiveness of TANESCO. As an added incentive, SIDA offered to finance a management contract through a Bank-administered Trust Fund. In August 2001, President Mkapa agreed[47] to replace the existing TANESCO Board members and Chairman[48] and in February 2002, the winning candidate, NETGroup Solutions of South Africa, took over the management of TANESCO (World Bank 2003d: 19-20; World Bank 2001b: 22 and Annex 8; T-GD1; T-GD2; T-GD3; T-MD3; C-MD9; Gratwick and Eberhard 2008).

It was assumed, perhaps somewhat naively, that sector restructuring and the sale of TANESCO's assets would be complete in no more than two years (Coopers and Lybrand 1998: Appendix C para 11; T-MD2; T-CF1; T-GD3). However, the ambitious nature of such a project (T-MD1) and the political sensitivity of having foreigners in to do studies and manage the national utility (T-GD3) led to significant setbacks and the eventual termination of both the planned privatisation and the management contract. On the face of it, creating PSRC as a middleman between the Bank and line Ministries, such as MEM, might have seemed like a credible way to achieve local ownership (T-GD5): creating a streamlined organisation with high capacity like PSRC ensured technocratic ownership of the privatisation drive. However, ownership was confined to that organisation and a few senior figures at MEM. Furthermore, it did not help that the studies PSRC commissioned were voluminous, difficult for civil servants to understand and impractical (C-MD8; T-GD1). Moreover, allowing PRSC to usurp the lead on sector restructuring left many ministry officials resentful and unconvinced about reform, leading to a gradual erosion of political support for reform (T-GD3; C-MD8; C-MD9) Limited ownership of reform compounded existing mistrust of, and hostility towards the private sector[49] and led to a power struggle between PSRC, the Ministry of Finance,

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[47] Some interviewees claimed President Mkapa was convinced by Government officials; others implied the Bank's Country Director persuaded the President.
[48] Two thirds of the new cadre came from the private sector (World Bank 2001b: 22).
[49] This was not just confined to the electricity sector. The water sector suffered from similar problems.

MEM and TANESCO (T-CF1; T-EU1; C-MD8). As far as PRSC officials were concerned, they knew what the country needed, what was beneficial for the government and how to achieve it, whereas they felt MEM staff lacked that capacity (T-GD5; C-MD8; T-CF1). MEM staff, on the other hand, felt PSRC officials were only concerned with maximising the number of divestitures they achieved, leaving them to pick up the pieces (T-GD3). TANESCO senior management, meanwhile, wanted to maintain the status quo and were still smarting from losing control over their own investment programme (T-CF1; T-GD5; T-MD3). The lengthy bureaucracy within the divestiture process only served to amplify the delay.

The international consultants themselves, although aware that they might be trying to provide answers to the wrong questions, were not asked to question the reform model in their terms of reference (C-MD6; T-CF1; Coopers and Lybrand: Appendix A). The GoT, consultants and the Bank were all guilty of trying to implement a generic model typically associated with Bank-funded reforms (C-MD6; T-CF1). Given the experience of providing consultancy services to Bank-funded reform programmes elsewhere,[50] it is highly likely the consultants would already have a preconceived notion of what the Bank might want from sector restructuring studies.

Although the Bank was not party to DTT meetings, it had a lot of interaction with various departments and was well aware of opposition to reform (T-CF1; C-MD8). All consultancy documents and recommendations had to be approved by the Bank before they could proceed along the bureaucratic chain. The Bank would request amendments until it had "no objections" to the document. This not only allowed the Bank to ensure the terms of the credit were being met, but it provided an opportunity to monitor the GoT and keep abreast of what was going on as well as make sure its views were well known (T-GD2; T-GD5; T-EU1; C-MD9). It appears that Bank staff had noted the "bad blood" (C-MD9) between various sections of government and a lack of leadership and direction from the top (C-MD8), but they had limited knowledge about what was going on behind the scenes (C-MD8; T-GD3) therefore continuing to support the reform process seemed the most sensible option. But when senior management at the Bank then

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[50] For Mercados' portfolio, see http://www.mercadosemi.es/projects.htm#gover (accessed 2/10/09). For Stone and Webster's details, see http://www.shawgrp.com/markets/energychemicalssvcs/consulting (accessed 2/10/09).

indicated to operational staff members that tariff reform had replaced privatisation as the Bank's primary concern (see Section 4.3.2), the latter were left with the task of undoing the knot they had tied but unsure about how to go about it. In Tanzania, the result was inconsistencies in the agendas promoted by different Bank employees (C-MD9; T-GD5; T-CF1).

The shift in priority from structural reform to tariff reform was evident in the conditions set out for the use of the Songo Songo credit savings. In 2003, the GoT approached the Bank to use Songo Songo credit savings for urgent transmission and distribution work, as well as conversion of IPTL to natural gas. The credit was duly restructured to meet this request but the Bank Board would not release funds without a tariff increase being awarded (World Bank 2007b: 4). The Bank could have used this opportunity to make funds subject to structural reform, in line with the work of the ongoing PPSDP credit and the restructuring studies. Instead, making tariff reform the major condition suggests implicit acceptance within the Bank that privatisation and structural reform was no longer a priority. This is something that the GoT is likely to have noticed.

Yet despite this shift in priority, Bank staff continued to push structural reform from two angles. Firstly, in an attempt to incentivise local political commitment, a reform project to undertake the transaction after studies were complete was prepared (World Bank 2002; C-MD8) and reform conditions were included in high-level dialogue as part of the ongoing structural adjustment credits the Bank was providing to the GoT (World Bank 2001b: Annex 8). But with the myriad viewpoints amongst stakeholders, MEM's Permanent Secretary at the time claims that coercion failed to broaden commitment (T-GD3). What was needed was widespread legitimatisation of privatisation in order to avoid a backlash, but instead the ongoing, technically-focused restructuring reports submitted by the international consultants were considered justification enough and without broad support the process moved forward. As a second way of trying to get 'buy-in'[51] to reform, in 2003 the Bank's PPSDP liaison organised another study tour for members of the Government (representing MEM, MoF, Attorney General's Chambers, PSRC and the Cabinet) and TANESCO Board (T-EU1; T-CF1; C-MD8). This time the

[51] According to one Bank employee (T-MD5), "we were like a punch bag; a toothpaste tube squeeze from one end and bulging at other".

delegation, led by MEM's Permanent Secretary, went to India, Singapore and Malaysia where reform experience had not been as positive as in Latin America. It was noted that India in particular bore similar resemblance in terms of political constraints to the situation faced in Tanzania. At the same time, India's system was so huge, it made the unbundling and selling of TANESCO's component parts seem ludicrous. TANESCO was weak and small – it was felt that there was a need to wait and improve financial and technical performance first. For TANESCO Board members, the trip proved to be just the ammunition they needed to put pressure on the Government to despecify TANESCO and install a local senior management team (T-EU1; T-EU3; T-GD2; T-GD3). The countries chosen by the Bank staff member as part of the study tour appear instrumental in informing the conclusions made by the visiting delegation. One can only speculate whether or not this was a subversive tactic by the Bank to re-align their agenda without damaging relations with the GoT, especially after having advocated reform for so long.

By the time the PSRC had prepared its final recommendations, Bank efforts to secure support for reform had not succeeded and sentiment against the privatisation studies and the management contract – both seen as efforts to "sell the family silver" and change the status quo, aggravating vested interests – reached fever pitch (GoT/MEM 2004; World Bank 2003f: 2; T-CF1; World Bank 2004c: 4). A Bank-funded stakeholders' workshop in January 2004 to discuss PSRC's restructuring and reform proposals concluded:

> It was observed that, current investment atmosphere in the power sector in the World and TANESCO preparedness for privatization is not conducive for unbundling and incorporation of TANESCO….Right know [sic] privatization should not be the main agenda. Effort should be directed on improving TANESCO operational performance. (GoT/MEM 2004: 8-9)

Such a bold statement could only have been agreed upon with implicit, if not overt, Bank approval (T-GD2). Regardless of this statement, following the workshop PSRC made its restructuring recommendations to MEM in writing and high-level consultations were scheduled between the MoF and MEM to decide on the way forward (T-GD1; GoT/MEM 2004; World Bank 2004c: 4). The Bank's reform project, meanwhile, remained in limbo awaiting indication from the GoT of how they wished to proceed (T-MD1).

In 2004, whilst the decision lay with the GoT, the country suffered a drought, further adding to sector woes. At this point, the shift in Bank thinking to an emphasis on tariff reform rather than privatisation was further reinforced. Whilst the Bank continued to withhold the Songo Songo savings in the hope of leveraging at least tariff reform, if not structural reform as well, it did agree to an Emergency Power Loan to mitigate the impact of the drought. Keen to move the reform agenda forward, Bank staff hoped that conditions included in the loan agreement would instigate some movement in terms of both tariff and structural reform, but neither objectives were achieved (World Bank 2007b: 4; World Bank 2004c: 12; T-MD1). The loan "had no teeth" (T-MD1) and action on PSRC's recommendations and tariff reform remained absent, constrained by bureaucracy, behind-the-scenes manoeuvring[52] and indecision (T-CF1; C-MD8; T-GD3; T-GD5).

In 2005, whilst indecision on restructuring still remained, the management contract entered its second term, having been re-awarded after a successful first two years. However, without investment it failed to capitalise on the gains it had made and no real sustained structural improvements were achieved. Finally, in October 2005, President Mkapa took the decision to despecify TANESCO and in April 2006, NETGroup were informed that its contract would not be extended after it ended in December 2006 (Ghanadan and Eberhard 2007: 10-13; Ghanadan et al. 2007; T-BD2; T-BD3; T-MD3; T-GD1; T-GD2; T-GD3).

In parallel with its work on the privatisation of TANESCO, PSRC was also involved in the development of an appropriate regulatory setup for the sector. After PSRC's mandate was changed in 1999 to include regulation, a Regulation Technical Team (RTT) was created to implement the strategy based upon the regulatory policy statement also published that same year. The disbursement of PPSDP's regulatory component was made conditional on not only Cabinet approval of the regulatory policy statement, but also the adoption of parliamentary legislation and the creation of relevant independent regulatory bodies (World Bank 1999c: 29). In 2000, draft legislation was approved by Cabinet and, in 2001, the Energy and Water Utilities Regulatory Authority (EWURA)

[52] 2005 was an election year in Tanzania.

Act was passed. However, various compromises and deviations from the original plan set out in the 1999 policy statement led to significant delay in the disbursement of the regulatory component and creation of a regulatory authority for the electricity sector (World Bank 1999c: 22; EWURA Act 2001; T-RA2; World Bank 2007d: 3 and 34).

The sources of this delay were disgruntled Government officials, cautious Bank officials and the need for new sector legislation – a key requirement to the effective functioning of the regulatory authorities. The regulatory policy statement in 1999 called for two independent regulatory authorities to cover utilities and transport – the Tanzania Public Utility Regulatory Authority (TURA) and the Tanzania Transport Regulatory Authority (TPURA) reporting directly to the President's Office, bypassing any line/parent-Ministry (GoT/PSRC 1999: 7-9; T-RA2). Consensus over the proposed framework existed between PSRC and the Bank but line/parent-Ministries affected by regulation were not in agreement on the multi-sectoral nature of the regulators or the oversight arrangements (T-RA2; World Bank 1999c: 22). By late 2002, compromise over the multi-sectoral nature of the regulatory framework led to the separation of TURA into Energy and Water Utilities Regulatory Authority (EWURA) and the Tanzania Regulatory Authority (TCRA) and the separation of TPURA into Surface and Marine Transport Regulatory Authority (SUMATRA) and the Tanzania Civil Aviation Authority (TCAA) (World Bank 2002: 7; T-RA2).[53] However, during negotiation of the credit, the Government proposal put forward in the regulatory policy statement had been for two regulators. When this objective changed to creating six regulatory bodies the Bank refused disbursement until everything was defined in revised project documents, a gentle reminder that change required approval (T-RA2). This cannot be considered

[53] In terms of oversight, TCAA, TCRA and SUMATRA would report to the Ministry of Communications and Transport and EWURA would report to the Ministry of Water (T-RA2). In 2003, the Fair Competition Act created the FCC and FCT and operationalisation of the actual organisations. For some, this process was easier than others because organisations already fulfilled the role and just required merging or a change of name and mandate. TCRA was a merger between the Tanzania Broadcasting Commission (TBC) and Tanzania Communications Commission (TCC). SUMATRA was made up from the Tanzania Central Freight Bureau (TCFB) [and Tanzania Transport Regulatory Authority (TTRA)?] and the Tanzania Airports Authority (TAA) became the TCAA. However, the FCC, FCT and EWURA were completely new entities with no existing resources, so were given priority in the allocation of the regulatory component of the PPSDP credit.

hardcore conditionality, but it was an indication that the Bank still felt it necessary to maintain authority over GoT.

Development of sector legislation was the other cause of delay to the creation of working regulatory institutions. Effective regulation by EWURA required more than just the creation of an organisation: the regulatory policy document described the need for enabling legislation, industry specific legislation, secondary legislation and concession contracts or licenses before it could function fully (GoT/PSRC 1999: 4). The EWURA Act provided for the first but there was no Electricity Industry Law, and the existing legislation – the Electricity Ordnance of 1931 – was outdated. Without a well-defined sector act, EWURA's role within the sector could not be clarified (World Bank 2002: 7; T-BD3; T-RA1; T-RA2).[54] Responsibility for legislation was left with PSRC, who used Stone and Webster, consultants working on the restructuring of the electricity sector, to develop a draft and given Stone and Webster's focus it is not surprising that this draft, produced in 2003, was initially an Electricity Reform Act (T-BD3; World Bank 2002: 7). However, the deficiencies of current sector-wide legislation identified during the SIDA-funded National Energy Policy review, which began in 1999, led to it being broadened into a Sector Act (T-BD2; T-BD3) and from 2003, PSRC began work on sector-wide legislation until the decision to de-specify was taken in 2005. At that point, responsibility for developing the Electricity Act was passed back to MEM. Although the Sector Act was not ready, the regulatory component of the PPSDP credit was finally disbursed in 2005, and in 2006, EWURA became operational (T-RA2).

The National Energy Policy review also brought out the issue of rural access to electricity – a growing concern amongst donors, especially the Bank who saw that poverty reduction was unlikely without increased access (T-GD1; T-BD2; T-BD3). Rural energy and rural electrification had arguably been on the GoT's agenda for many decades (T-GD6; GoT/MEM 1992: 27) and reference to a dedicated institution for rural energy can be found as far back as the 1984 ESMAP report (ESMAP 1984: 104). However, it was not until the National Energy Policy review that serious efforts were put into developing these ideas further. The GoT had made clear its desire to improve

[54] The EWURA Act amended sector legislation by replacing the word Minister with EWURA. However, that gave EWURA all Ministerial responsibilities, and left none with the Minister, something that was desirable to neither party (T-RA1; T-RA2).

social electrification in its 1999 reform framework, committing itself to increasing the rural access to electricity by separating it from commercial electrification activities (World Bank 2001b: Annex 8). Following this, the Swedish government, through its development agency, SIDA, had provided financing for a review of the National Energy Policy culminating in a revised Energy Policy approved by Cabinet in 2003. During the review, it was decided that, given the planned unbundling and privatisation of TANESCO, a Government body was required to look after and promote rural energy activities (T-BD2; T-BD3; T-GD6).

In the wake of the Energy Policy review and the growing belief that a dedicated rural energy institution was required, SIDA began to support the drafting of a Rural Energy Act and establishment of a Rural Energy Agency (REA) through bilateral institutional support they were providing to MEM.[55] At the same time, the Bank began to develop a related project called Energizing Rural Transformation (ERT) and in the words of MEM's Assistant Commissioner for Energy Development at the time, the Bank "hijacked the process" (T-GD6). Content to join forces with the Bank, SIDA agreed to set up a Trust Fund with the Bank (in addition to the one it provided for the management contract) to be used for identification of grid-extension and off-grid ERT projects,[56] under the impression that, whilst ERT and bilateral Swedish support took care of the REA and distribution side of the electricity sector, the Bank would undertake its planned transmission project with Songo Songo savings (T-BD4; T-MD1; C-MD9).

But the Bank's ERT project never materialised. As was the case with Songo Songo credit savings, the major obstacle to approval of ERT was the Bank Board. Despite having been approved by the Board at the concept stage, there was increasing worry

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[55] On top of support for rural energy, this funding was aimed at building a management information system, mainstreaming gender and building capacity and was done through the procurement of ECON Consultants from Sweden and Energy for Sustainable Development Consultants from the UK. Mwakahesya, Assistant Commissioner for Energy Development at MEM at the time, coordinated this consultancy team (T-GD6).

[56] The latter were all renewable energy projects such as biofuel based on sugar or coconut waste, some gas-to-electricity projects and some mini-hydros. Solar projects were not included to avoid duplication with an existing SIDA-financed solar energy project (T-BD2; T-BD3). According to T-GD6, the Bank wanted these projects to get preferential treatment by the REA once established and be used as publicity for the REA. Meanwhile MEM had already decided to have a set of flagship projects.

over TANESCO's financial sustainability and ERT did not really address this. As a result, during negotiations for ERT, the Bank made project approval conditional on a tariff increase, the passing of legislation and the establishment of the REA within a certain time frame. Bank staff involved in negotiations knew that without a 25% tariff increase and other conditions being met it would not pass the Board (C-MD9; T-GD1; T-GD2; World Bank 2004e). According to SIDA and REA officials, these conditions "did not auger well with Government" (T-GD6) and were "inappropriate" (T-BD2; T-BD3). MEM's Permanent Secretary at the time adds to this that the IPTL arbitration, the Songo Songo Project and the NETGroup management contract took up so much of MEM's time and capacity, especially at the senior level, that ERT negotiations were never given the high level attention required to ensure they succeeded (T-GD3). Essentially, the Bank assumed it could leverage a tariff increase by expanding its involvement in the sector, mistaking stalemate for checkmate. A deadlock ensued and once the decision to de-specify was made in 2005, the whole issue of investing in the sector under ERT and Songo Songo credit savings was stalled. The delay in deciding whether or not to unbundle TANESCO was followed by the refusal by MEM to do anything before national elections at the end of 2005 (T-MD1). The elections brought in an administration with no clear interest in private sector participation. With the decision taken not to renew NETGroup's contract, the fate of TANESCO lay undecided (T-MD1; C-MD8).

5.3.2. Analysis of reform implementation

Bank-GoT relations during reform implementation suffered greatly from inconsistencies. A consistent and transparent Bank line might not have led to full implementation of the reform plan, but it may have given the GoT a fixed point upon which to base its policy decisions. Instead, Bank advice was disjointed and vested political interests in Tanzania dominated the reform agenda. The relationship during implementation was greatly affected by wider changes within the Bank resulting from a growing appreciation internally within the Bank of shortcomings in its lending strategy for, and policy advice on, reform. The impact of a long, drawn out attempt to privatise TANESCO, which had the effect of drying up all traditional donor sources of funding, further exacerbated the utility's cash-strapped, inefficient and failing technical and financial position.

The Bank's relationship with PSRC and MEM was a fairly cordial one to begin with. However, the lack of donor interest in the sector gave the Bank, as lead donor, a clear power differential during the initial stages of reform implementation, particularly during the consultancies and management contract negotiations. The GoT was in need of the bank's financial and intellectual assistance. As the drive to privatisation began to lose support within GoT, the relationship was increasingly tested. Tense personal relationships amongst Bank and Government officials added to the confusion caused by the Bank's swing from pressure to reform to pressure to increase tariffs only. In this sense, the Bank shifted the focus of its coercion to a single issue, thereby trying to put more weight behind it. This coerciveness infiltrated the fairly balanced relationship between SIDA and MEM leading to delays in the planned rural energy project.

Ownership of privatisation and the management contract was not spread evenly. It was very much a case of legitimising a Bank- and consultant-owned model. The fact that the Bank and PSRC were the drivers of reform greatly limited the potential for achieving successful implementation. Although political ownership drove the decision to instigate the management contract, an increasing lack of legitimacy and misunderstanding of its benefits weakened political support. PSRC might be viewed as the only real intellectual backers of the reform process on the Tanzanian side, but even its belief in the drive to privatisation was more legitimisation of an externally-designed process rather than real ownership of it: PSRC staff relied largely upon international consultants for sector advice. The role of consultants intent on meeting their terms of reference and by association supporting restructuring only cemented the path. This represented a very technical view of reform – a case of importing experts and letting them get on with it – and failed to acknowledge the political ill will amongst many local stakeholders at the time and the capacity for change. This does not seem to have concerned the Bank. A likely explanation is that PSRC's support of privatisation obscured (or with blind optimism and under pressure from above, Bank staff allowed it to obscure) the full extent of discontent within the GoT ranks. But Bank staff interviewed did claim to appreciate the opposition to reform. In the end, the Bank reverted to attempting to coerce the GoT into tariff reform. The GoT's decision to despecify TANESCO and terminate the NETGroup contract is a clear indication that it wanted to assert political ownership, even if it meant opposing the Bank, although the inconsistent Bank line suggests it was not fully in opposition to a reform rethink. The attempted 'buy-in' to reform essentially backfired by handing the anti-privatisation lobby further support for its cause. It is possible that Bank staff were tacitly aware that a straightforward policy u-turn would be more harmful to its reputation than a gradual change in position. If this was the case, despecification of TANESCO must be viewed less as a surprise and more as a subtly managed transition, however, this is only speculation. In general, the Bank-GoT relationship did little to encourage local ownership of reform beyond the people and organisations identified as key local allies.

Whilst the Bank caused only minimal disturbance in the process of creating EWURA, its desire to get involved in rural energy development caused significant delay. The Bank's habitual coerciveness infiltrated a fairly balanced relationship between SIDA and MEM. Local ownership of the Rural Energy Act and REA had been quite easily obtained given its political popularity. Whilst Bank support through ERT seems to have been welcomed initially by SIDA and the GoT, as conditions from other Bank negotiations seeped into the planned project it disturbed the existing local drive for reform. However, continued SIDA support after the Bank postponed ERT allowed this area of ownership to be reestablished. The regulatory setup enjoyed both strong intellectual support and broad political and technocratic backing. This was partly because the GoT adapted the initial arrangement agreed with the Bank in order to generate consensus over the configuration of the regulatory setup. Ownership of the regulatory setup might be surprising considering the lack of broad ownership of the overall privatisation drive, but this merely illuminates the diversity between simultaneous Bank-recipient relations.

With so many projects on the go, one might reasonably assume the Bank was well aware of implementation progress. But whilst the variety of projects provided multiple opportunities for monitoring and evaluation feedback, it also increased the chances for knowledge to be distorted and contradicted when brought together. Bank staff seemed to think the GoT fully supported the management contract but were completely unaware that having foreigners manage the sector would be an issue. It is safe to assume that the Bank was in agreement with the workshop conclusion – Bank staff even made a presentation showing the growing body of evidence suggesting it was no longer viable to push privatisation on people – but it still felt reform was a possibility. In essence, the

Bank was lenient because it thought GoT would eventually agree to privatise. The GoT seems to have taken this to mean that the Bank was not against the idea of retaining state-ownership. Although aware of some political barriers to reform implementation, the Bank lacked any real knowledge of what was going on behind the scenes within government. Consultancy recommendations only served to alienate many GoT officials and perpetuate an inappropriate reform model, something that the Bank did not appreciate was an issue.

5.4. Rethinking reform (2005-2008)

In this section I look at the reaction to despecification of TANESCO and how the reform process has been reconsidered in light of attempted implementation.

5.4.1. Description of reform rethink

Following the despecification of TANESCO in October 2005, in April 2006 the new administration consolidated the decision to retain control of the sector by notifying NETGroup that its contract would not be renewed at the end of the year (Ghanadan and Eberhard 2007: 10-13). Around the same time, Tanzania suffered from yet another drought, resulting in a lack of hydro generating capacity[57] negating the impact of the 2004 Emergency Power Supply loan and further deterioration of TANESCO's financial and technical position (T-BD2; T-BD3; T-BD4; T-MD1).[58] With the Bank already reluctant to approve ERT and the use of Songo Songo Project savings without significant tariff reform, uncertainty about TANESCO's future management and lack of a long-term strategy to increase sector resilience to droughts and other shocks made lending even more unlikely. The GoT's negotiating position worsened as the Bank "held them to ransom" (T-MD1), refusing to negotiate any new project until three conditions were met: progressing on resolving TANESCO's financial situation – in essence, this meant raising tariffs; deciding upon TANESCO's management; and developing a long-term electricity strategy.

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[57] At one point Songas was supplying nearly 100% of generation capacity (T-EI1; T-EI2).

[58] No connection was made between the drought and the decision not to renew NETGroup's contract.

As part of the Bank's decentralisation programme, Ralph Karhammar, a former member of SIDA's Tanzania office, was installed as resident energy specialist. It was hoped that his presence on the ground might induce some action on tariff reform. His arrival in mid-2006 coincided with the development of proposals for a financial recovery plan for TANESCO. Despite sparse details and much of it being based on assumptions that a series of politically difficult decisions, such as the conversion and buy-out of IPTL, would be taken, donors took some confidence from it and fears were somewhat assuaged (T-MD1; World Bank 2007d: 2 and 36). With the NETGroup management contract drawing to a close, the Bank wanted some clarity on how the utility would be managed going forward. Finally, in October 2006, a long-term strategy was developed, which included submission to parliament of a draft Electricity Act and operationalisation of regulatory bodies. These were stated as 'temporary progress actions' – actions to be undertaken but not yet formally based on an underlying objective of the PAF – in the Bank's Fourth Poverty Reduction Strategy Credit (PSRC-4), indicating the Bank's first move to include reform conditions in its PSRC dialogue (World Bank 2006b: 96). PRSC-4 was developed and negotiated by the Bank's Poverty Reduction and Economic Management (PREM) Group and a Bank employee at the time noted that AFTEG, the Bank's unit responsible for energy sector projects in Sub-Saharan Africa, had extremely limited involvement in the design of electricity reform conditions within the credit (C-MD8).

The long-term strategy also required some indication of how reform would proceed. Even with TANESCO under state ownership, donors were keen that efforts to reform were not simply abandoned – a clear sign that 'alternative' reform pathways were beginning to be appreciated. With this in mind, under its institutional support programme, SIDA widened the scope of services provided by ECON Consultants to MEM from working on the Electricity Act only to also drafting a reform strategy (T-GD1). Bank reluctance to engage in sector-specific negotiations with the GoT continued as it waited for all the conditions to be met – without which the Bank's Board would not approve any new project. Desperate to mitigate the impact of the drought, the GoT entered into bilateral negotiations to procure emergency electricity generation capacity (T-EU1; T-MD1).

At this point, the energy crisis hitting Tanzania began to gain increasing attention from outside the energy sector. Donors became worried that the whole grid might shut down and by mid-2006, rumours and speculation flourished amongst the media, private sector and donor community about apparent lack of Bank leadership and GoT urgency in solving the crisis (T-BD1; C-MD6). As a result, the crisis was brought forward as a 'key issue' at the annual review of General Budget Support (GBS) held in October 2006.[59] The main unifying concern expressed by donors during the GBS review was how the GoT would find the means to fund emergency generation in the short-term and stabilise the sector in the long-term. Using national budget funds, of which around half were provided by GBS, to help the 10% of the population that had access to electricity could not be justified to donors' home governments as part of their poverty reduction agenda (T-BD2; T-BD4; T-MD1). In addition, any GBS that did make its way to other sectors was expected to have reduced impact because those sectors depended on a reliable electricity supply (T-BD1). Unwilling to foot the bill, donors considered a tariff increase essential to achieving full cost recovery. However, the government was reluctant to pass on the crisis to consumers and, keen to maintain public support, argued that the tariff was already too high and that industry and consumers would not be able to pay more (T-BD4; T-IC1). At the same time, the expected October submission of the Electricity Act was delayed in order to accommodate the president's request for a full review of existing legislation (T-MD1; World Bank 2007e: 105 and 122).

During a GBS meeting in October 2006, the GoT and donors agreed to set up a joint Task Force[60] to resolve the tariff issue, get clarity on the management and agree upon a long-term sector strategy. Depsite the good intentions on both sides, the Task Force was plagued with difficulties from the outset. According to donors, low decision-making capacity and poor information and financial management within MEM and TANESCO rendered meetings uninformative and ineffective. NETGroup's contribution was limited

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[59] Key issues are those issues that are too big to be dealt with on just a sectoral level. At a sectoral level, as part of the Paris Declaration, there is a lead DP who coordinates activities in the sector and it is expected that sector reviews (annually or bi-annually) take place to review progress and address any outstanding issues, similar to the GBS annual review but on a lower level.

[60] On the donor side, the Task Force included representatives from the World Bank, SIDA, the IMF, the Dutch and also the British High Commissioner, the latter feeling the situation needed a bit more political clout than the Bank was managing to wield. On the GoT side were members of the MoF, MEM, TANESCO and Ministry of Planning.

as its representatives were preparing to leave at the end of December 2006 and their eventual departure left a power vacuum within TANESCO. In addition, there was concern amongst donors about the ability and commitment of the recently-appointed Permanent Secretary of MEM who had been moved from the Ministry of Planning by the new administration in 2006 (T-BD1; T-BD4; T-MD1; T-MD3). All of these issues were compounded by suspicion over procurement of emergency generation, which remained shrouded in secrecy. A company called Richmond had bid for the contract to procure emergency generation, but at first TANESCO refused to award them the tender. MEM then formed a committee represented by Government officials and handpicked TANESCO staff and, bypassing the official procurement channel that included TANESCO's managing director, the committee awarded the tender (T-EU1; T-BD4). Richmond refused to fulfil their contract obligations until the GoT advanced them funds to supposedly pay for transporting the generators to Tanzania. By the end of 2006, Richmond had still only provided 20MW of the 100MW emergency generation they had been contracted to supply. What eventually transpired after a special parliamentary investigation was that Richmond was owned by a publishing company in the USA and had no previous experience in electricity supply. The investigation implied that the Prime Minister and the Minister of Energy were involved in corruption and both resigned in protest Gratwick et al. 2007: 15; BBC News 2008). At the time, procurement was tacitly known to be political and out of TANESCO's hands, but donors on the Task Force felt they lacked reliable information – people either did not know or kept quiet. However, donors did note that, in order for worry over procurement not to derail the Task Force, it was contained as a discrete issue, separate from the bigger concerns of getting financial information and a tariff application together as well as ensuring EWURA could deal with it without government interference (T-BD1; T-BD4; T-MD1).

In the end, three events led to the end of the crisis and the Task Force petered out: the rains came, a domestic loan was negotiated and Dr. Idris Rashidi was appointed as Managing Director of TANESCO (T-BD1; T-BD4). Heavy rainfall in late December 2006 raised reservoir levels to almost full in a matter of weeks, relieving Government of pressure to increase tariffs. In February 2007, Cabinet approved the financial recovery plan and a US$300m domestic loan was negotiated to assist the short-term recovery of TANESCO (World Bank 2007d: 36). However, donors refused to discuss assisting with the financial recovery plan's US$1.2bn capital investment plan for TANESCO as the GoT had hoped until sector legislation and tariff reform were undertaken (World Bank 2007e: 56; T-MD1; T-GD1). According to the MoF's Commissioner for Policy Analysis, without this support there was no point continuing to meet with donors (T-GD4). Finally, the appointment of Idris Rashidi as Managing Director of TANESCO had an immediate impact on the work of the Task Force. The Governor of the Bank of Tanzania at the time and well respected within the donor community, Rashidi was home-grown and accepted within TANESCO and soon after his appointment he clarified the need for a 25-40% tariff increase (T-BD1; T-BD4; T-EU2).

By early 2007, the energy crisis was assumed to be over, TANESCO had a new management team, the financial recovery plan was in place, a 6% tariff application had been approved and a 40% tariff increase was in the pipeline (World Bank 2007d: 2). Based upon the GBS review in October 2006 and subsequent Task Force activities, the PRSC-5 approved in March 2007 aimed to maintain momentum by making implementation of the financial recovery plan and the 40% tariff increase triggers for the release of the following PRSC tranche (PRSC-6) (World Bank 2007e: 68). Submission of the Electricity Act to parliament was also included in the documentation, but its expected submission date, which had been moved to February 2007, proved premature as it was delayed amid growing tension surrounding enquiries into the Richmond deal. But despite this, having waited for TANESCO "to get back in line" (T-MD1), Bank staff finally felt comfortable enough to resume negotiations on the development of a project in the energy sector. Since remaining conditions were being taken up in the PRSCs, sector negotiations concentrated on purely technical details.

Grid rehabilitation was considered the main priority within the electricity sector: the 2004 and 2006 energy crises had brought to the fore the depth of TANESCO's woes and it was quite clear that centralised, grid-based, state-owned generation was in trouble. Engineering consultants Lahmayer International had already identified an initial US$50m worth of transmission and distribution reinforcement in preparation for the use of Songo Songo credit savings (T-EU1; T-EU3; T-MD1). Moreover the fact that grid rehabilitation would enhance opportunities for revenue collection from existing customers made it appealing to the Bank's Board (T-MD1). Meanwhile, years of preparation for ERT had created high expectations that support would be given to fund rural energy development. Despite the stall in ERT negotiations, SIDA had continued with bilateral support for rural energy, which had led to the Rural Energy Act in 2005 and the creation of a Rural Energy Agency in 2007. Although not willing to finance the development of this new institutional setup, the Bank had been highly supportive of it and had already identified a range of related activities under the ERT project (Rural Energy Act 2005; T-MD1; T-GD6; T-BD2; T-BD3). With these two project outlines already existing, it required very little effort to integrate them into one.

In December 2007, after roughly six months of loan negotiations, the Bank's Board approved a new energy project in Tanzania: the Tanzania Energy Development and Access Expansion Project (TEDAP) (World Bank 2007d; T-EU4; T-GD1). Scheduled to last until March 2012, the project consisted of a US$105m IDA loan, US$6.5m from the Global Environment Facility (GEF) and US$53.1m from other sources. The project included three main segments: a grid-based component for rehabilitation of transmission and distribution networks in Tanzania's three main urban areas; an off-grid component providing institutional and budget support to the recently established REA; and a technical assistance component directed to TANESCO (World Bank 2007d). By all accounts, negotiations for TEDAP went smoothly. MEM and TANESCO were keen to get money because they had identified much needed investments. Meanwhile, relieved of the need for policy conditions, the AFTEG was keen to repair the Bank's tarnished image in the energy sector. Furthermore, it was the first negotiation in the sector involving a decentralised energy specialist, Ralph Karhammar, and local energy consultant, Baruany Luhanga, who was also a former managing director of TANESCO. Although it is difficult to draw any firm conclusions, their involvement was widely recognised as having improved harmony during negotiations (T-EU4; T-MD1). Karhammar had been working for SIDA when the ERT Trust Fund was set up so was highly knowledgeable about the proposed project components. This was widely viewed by most GoT officials as advantageous and is likely to have amplified his ability to successfully mediate negotiations. In fact, harmony between MEM and Bank energy staff appeared greater than between MEM and other ministries and between Bank energy staff and Bank staff based in Washington.

Ministry of Finance officials worried that consensus between Bank-MEM officials on sector needs overshadowed national priorities (T-GD4). Internally within the Bank, many viewed a tariff application as too lenient a condition and also questioned the cohesiveness of the project, suggesting perhaps two separate projects might be more suitable. MEM and resident Bank staff felt an actual tariff increase rather than a tariff application would have undermined the authority of EWURA. Separation of projects was also considered a dangerous option as opportunities to put projects before the Board for approval were limited (T-MD1).

As mentioned, TEDAP was surprisingly policy-light. However, this cannot be attributed to simply a new mode of Bank lending. Policy reform was an integral part of unwritten pre-negotiation conditions and was retained within the PRSC triggers. In fact, TEDAP explicitly aligns itself with the PRSC (World Bank 2007d: 5) and it is likely that if policy conditions had not been taken up elsewhere, they would have been made conditions of the TEDAP credit (T-MD1).

Like all Bank projects, TEDAP still has considerable Bank bureaucracy largely to ensure knowledge asymmetry is reduced (T-MD1; T-EU4). There is also concern about the capacity of local institutions, suggesting broad technical ownership is a long way off (T-MD1). But the local institutions blame the Bank for imposing the need for exactness: "With the Bank, from project conception to approval is quite lengthy. They look for commas in the right place, etc. so we cannot avoid [the delay]" (T-EU1). Perhaps, the Bank was ensuring not only paradigm maintenance, but also its own *raison d'etre*.

5.4.2. Analysis of reform rethink

The reaction to reform stagnation appeared in some respects to usher in a new partnership between the Bank and GoT, but it was still unsteady on its feet. The Bank seemed responsive to the GoT's desire to maintain state ownership and control of TANESCO and the dissatisfaction amongst officials over restructuring plans. But this accommodation of local concerns might not have been as benign as one might like to believe. Poor rainfall magnified the stalemate that had arisen during the attempted implementation of reform and the Bank took full advantage of Tanzania's woes to increase pressure on the GoT to increase tariffs. There were also parallel dialogues that developed between the Bank and the GoT that disguised the extent of Bank pressure. The macro-level relationship between the Bank's PREM Group and MoF focused on

PRSCs and included certain reform elements. Meanwhile, the sector dialogue between Bank's AFTEG and MEM seemed to avoid policy conditions once it resumed after the crisis ended. Essentially, AFTEG continued to defer to the macro-level relationship, as it had done to the PSD Group. But the PREM Group was more socially oriented and promoted local ownership, making sector relations less constrained. Nevertheless, this still represents evidence of the Bank maintaining its strong coercive power and the GoT's continued dependence on the Bank.

The decentralisation of AFTEG staff improved the Bank-GoT relationship regarding TEDAP. However, the project itself had been drawn up long before the in-country staff member arrived and conditions were met because of the dire straits faced by the utility rather than because of an improvement in personal relations between Bank staff members and GoT officials. The impact of decentralised staff on the inclusion of electricity reform conditions within PRSCs is less apparent. However, it seems clear that decentralisation has helped rebuild the Bank-recipient relationship and provide a buffer between Washington and GoT.

In some ways, the energy crisis illustrates a battle over ownership of the reform rethink. On the one hand, the Bank was keen to get movement on reform, especially regarding a tariff increase, regardless of whether there was local impetus. The Bank wanted to use the crisis as an opportunity to push the idea that electricity had to be paid for. This is evident in the PRSC and TEDAP conditions, which aimed to force some kind of political commitment to tariff reform. However, such a perspective must be tempered by the Bank's insistence that sufficient conviction for reform exist within the GoT, although this was as much to legitimise the process as anything else. On the other hand, the GoT was reluctant to meet Bank conditions and chose instead to take matters into its own hands – as it had done with IPTL – and procured emergency generation. This shirking behaviour was a clear factor in the Bank's decision to delay TEDAP negotiations. After the crisis was over, negotiations did begin and although they were relatively quick and painless, this masked a deeper reality. TEDAP itself enjoyed a high level of technocratic and political support within Tanzania: TANESCO and MEM were involved in developing the substance and the lack of policy conditions made it politically favourable. There was also widespread consensus amongst wider stakeholders over the need for the project. But the project was the culmination of a more subtle negotiation process in which two previously planned projects had been amalgamated in a rather drawn out process. Furthermore, some policy conditions had been met and remaining conditions were being taken up in the PRSCs. This way, it relieved TEDAP negotiations of many outstanding issues.

Different spheres of knowledge were more easily accessible during both the crisis and the development of TEDAP. Where codified knowledge (or information) was lacking, donor decisions were informed by tacit knowledge. Where both codified and tacit knowledge was not present, donors found themselves reliant on heavy-handed conditions, which tended to be resented by the recipient. The Richmond scandal during the energy crisis provides useful evidence of this. GoT officials refused to discuss the issue leading to a lack of clear information, however donors were aware that the procurement of emergency generation plant was not following the proper channels. The Task Force donors were keen that the Bank stand-up to the GoT over the procurement issue in order to gain transparency, but it is reasonable to assume that tacit awareness that procurement was corrupt steered the Bank towards other important issues that were perhaps less politically sensitive. The knowledge held by GoT and TANESCO officials about the financial state of the utility was limited, and any that did exist was not easily transferred to the Bank. Importantly, the ‘knowledge ledge’ created by the in-country staff member placed them in a key position between both parties, and this gatekeeper position, if managed well, could have benefited the agendas of each. During negotiation of TEDAP, in-country Bank staff were well aware of the need for both an infrastructure rehabilitation project and a rural energy project. Senior Bank managers in Washington D.C. did not appreciate the political mood within Tanzania at the time, lacking the tacit knowledge that comes with being in-country. They had no way of experiencing the environment within which a potential project could be negotiated and be politically and publicly accepted. Ralph Karhammar had a wealth of experience, having set up the ERT Trust Fund whilst with SIDA, and sector officials regarded him as an ally.

5.5. Conclusions

In this chapter I have analysed the dynamics of Bank-recipient relations during the electricity reform process in Tanzania. In this section, I discuss the main concepts of the analytical framework presented in Section 2.4 in light of the findings presented in this chapter.

Power dynamics

The modified PA framework added the concept of intellectual power to the financial leverage wielded by the principal in the traditional PA framework. In Tanzania, the knowledge and financial resources of the Bank have greatly affected the relative power of the GoT. As the GoT's knowledge has grown, the intellectual power of the Bank has changed. Since the build-up to reform, Bank-GoT relations have been subject to increased complexity as lending mechanisms have evolved, specific Bank agendas have developed alongside each other and the actors within the ODA system have sought to improve the effectiveness of aid. It is safe to say that the GoT continues to be extremely dependent on the Bank, and the donor community in general, for financial and technical assistance. In this sense, the Bank and donors exerted financial and intellectual influence. In the electricity sector, the lack of investment resulting from the gap created when reduced donor funding after specification of TANESCO was not replaced by private capital flows has actually left the GoT even more unable to satisfy its own interests in the sector without ODA. Yet at the same time the GoT, whilst still lacking in capacity, has gained a wealth of experience relating to reform and is in a much stronger position intellectually to guide future reform efforts. There appears to be something of a convergence as to what shape reform might take, which has been generated by growth of an intellectual space within the Bank where alternative visions of reform can be aired. Whether this harmony will continue once the Bank defines its strategy in the coming year is not clear.

Mitnick's typology of power relations allows us to appreciate the subtle interaction between overt contractual conditions and informal coercive tactics that the Bank employed to generate commitment to its reform agenda. However, the reasons were less to do with a change in relationship and more to do with a change in agenda at Bank HQ. The fact that this coincided with rhetoric on the need to change the relationship should not be confused with an actual change in the relationship.

Ownership constraints

The modified PA framework proposed ownership constraints as a more appropriate assumption than interest alignment. From this, successful policy implementation would correspond to the degree of policy ownership. In Section 2.4 I noted three facets of ownership: dimensions, depth and breadth. It is clear that some degree of ownership did exist during the reform process, however it was stratified between different policy actors and varied greatly in depth and breadth depending on the technocratic and political nature of the actor. Whilst full ownership might not have been a necessary, or perhaps an achievable, component for reform implementation, certain aspects of ownership can be said to have existed which go some way to account for the specific reform outcome witnessed. For the most part, the driver of reform during the design and implementation stages was the Bank. Initially, neither the Bank nor the GoT viewed this as a significant problem. Given the inherent dependence of the GoT on the Bank, legitimisation of the Bank's reform strategy was to be expected. This is further evidenced by the lack of conviction of the need for reform during its design, simply as a result of the low capacity within MEM. Myriad reform activities attempted at the same time left MEM overstretched. The few employees who did understand and appreciate the need for reform were under considerable pressure. That steps were taken towards reform does appear to demonstrate the existence of political commitment to reform at a high level, but inconsistent and stratified Bank support eventually allowed this commitment to crumble in the wake of broad opposition to reform. Already limited ownership was further weakened by the lack of consensus within the wider political sphere. MPs and government officials were highly suspicious of private sector participation and this was further reinforced by the lack of transparency during the IPTL and Richmond episodes. Decentralisation of AFTEG provided a good opportunity for the Bank to ensure its programmes had more local ownership and were based on local conditions, but it also served to allow such programmes to remain in line with Bank policy by subtly influencing actors in the political and technocratic spheres.

Knowledge asymmetry

The modified PA framework considered knowledge asymmetry as a more relevant concept than information asymmetry. Knowledge asymmetry manifested itself in Bank confidence that limited technical capabilities and shaky political commitment equated to ownership and was a sufficiently strong basis for achieving technically complex and politically sensitive reform. On numerous occasions it appears that the Bank did not have tacit knowledge of the barriers to reform that plagued the attempts of key policymakers supportive of reform to achieve substantial progress during implementation. However, it is difficult to ascertain whether Bank staff really did not know what was happening or just that they were unable to do anything about it. It is possible that knowledge asymmetry actually increased during the reform process as Bank contact points diversified. Although information became broader, conflicting speeds and abilities of different Bank staff to digest it might have coloured their judgement of local appetite for reform.

Having completed the analysis of electricity reform in Tanzania, in the next chapter I analyse the case of electricity reform in Ghana.

6. Case study 2: electricity reform in Ghana

In this chapter I look at donor-recipient relations within the electricity reform process in Ghana (see Appendix G for a chronology of the reform process). The analysis takes place over four phases. Section 6.1 looks at the origins of reform in Ghana, Section 6.2 investigates how reforms were designed, Section 6.3 analyses the implementation of reforms and Section 6.4 looks at how relations have manifested themselves during the recent energy crisis and subsequent project negotiations. Section 6.5 then provides a concluding discussion.[61]

6.1. Origins of reform (1957-1993)

In this section I trace the history of Ghana's electricity sector up to formal agreement to reform.

6.1.1. Description of the origins of reform

By the mid-1990s, the structure of Ghana's electricity sector was, like Tanzania's, dominated by the state. However, rather than being controlled by a single vertically integrated monopoly, the sector was comprised of one utility engaged in generation, transmission and distribution activities and one distribution-only utility (see Appendices H and I for detail of the electricity sector structure and national grid system in Ghana). In 1957, Ghana had become the first country in Sub-Saharan Africa to win independence, and with this had come the push to drive industrialisation through the development of large infrastructure projects. Whilst diesel had been the mainstay of Ghana's electricity generation during the colonial era and continued to play a role,[62] independence ushered in 'the hydro years' (RCEER 2005: 17).

Ghana's first president, Kwame Nkrumah, viewed expansion of the electricity using

[61] As a reminder, interview codenames for this chapter begin with G- followed by one of the following: MD = Multilateral donor, BD = Bilateral donor, EU = Electric utility, RA = Regulatory authority, GD = Government department, PP = Politician, CF = Consultancy firm, EI = Electric industry, IC = Industrial consumer.

[62] In 1961, the Tema diesel plant, which had been established in 1956, was expanded from 1.95MW to 35MW.

hydropower as essential for industrialisation. He believed it would place Ghana in a strong economic position from which to promote African unity, preserve country's political independence and create internal stability. The potential for a hydropower plant along the Volta River had first been noted in 1915 as part of a proposed bauxite-to-aluminium industry. Although the bauxite-to-aluminium industry was a secondary concern for Nkrumah, it was closely linked to his primary objective of constructing a hydroelectric power plant at Akosombo (Kuruk 1991: 45-46; RCEER 2005, pp17-20).

In order to manage the generation and transmission of electricity from the proposed power plant at Akosombo, and any future plants along the Volta River, the Volta River Authority (VRA) was created in 1961 after approval in parliament of the Volta River Development Act (Edjekumhene et al. 2001: 4; RCEER 205: 17-20). Keen for financial assistance to build the power plant at Akosombo, the GoG then turned to the Bank, and in February 1962 the Volta River Hydroelectric Project for the construction of the 589MW Akosombo hydropower station was approved. The project also included construction of and ownership of an aluminium smelter by two American companies, Kaiser Aluminium and Chemical Corporation and the Reynolds Metals Corporation, through their Ghanaian subsidiary, the Volta Aluminium Corporation (VALCO). In order to guarantee VALCO's electricity supply, the Bank made project approval conditional on agreement of a 30-year Power Purchase Agreement (PPA) between the GoG and VALCO. The PPA fixed the tariff at a very low rate and gave VALCO access to 70% of the electricity generated at Akosombo. In return, the GoG collected revenues from taxes and payments for water, electricity and use of the country's port facilities (Kuruk 1991: 44-46; RCEER 2005, pp17-20).

The Volta River Hydroelectric Project was the first of a series of Bank electricity projects. Since then, Ghana's electricity sector has been historically dependent upon Bank support (World Bank 2007c: 7): expansion of the sector between 1960 and 1990 has gone hand in hand with six Bank electricity projects totalling US$205.4m for development of hydropower stations and transmission and distribution systems (see Appendix J for a full list of the Bank's electricity sector projects in Ghana).

Extensive Bank lending has greatly influenced the structure of the electricity sector. After the hydroelectric power plant at Akosombo was commissioned in 1966, Bank funding provided essential support for a new entity to handle distribution of electricity. In 1967, the Electricity Corporation Decree was enacted, thereby establishing the Electricity Corporation of Ghana (ECG) as the country's sole electricity distributor, an entity which replaced the Electricity Department in the Ministry of Public Works (Opam and Turkson 2000: 50; Edjekumhene et al. 2001; RCEER 2005: 26). Over the next decade, electricity demand in Ghana grew significantly. Domestic load demand more than doubled between 1967 and 1976. In 1969 a PPA was signed between VRA and Commutauté Électrique du Benin, Togo and Benin's joint electricity utility and after subsequent completion of a 161kV transmission line from Akosombo to Lome in 1972 a valuable export market was created (RCEER 2005: 17-20). In response to actual and forecast demand increase, the Kpong Hydroelectric Project was formally approved by the Bank in 1977 for the construction of another dam and hydroelectric plant on the Volta river (World Bank 2010).

During the 1960s and 1970s, Ghana suffered a high degree of political instability. In 1966, mismanagement, public corruption and authoritarianism led to the overthrow of President Nkrumah in a military coup. The military successfully disengaged in 1969, handing over power to the elected civilian administration of Dr. Busia. However, after only three years in office another military coup took place, bringing to power General Acheampong. Deepening economic and political crisis in the mid- to late-1970s led to questions over the legitimacy of the increasingly repressive military rule. Eventually, a military coup, led by populist leader Flt Lieutenant Jerry Rawlings, took place in June 1979. Ten days after the coup, Rawlings held elections and in September of that year promptly returned power to an elected civilian government, headed by Dr. Limann. Civilian rule collapsed after Rawlings led a second coup in December 1981. Inheriting a bankrupt economy, he established himself as leader of a military government, the Provisional National Defence Council (PNDC), and set about rebuilding the country, both politically and economically. (Hansen and Collins 1980: 3-4; Hutchful 1997; Tsikata 2003: 35)

Despite the commissioning of Kpong power station in 1982 (VRA 2007), economic problems were exacerbated in the early 1980s after a severe drought hit the Volta basin region in 1982/3. The total inflow into Akosombo's reservoir between 1982-1984 was reduced to only 15% of long-term expected annual flow, seriously hindering the country's ability to meet actual electricity demand, let alone expected demand increases. The effect was devastating to the national economy: electricity to VALCO was suspended, domestic supply was heavily rationed and exports reduced, including those to newly connected Cote D'Ivoire (RCEER 2005: 20).[63] By the mid-1980s, Ghana's electricity sector was in real distress and in an attempt to halt the electricity system deteriorating any further the Bank approved a US$28m Power System Rehabilitation Project in 1985 (World Bank 2010).

The origins of reform lay in two key agendas stemming from the impact of drought at a national level and within the energy sector: the general drive towards privatisation and the desire to diversify the fuel mix. In 1984, after an initial period of instability as PNDC settled into its leadership role, GoG embarked upon an *Economic Recovery Plan* (ERP). The plan, which sought to achieve neoliberal macroeconomic reforms, seemed quite a departure from the leftward leaning origins of the PNDC coalition. However, reforms were not deemed incompatible with the interests of the government, which was more concerned with redressing the imbalance in power and social issues than appeasing existing interest groups. In 1986, following the ERP, a Bank-funded structural adjustment loan (SAL) was approved. Initially suspicious of the PNDC government, the Bank had laid down considerable conditions before SAL approval, but by 1987 it held Ghana up as a shining example of a good reformer after macroeconomic reforms led to impressive economic recovery. However, progress on the more politically sensitive wider institutional and structural reforms remained slow. (Hutchful 1995; Aryeetey et al. 2000).

As part of the SAL, a privatisation programme began in 1988 geared towards reform of state-owned enterprises (SOEs), initially through performance contracts with the Government (Opam and Turkson 2000: 61; Edjekumhene et al. 2001: 9; RCEER 2005: 20-22). The privatisation strategy culminated in the 1993 Statutory Corporations (Conversion to Companies) Act, which provided the legal basis for the conversion of 35 SOEs, including the two electric utilities, VRA and ECG, into public limited liability companies (Opam and Turkson 2000: 52-53).

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[63] Regional interconnection to Cote D'Ivoire between Prestea (in Ghana) and Abobo substations was completed in 1983.

Meanwhile in the energy sector, the focus was on social provision of electricity in line with GoG's social objectives set out in the ERP. In the ERP, GoG had committed to expand access to electricity to include all communities with populations above 500 by 2020, something that would require a huge effort to electrify the predominantly rural north (Edjekumhene et al. 2001: 21; Aryeetey et al. 2000: 47). By this time, ECG was not regarded as financially solvent enough to run distribution in the north on top of its existing operations in the south and this concern led to the establishment of the Northern Electricity Department (NED), a subsidiary/semi-autonomous distribution arm of the VRA given responsibility to undertake this activity (Opam and Turkson 2000; RCEER 2005: 26 and 39). This gave VRA the opportunity to translate successes in generation and transmission to distribution, and it was in the utility's interest to ensure the grid was well run in the north in order boost sales of the electricity it generated. This development was greatly influenced by the Bank, which was negotiating a distribution project in the north of Ghana at the time. Bank staff were very keen on this new division of responsibilities as they felt it would improve the chances of project success (Edjekumhene et al. 2001: 4-5; C-MD1). In the words of a Bank employee involved in the negotiations at the time:

> We pressed very hard for [the creation of NED]. It was pretty much a precondition for the loans that made the grid arrive in the north. (C-MD1)

The Northern Grid Extension Project in 1987 included a US$6.3m IDA grant to finance the reinforcement of the southern grid and extend transmission and distribution systems in the north of the country (World Bank 2010). As well as the establishment of the NED and the Northern Grid Extension Project, an additional tool for achieving the ERP goal of rural electrification called the National Electrification Scheme (NES) was initiated in 1989 (World Bank 1995b: 6). The NES itself focused upon two complementary schemes; the District Capital Electrification Program aimed at connecting the 110 district capitals to the national grid and the Self-Help Electrification Program aimed at connecting to the national grid villages and towns within 20km of the transmission system after adequate material contributions had been made for the lines, such as poles and labour (World Bank 1995b: 6). Both the District Capital and Self-Help

Electrification Programs were largely financed by multilateral and bilateral donors.[64] A Bank Staff Appraisal Report reported that all 110 district capitals were successfully connected to the grid, and between 1990 and 1995, 2450 towns were electrified, over 2000 through the Self-Help Electrification Program (World Bank 1995b: 6).

Whilst the national economy recovered and grid extension flourished, ECG's performance and financial viability continued to worsen and VRA's revenues became affected. In an attempt to relieve this situation, the Bank continued with electricity sector rehabilitation projects. The Fifth and Sixth Power Projects, approved in 1989 and 1990 respectively, provided US$40m of investment and planning support for ECG and US$20m for VRA (World Bank 2010).

With donor support for reducing Government involvement in business already established, the Bank's 1993 lending strategy signalled its commitment to following that policy in the electricity sector. Whilst policy reform conditions had existed in earlier projects, they had been largely peripheral – an additional technical assistance component for studies of sector reorganisation and institutional rehabilitation. The first move towards radical reform of a utility came as part of the 1993 National Electrification Project. Again the bulk of the project was aimed at continuing Ghana's infrastructure expansion as part of the NES; connecting to the national grid all district capitals not yet connected and reinforcing ECG's distribution network through substation and line replacement and expansion. But the third objective of the project consisted of "institutional strengthening of ECG through regrouping of all its commercial activities under one directorate and hiring an outside firm under a performance-based management contract to run this new directorate" (World Bank 2010).[65] Through bilateral funding from the Caisse Française de Développement (CFD),[66] Electricité de France (EDF) was hired, under the overall authority of the ECG

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[64] Bilateral donors included Japan, Canada, Denmark, Finland, Sweden and India. As for multilaterals, it is not clear whether or not any of the Bank's Grid Extension credit was used for this.

[65] Section 3.04 of Article III of the Bank's project agreement with ECG stated that "ECG shall employ, at all times through June 30, 1996, a utility and/or utility consulting firm to manage the commercial operations of ECG on terms and conditions (including terms of reference) satisfactory to the Association".

[66] In 1998, CFD changed their name to Agence Française de Développement (AFD).

Managing Director, to run the new Directorate of Customer Services (World Bank 1995b: 7). These policy conditions give an indication that the Bank felt distribution to be in need of more urgent reform, concurring with a later Bank statement asserting that VRA was a well-run organisation and demonstrating no desire to reorganise it (World Bank 1995b: 7; G-CF1; G-EU2).

However, the main project associated with reform was the Thermal Power Project. The Bank's Board granted project approval in 1995, but negotiations began much earlier. After the devastating drought in 1982-83, MME commissioned an expansion study, the Ghana Generation Planning Study, to assess options for increasing the nation's generation capacity. The report was published in 1985 and recommended rehabilitation of the 30MW thermal plant at Tema and the construction of a new thermal power plant to offset existing dependence on electricity generated at Akosombo and Kpong from the naturally variable Volta River inflows (RCEER 2005: 20-22; Hansard 1995: cc359-360). As a result of the report, a number of studies on possible thermal plants were undertaken between 1985-1992 but low tariff rates made economic and financial feasibility of the various options very difficult to establish. The 1990 Combustion Turbine Feasibility Study proposed combustion turbine power plants as the best technology to use for a thermal plant. Building on this study, the 1992 Takoradi Thermal Plant Feasibility Study recommended a 600MW power plant to be brought online in 1995 (RCEER 2005: 20-22). This recommendation was supported in the final report of the Bank-led Energy Sector Review, which was presented to GoG in 1992 and included identification of a least-cost expansion strategy for Ghana (World Bank 1995b: 5). As was to be expected, the GoG turned to its traditional source of funding for help. And it was at this point that large-scale reform entered the discussion.

In keeping with its sector and overall lending strategy, the Bank was keen for the private sector to finance and operate the electricity sector. This was to combat the dual issues of the Bank's lending envelope being reduced and aimed away from infrastructure sectors and Government interference in the business of electricity service provision. The Bank was confident that the newly 'democratic'[67] Ghana could attract private capital. But the GoG was not convinced the tariff was high enough for project

[67] Multi-party elections had taken place for the first time in December 1992.

developers to persuade financial institutions that the project was 'bankable' – i.e. that it would provide an acceptable rate of return and the investment risk was low enough. After some time, the Bank agreed to finance the project, but only if certain conditions were met: the project was to be only for a 300MW plant;[68] it would be the last project it would fund on the generation side of the sector; and, in order to fill the gap in generation investment left by the Bank, the sector would be restructured to create the conditions required to attract the private sector. Ghana's dependence on the Bank for assistance left it with little choice but to comply with these conditions and a drought in 1994 added urgency to this constraint. The GoG agreed, consoling itself with the idea of obtaining finance for the second 300MW plant at some later date from private investors (G-EU6; G-EU7; G-CF1; G-PP1; G-GD2; G-GD4; Hansard 1995: 359-360; World Bank 1995b: 4).

Financing for the Thermal Power Project was sought from a group of financiers led by the Bank and was approved in February 1995 (RCEER 2005: 20-22). The project was a US$414.30m co-financed endeavour with the bulk of funding, US$175.6m (over 40%), coming from the IDA. Co-financiers included the UK's Commonwealth Development Corporation, the UK Overseas Development Administration (now DFID), the European Investment Bank, Caisse Française de Développement (CFD, now AFD), the Kuwait Fund, the Arab Bank for Economic Development in Africa, VRA and the GoG. In the Bank's Staff Appraisal Report prepared a month before the project was approved, it was argued that IDA participation was a necessary condition for co-financier support (World Bank 1995b: 10). With this project, the Bank doubled its previous largest financial commitment in Ghana's electricity sector. The project provided funds to build 300MW of combined cycle generation capacity at Takoradi in the southwest of the country; two 100MW combustion turbine generators, a heat recovery boiler and one 100MW steam turbine generator. Funds also covered associated substations, engineering consultants and managerial and technical services for power station operation. At this point, according to the Bank, the VRA was an efficient and well-managed public utility (World Bank 1995b: 7). Unlike elsewhere, Bank staff in Ghana viewed it as logical for all generation to remain under one roof. As such, they advised that the project be

[68] Bank staff were of the opinion that only 300MW were required to meet forecast demand.

designed, managed and run by VRA as part of a performance-based management contract rather than a separate private sector venture or even public-private-partnership.

The last element of the project, amounting to roughly US$5m, involved arrangements to attract private sector participation in the sector, development of a suitable regulatory setup, demand-side management activities and VRA institutional development (World Bank 1995a: Schedule 2; Edjekumhene et al. 2001: 14). In dialogue leading up to and during negotiations on the Thermal Power Project, the Bank made it clear that commitment to electricity reform, in particular private sector participation, was necessary for project approval (World Bank 1995b: 7-11). The GoG's limited negotiating power was clear from the following recommendation made by the Parliamentary Finance Committee:

> Mr. Speaker, in view of the strategic importance of the project and also for the reason that the project could not be completed without the needed funds, the Committee wishes to recommend to the House to approve of the above [IDA] loan…. (Hansard 1995: 359)

The GoG cited the need for private sector investment to achieve its vision of electricity reaching every corner of the country as a motive for reform, but it is widely agreed that the Bank provided the main impetus (Edjekumhene et al. 2001: 16; RCEER 2005: 28).

6.1.2. Analysis of reform build up

The status of the Bank-GoG relationship during the 1980s and early 1990s seems to be one of gentle dominance. After initial suspicion, the Bank held Ghana up as a key reformer, although this picture has been identified as much more complex (Hutchful 1995). At a macro level, GoG was definitely dependent on the Bank for finance to support its economic recovery effort in the 1980s. The drought in 1982 further constrained GoG's ability to meet its own interests, placing the Bank in a position of relative power, which it exercised through its strict conditionality. Within the electricity sector, Bank-GoG relations were power asymmetric. The Bank was the dominant intellectual force behind the creation of NED and the inclusion of reform conditions in the Thermal Power Project. The strength of this power was evident in the recommendations of the Parliamentary Finance Committee that the Thermal Power

Project be endorsed because Ghana needed Bank assistance. This indicates the gap between GoG's desire to wean themselves away from a dependence upon hydropower and its ability to do so.

When the GoG was able to resist the Bank's power it was because of its relatively high level of capacity amongst various actors. This led to a much stronger negotiating position based around a patriotic desire to control reform design. At macro and sector levels, the Bank initiated the drive to reform. Whilst GoG reformers were happy to undertake economic reform, this was primarily done without any intention of diminishing the role of the state through institutional reform. The NES was quite clearly a home-grown strategy based upon the social development objectives of GoG and supported by the Bank. Conviction amongst policymakers over the need for general reform was limited. As noted, economic reform was seen as palatable, but institutional reform was not necessarily as appreciated. Within the electricity sector there was an understanding that private finance was necessary, but attracting it was not deemed to require restructuring, especially considering VRA's esteemed reputation. This was reinforced by the Bank's indication that it did not consider the restructuring of VRA to be a priority. Political commitment to Bank conditions both at the macro and sector level was quite substantial. Government neutrality after the 1981 coup allowed it to align with the IFI's reform package without real repercussions in terms of support base. By the time electricity reform was a condition of the Thermal Power Project the one-party system had been removed so one might have expected some disagreement in Parliament. However, the importance of securing electricity generation was deemed to outweigh the conditions.

Knowledge asymmetry within the Bank-GoG relationship during the build to reform was rather uneven. One the one hand, it appears that the Bank lacked real knowledge of internal workings in Ghana; it was initially suspicious of PNDC's reform intentions before heaping praise upon it for being a wonderful reformer, but before long it was forced to rethink its opinion again as institutional reform efforts stalled. On the other hand, in the energy sector, the Bank seemed very knowledgeable of the sector status and situations within ECG and VRA situations. It also seemed to understand that the GoG was in no position to negotiate the terms of the thermal plant loan.

6.2. Designing reform (1993-1997)

In this section I analyse the design of electricity reform.

6.2.1. Description of reform design

In order for negotiations on the Thermal Power Project to conclude, GoG was required to provide a Letter of Development Policy (LDP)[69] indicating its plan of action with respect to reform. The initial official commitment to reform came in the form of GoG's *Strategic Framework for Power Sector Development Policy* in January 1994 (SYNEX Consulting Engineers 1994: 1; G-CF1). In order to develop this into a plan of action, the GoG decided to commission diagnostic studies and sought advice from the Bank. The Bank nominated a number of consultancy firms and the Ministers of Finance and Mines and Energy, keen to employ consultants who had experience of reform in a country with similar sector conditions, finally settled on SYNEX Consulting Engineers of Chile (G-RA2; G-PP1; SYNEX Consulting Engineers 1994). SYNEX began their studies in early 1994 and published their final report on *Power Sector Development Policy* in June 1994. The report then provided the basis for the electricity reform component of the Government's LDP, including sector objectives, institutional guidelines and regulatory principles (Opam and Turkson 2000: 65; GoG/MME 1997: 1; SYNEX Consulting Engineers 1994). The GoG understood the lack of Bank interest in conventional funding of the sector; not only was the Bank unwilling to invest, but if it did invest it would be to promote private investment. Thus the LDP – in advance of Thermal Power Project approval – was written to significantly correlate with the Bank's 1993 policy (RCEER 2005: 28; see World Bank 1995b: 11). Not surprisingly, the Bank agreed with the policy objectives and the LDP was approved with only minor amendments. Its contents formed the basis of loan conditions and Thermal Power Project negotiations continued (World Bank 1995b: 7; G-CF1).

The LDP detailed a strategy based on five key points, some of which had already been taken up during the 1993 National Electrification Project; opening up generation to

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[69] For any Bank project or programme, an LDP must be provided by the recipient, in which they state the activities they plan to undertake with the funds from that project or programme. For sectoral loans, the LDP is more specifically known as a Letter of Sector Development Policy.

private sector participation, improving ECG operation through a management contract, employing a consultant to advise both utilities on human resource management, adhering to cost-reflective tariffs and developing a suitable regulatory framework (World Bank 1995b: 5-6).

The next phase in the design of reform was the establishment of a coordinating body to plan and implement reforms based on the contents of the LDP. In September 1994, the Ministry of Mines and Energy (MME) created the Power Sector Reform Committee (PSRC) to oversee the design and implementation of reform based upon the consultant's recommendations and within the strategic framework (Opam and Turkson 2000: 65; Edjekumhene et al. 2001: 11). Like the LDP, creation of the PRSC was a pre-condition of the Thermal Power Project loan approval and its operation was subject to Bank satisfaction: Section 3.05 of the Credit Agreement clearly stated that the PSRC should operate "under terms of reference satisfactory to the [International Development] Association" (World Bank 1995a; see also Hansard 1995: cc357-358). PSRC's mandate included clarifying responsibility for operation and planning of the electricity system in order to create a competitive market, designing a regulatory framework for transparent price and tariff revision and installing an adequate and appropriate legal and institutional environment for transparent regulation of the sector by the state (GoG/MME 1997: 3).

Project approval was granted in February 1995 and less than a year was given for PSRC to do its work (World Bank 1995a, Section 3.07(b)). It could be argued that this timeframe was fair given that MME had already produced a strategic framework and LDP with details of the reform plan but it seemed ambitious to assume that the design of significant structural changes to such an strategic sector could be completed in less than a year. That said, it might point to the Bank's expectation that the bulk of reform would relate to only the distribution side and the relatively acceptable establishment of regulatory authorities.

Although it had been the catalyst for reform and was funding PSRC, Bank involvement in PSRC's work was restricted to providing no objection to the studies that were undertaken (Edjekumhene et al. 2001: 13). However, an interesting twist is the unconventional involvement of a Ghanaian Bank staff member. Amarquaye Armar was an Energy Specialist in the Bank's Africa Energy Unit (AFTEG). Keen to be involved in the design of electricity reform in his home country, he requested and was granted a two-year (1996-1998) sabbatical from the Bank to take up a position as Special Advisor to the Ministers of Finance and Mines and Energy (G-MD2; G-RA2). Whilst Armar claimed no Bank affiliation during this time, many people regarded him as a Bank employee and it is hard to imagine his position as 'insider' in the process not being exploited by the Bank. Many people consider him the 'architect' of reform in Ghana (G-EU7; G-RA2; G-PP1), but it is difficult, if not impossible, to determine to what extent his input was merely informed by being a Bank staff member, or whether he actively promoted the Bank's agenda. In interviews, his peers were full of praise for his analytical capabilities despite his presumed loyalty to Bank policy. In any case, the architect is not the only one responsible for the building of a house. Another key person in the process – perhaps best envisaged as the foreman or site manager – was Michael Opam. An MME employee and keen advocate of reform, Opam held the position of PSRC Secretary (GoG/MME 1997: Appendix B). Whereas Armar would return to the Bank in 1998, Opam remained in the sector and emerged later as a key figure during the implementation and rethink of reform.

PSRC consisted of eight members from MME, VRA, ECG and the private sector chosen by the Minister for Mines and Energy. According to Edjekumhene et al. (2001: 13), Bank staff wanted international consultants to carry out the sector analyses because they had prior experience of reform. The GoG disagred and instead opted for a Task Force approach, whereby PSRC members led groups of utility employees, MME staff and academics in analytical work, using international consultants as advisors. In its final report, PSRC noted that the process was structured to "maximise the direct involvement of local electricity sector professionals, and to facilitate the transfer of know-how from international consultants and independent experts" (GoG/MME 1997: 21). After their work in drafting the final report on power sector development policy in 1994, SYNEX were kept on as lead consultants on reform and assisted the first of two Task Forces.[70] The role of this first Task Force was to evaluate the operational technicalities of reform,

[70] Led by Gilbert Dokyi, the Deputy Director of VRA (GoG/MME 1997: Appendix B)

such as pricing mechanisms and market structure. The second Task Force[71] looked at legal implications of reform proposals and was assisted by LeBeouf, Lamb, Greene and MacRae Attorneys from the USA (GoG/MME 1997: 23-24). Like SYNEX, LeBeouf, Lamb, Greene and MacRae Attorneys was nominated by the Bank as a potential candidate to assist with legal issues – an area in which SYNEX did not have any experience (G-RA2; G-RA4).[72]

The work of the PSRC was not easy. It was a deliberate attempt to bridge the gap between those keen on reform (mostly in MME)[73] and those keen to uphold the status quo (mostly in the utilities), so disagreement was inevitable. But by involving all stakeholders in the sector (except the consumers), it was hoped that reform would be acceptable to all.[74] Consultants and the Bank put forward ideas based on their own experiences, but Task Forces managed to maintain control of the model design, rather than just accepting received wisdom (G-RA2; G-PP1; G-MD2). The Bank also funded a number of study tours for Task Force members "where appropriate for transfer of know-how" (GoG/MME 1997: 21), with destinations including Chile, Malaysia, UK, Ireland and the USA. (Opam and Turkson 2000: 65-66; G-RA2; G-RA4; G-PP1; G-EU3)

One area of 'official' consensus[75] within PSRC was the unbundling of VRA into separate generation and transmission entities. Potentially this was the most controversial decision made by PSRC. As noted before, VRA was functioning well: the revenue from electricity provision to VALCO, Togo/Benin and Cote D'Ivoire, amounting to 50% of VRA sales, were all paid on time and in foreign exchange, sheltering VRA from

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[71] Led by Dr. Fui Tsikata from the Department of Law at the University of Ghana (GoG/MME 1997: Appendix B).

[72] To this end, there was a tri-partite agreement between GoG, SYNEX and LeBeouf, Lamb, Greene and MacRae Attorneys.

[73] Although Government interest in reform apparently came from the highest level (G-PP1).

[74] Hutchful (1995: 308) argues that the experience of macroeconomic reformers in Ghana during the 1980s suggests ideological differences led to a dynamic and flexible work environment in which innovative solutions were brought to the table rather than hindering progress.

[75] Whilst there was official support for the reform plan indicated by the wide stakeholder involvement and the consensus reached in the final report, implementation efforts suggest that informally many members of PSRC Task Forces were not committed to pursing the reform in their own backyards.

domestic currency fluctuations (Opam and Turkson 1999: 61-63; World Bank 1995b: 8). A number of unsubstantiated claims relating to a desire to dismantle VRA's power and influence have been touted as the motive behind this decision (Edjekumhene et al. 2001: 17-19),[76] but this overlooks the simple fact that the Bank had made it clear it did not want to finance the generation side of the sector and the GoG, even if it had wanted to, could not afford to. So, from the PSRC's point of view, attracting private investment in generation was the objective of reform (G-CF1; G-PP1; G-RA1; G-MD4). For this to happen, there had to be a level playing field for state-owned and private generating companies alike, and to achieve this, it was widely appreciated that a separate transmission utility had to be created (G-GD1) and that VRA's hydro and thermal operations would be separated to avoid cross-subsidisation, which allowed VRA to maintain a tariff below the cost of production for its thermal operations (G-GD2).

The strategy for achieving these structural changes was to create strategic business units (SBUs). As might have been expected, VRA was privately very opposed to the demise of its 'empire' (G-MD4; G-EU3; G-EU6; G-EU7; G-PP1; G-GD1). Senior management within VRA disagreed with forming SBUs, arguing that bottlenecks such as distribution and tariffs should be addressed rather than wholesale reform (Edjekumhene et al. 2001: 17-19). Whilst the level-playing field argument was appreciated, there was considerable concern within VRA over the ability of any other entity to deliver the electricity it produced and how the potential loss of influence within the sector would affect its market power within the West African region. There was also a high degree of pride and nostalgia over such a successful national enterprise (G-EU3; G-EU7).

Reform of VRA was not the only area of conflict: reform of distribution – the area that the Bank believed was most in need of reform – was also contentious (G-CF1; G-EU2). During PSRC's work, the idea that came to the fore was the notion of geographically split SBUs under the umbrella of the ECG as a holding company. In order to subsidise relatively non-commercial electricity service provision in the north, NED would be merged with an SBU covering the Accra region. This would be one of four independent

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[76] VRA was also exempt from paying income tax and its CEO was as influential as a Cabinet Minister and could not be fired without World Bank consent. However, VALCO tariff and unreliability of ECG did take its toll in the end, by about 2001 after thermal was in the mix (G-CF1; G-MD1; G-EU7).

entities that could be sold off one-by-one as they became attractive to private investors (G-CF1; G-EU1; G-EU2). This proposal was not without potential pitfalls. Given Ghana's small system size, breaking it up even further prompted concern over how attractive such small markets would be to private investors looking to make a profit (G-RA1; G-CF1). The financial challenge involved in absorbing NED into ECG was also a thorny issue (G-EU1).

As per the Bank's specification that PSRC's final report should be complete by the end of 1995, the two Task Forces completed their reports and consultations took place in 1996. In August of that year, a workshop was held in Accra to discuss the findings of PSRC's two Task Forces. Stakeholders were invited from the private sector, including the mines, the donor community and all energy sector institutions. Also present were special guests from the US; the Public Utilities Commission of Pennsylvania, the Michigan Electric Cooperatives Association and legal firm, TRESP Associates. A number of issues were brought up over concern about customer service and distribution. As a result, it was agreed to set up two additional Task Forces to addresses these concerns: a Distribution Task Force[77] assisted by TRESP Associates from the USA and a Customer Service Task Force,[78] the only one that did not use international advisors (Opam and Turkson 2000: 66; GoG/MME 1997: 24-25; G-GD1; G-PP1).

By February 1997, all Task Forces had completed their work and their recommendations were amalgamated by PSRC and SYNEX into a final report submitted to GoG in April 1997 (Opam and Turkson 2000: 66; GoG/MME 1997; G-GD1; G-RA4). The report consisted of a Four-Point Action Plan:

1) The creation of open access transmission services and "rules of the game" for a regulated and deregulated market in order to rationalise power market transactions and facilitate competition.
2) Reorganise utilities into SBUs to improve transparency in tariff setting and ensure full cost-recovery.

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[77] The Distribution Task Force was led by Fred Asante, the Deputy Managing Director of ECG (G-GD1; GoG/MME 1997).

[78] Led by Dr. Kwame Ampofo from the Council on Scientific and Industrial Research (CSIR) (G-GD1; G-PP1; GoG/MME 1997).

3) Institutionalise “rules of the game” in a four-tier regulatory framework, including creation of a new body, regulations, rules of practice and standards of performance.
4) Mobilise the private sector to recapitalise SBUs (GoG/MME 1997: 4-20).

The Cabinet approved the plan but it modified the recommendation calling for a single regulatory body, opting for the creation of two: one to look after technical aspects of regulation and another to cover economic regulatory activities. It is not clear why PSRC’s recommendation for one regulatory authority was not taken up, but the reluctance to create a single body with so much power as well as the desire to regulate the water sector, which already had its own Water Commission are possible causes. With Cabinet approval achieved, MME was given responsibility of implementing reforms (G-RA1; G-RA4; G-CF1).

6.2.2. Analysis of reform design

The Bank was committed to lending to reformers and the GoG was well aware of this. Notwithstanding the Bank’s own need to disburse funds, one might assume it used this position of power as leverage for reform. This leverage is worth discussion and can be seen in the intricate ‘mating ritual’ in project negotiations. It is widely agreed that reform was a policy condition to be fulfilled as part of the loan agreement but in order for these conditions to be seen as corresponding to Government policy – in an attempt to achieve local ownership – the LDP was made a *pre-condition* of loan approval. Essentially this represents ‘conditions-within-conditions’. The loan and loan conditions are dependent on a negotiation condition (a condition to be fulfilled before negotiations can continue).[79] These pre-conditions indicate the presence of power relations between the GoT and the Bank. If the relationship between the Bank and a recipient government is power-neutral, then one would not expect negotiation conditions to exist. If the recipient is deemed a ‘bad’ agent then the Bank could refuse to lend to it, but because the Bank is in a position of power – greatly enhanced by the fact that the agent cannot

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[79] It is interesting to compare this process with the process of ‘helping’ a Government to come up with a PRSP – in fact, making the PRSP a condition that must be fulfilled before negotiations on a PRSC can be completed – which then forms the basis of the conditions (triggers and targets in this case) for the PRSC loan.

choose a different principal to 'work' for – it can coerce the recipient into aligning its objectives through the use of conditionality.

The creation and satisfactory operation of PSRC was a rolling condition for continual disbursement, thereby giving the Bank *de facto* coercive power over PSRC's work. Nevertheless, there was some give and take, with PSRC's work not being done by international consultants as the Bank wished, but by committees with the assistance of international consultants. This allowed the GoG to resist the Bank's intellectual power, as they were not dependent on outside expertise. An interesting element of the power relation between the Bank and GoG was the role of Armar in PSRC. His presence may be taken to represent subtle influence, rather than overt coercion through the threat of non-approval. This might have been quite important in maintaining positive relations between the Bank and the GoG.

Despite a quite clear financial power asymmetry between the Bank and GoG, there was a surprising level of local ownership over the reform design, although perhaps not so surprising given the experience during macroeconomic reforms in the 1980s. Yet ownership of the reform process is not as simple as some documents and interviewee responses first suggest: it is important not to get swept away by the proud claims of ownership that accompanies many descriptions of electricity reform in Ghana. The Bank undoubtedly initiated reforms, but the organisation of PSRC's structure and work plan was firmly determined by the GoG. It appears the Bank appreciated this desire to 'own' the reform process and although it may have had some reservations about work of PSRC it voiced no objection to the Committee's final report. The conviction that reform was necessary was particularly deep within the two Ghanaian champions of reform – Opam and Armar. Their impact, in terms of technocratic ownership and ability to persuade their superiors to take political ownership, should not be underestimated.

The intellectual influence of the Bank and international consultants was balanced by the locally undertaken desk-studies and study tours. As a result, PSRC's reform strategy in 1997 was much more comprehensive than Bank staff had actually envisaged. If this could be called a one-size-fits-all model, then it was not the Bank who had pushed it. Bank staff had, of course, given no objection, but the process had involved widespread consultation within Ghana. A key reason why the reform design was relatively successful was the high level of political commitment. Presidential and Ministerial political will was evident in the preparation of the LDP and creation of PSRC. As advisor to Minster of Mines and Energy and Minister of Finance, Armar was able to encourage continuing political support and his Bank position must have helped give authority to his encouragement. The use of Task Forces and local stakeholders to drive reform design led to a broad ownership amongst wider stakeholders. However, formal agreement amongst the utilities hid wider disgruntlement that would lead to issues later on.

Knowledge asymmetry between the Bank and GoG during the design of reform was potentially overcome by having an insider, Armar, in the process. However, it appears that he was not there to promote the Bank or feed back information to them, but to add capacity to the reform design effort. Even if he was, there were many other factors that led to the Bank's fairly limited vision of reform for Ghana being surpassed by PSRC's final strategy. And the requirement that the GoG received no objections from the Bank to its reform documents before moving on allowed the Bank to stay well informed without the need for Armar's insight. It might be that Bank staff were not aware of the extent of planned reform, but it was unlikely they would have complained even if they were aware. It does seem that the Bank was unaware of the depth of opposition within the utilities. Officially, the utilities were onboard and this would have been noted in documentation, but tacit knowledge about their true feelings did not seem to filter through to the Bank.

6.3. Implementing reform (1997-2002)

In this section I discuss the attempted implementation of PSRC's recommendation for reform.

6.3.1. Description of reform implementation

To recap, the Government-approved reform strategy included four components: creation of grid rules, reorganisation of utilities into separate generation, transmission and distribution SBUs, development of regulatory authorities and promotion of private investment in SBUs (GoG/MME 1997: 4-20). Given the overriding concern of attracting private sector participation, creating regulatory bodies and restructuring generation and transmission were considered recommendations requiring immediate implementation whilst distribution reform could wait (G-RA2; G-RA4). However, the creation of regulatory bodies and the arrival of private sector participation in the electricity sector resulted from domestic crises, public outcry and Bank pressure rather than part of a deliberate schedule. Meanwhile, lack of motivation within MME resulted in minimal efforts to implement other reforms despite Bank pressure.

Because 1996 was an election year in Ghana, public spending skyrocketed, structural reform stalled and, in a politically calculated move, no tariff increase was approved (World Bank 1999a: 1). Commissioning of the Takoradi thermal power plant (known as T1) in 1997 drastically changed the cost-structure of VRA's generating activities,[80] leaving the tariff regime woefully inadequate in terms of cost-recovery. No longer could tariffs be based on cheap hydro and the proposed tariff increase required to match the increase in generation cost was between 200-400%. Huge electricity bills sent out by VRA and ECG to customers in June 1997 created great public uproar, and pressure grew for a review of the price increase and more transparent tariff setting (G-GD2; G-GD4; G-EU6; G-CF1; Hansard 1997a: cc247-262; Hansard 1997b: cc1852-1854). MPs were particularly worried that since ECG had become a limited liability company in 1993, tariff increases were no longer debated in Parliament. Under pressure from constituents to act but powerless to affect tariffs, MPs called for swift implementation of an independent regulator as set out in the PSRC strategy (Hansard 1997a: cc247-262; RCEER 2005: 27). Mounting public and Parliamentary pressure led the President to get involved: in July 1997, he suspended the tariff increase for two months pending establishment of a regulatory authority. In order to meet this Presidential deadline, efforts to establish this authority were stepped up (G-GD4; G-EU6; G-RA2; G-RA4; Hansard 1997b: cc1852-1854; Hansard 1997c: cc265-324).

By this time, the Cabinet had decided on the creation of two regulatory bodies consisting of the Public Utilities Regulatory Commission (PURC) responsible for tariff setting and customer service obligations and the Energy Commission with authority

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[80] Drought leading to low hydro working capacity meant that thermal could not just be a 'top-up' but had to work at baseload.

over license approval and a mandate to enforce regulation compliance (Opam and Turkson 2000: 66). SYNEX and MME had already drafted a law for the single regulator they envisaged as part of PSRCs reform strategy. In order to accommodate the change made by the Cabinet, MME revised the law with the help of the Attorney General's Chambers so that it fit PURC's mandate. Aspects that were removed were then put into a draft law for the Energy Commission (G-RA2).

Debate on the "experimental" (Hansard 1997c: c272) PURC Bill was long and laborious and resulted in two key amendments (G-RA4; Hansard 1997c: cc265-324). PSRC's final report had recommended that the commissioners on the board of the regulatory authority be free from special interest groups (GoG/MME 1997: 16), but MPs were very keen on institutional representation in order to ensure all stakeholders were involved in tariff-making, thereby appeasing a sceptical public. They felt that institutional representation would enhance transparency by ensuring tariff increases were necessary and affordable (Hansard 1997c: cc265-324). PSRC had also recommended the regulatory authority be financed by independent means (GoG/MME 1997: 16), but this was also rejected, and arguably has since had an impact on PURC's credibility (G-RA3). With these amendments, the PURC Act was finally passed in September 1997 and followed three months later by the less controversial Energy Commission Act (Opam and Turkson 2000: 75-76). With the experience, spirit and knowledge of reforms, key members of PSRC, including Michael Opam, were transferred to PURC to operationalise it and in March 1998, it issued its first tariff increase (G-GD2; G-GD4; PURC 1998).[81]

The first steps towards private participation were, like the establishment of the regulatory bodies, more a reaction to water and financial crises rather than part of a structured implementation plan.[82] Poor rainfall in 1997/8, compounded by low imports from Cote D'Ivoire, led to a severe energy crisis. As a result, 60MW of emergency electricity was purchased from Aggreko Ltd and Cummins Ltd (both from UK, both 30MW each) and plugged into the Tema distribution grid as longer-term plans were developed. By 1998, both the ECG and the formerly profitable VRA were in

[81] See PURC tariff schedule, March 1998 (PURC 1998).
[82] See Malgas (2008) for a full account of IPPs in Ghana.

considerable financial difficulty. In order to deal with this, in September of that year, the GoG, VRA and ECG embarked on financial recovery plans endorsed by the Bank and IMF, who had seen fit to resume their macroeconomic lending which had been halted in 1996 (World Bank 1999a: 1). With Bank encouragement to seek private sector participation, the Government went looking for someone to build a second power plant the same site as T1, using the same core facilities as had been envisaged during negotiations for the Bank's Thermal Power Project (G-EI1; C-MD1). In 1999, VRA and CMS from Michigan, in a 10:90 share, formed Takoradi International Company (TICO) and set about expanding generation at the Takoradi site from roughly 300MW to 500MW through construction of T2 – a thermal power plant consisting of two 100MW combustion turbines.[83] Whether TICO represents a 'real' IPP is subject to debate: some believe it is (G-EU3; G-EU8; G-EU9), others view it more as a quasi-IPP (C-MD1; G-MD3; G-EU4; G-EU5; G-MD2). The PPA was designed in such a way that TICO would sell its electricity to VRA. This represented more of a single-buyer model (G-CF1), despite that option having been dismissed during PSRC discussions. There has been a fair degree of criticism over TICO. Some reasons for the relatively high PPA are CMS position as a 'first mover' and the low negotiating power of GoG (G-EI1; G-EU3; G-EU8; G-EU9). Construction of T2 went very smoothly and the two turbines were operationalised in March and September 2000. Good rainfall had eased the electricity shortage and the contracts for emergency electricity had ended, but by this time, the financial damage to VRA and ECG had been done. (RCEER 2005: 20-22; C-MD1; G-EU8; G-EU9).

In order to get movement on the other aspects of reform, in 1998 the Bank included unbundling of VRA and divestiture of ECG in its latest round of macroeconomic lending for structural adjustment, the Economic Reform Supply Operation (ERSO). ERSO was designed to be disbursed as two credits (or tranches) – ERSO-I in 1998 and ERSO-II in 1999. Disbursement of ERSO-I was free from conditions, but disbursement of ERSO-II was reliant on GoG meeting specific 'triggers' set out in ERSO-I.[84] Triggers were essentially "conditionalities for continued support" (World Bank 1999a:

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[83] Installation of 100MW steam turbine was expected later but never materialised (G-EI1).

[84] The 2003 Implementation Completion Report for ERSO-II states that conditions specified in ERSO-I was used as 'triggers' for the introduction of ERSO-II.

5) and this system of an upfront credit followed by the use of triggers was a new innovation in Ghana. Reform triggers in ERSO-I disbursement included divestiture of ECG and approval of ECG and VRA financial recovery plans. Whilst not all triggers set out in ERSO-I were met, such as divestiture of ECG, disbursement of ERSO-II was approved in July 1999 (World Bank 1999a: 13; World Bank 2003b: 3). Reform triggers included in ERSO-II were greater in number and included publication of transparent tariff-setting procedures by PURC, distribution of sales and generation regulations by the Energy Commission, the unbundling of VRA into generation and transmission components and the restructuring of ECG into five separate SBUs and their subsequent sale by the end of 1999, all of which was in accordance with PSRC's recommendations in 1997 (World Bank 2003b: 3-4). Complementing the conditions of the ERSO credits was the Bank's Public Enterprise and Privatization Technical Assistance Project (PEPTAP), which was restructured in 2000. PEPTAP was initially set up in 1996 to stimulate divestiture of all SOEs in Ghana, but the restructuring led to a focus on five large infrastructure and financial companies, of which ECG was one. Also included was support for capacity building in PURC and the Energy Commission, indicating the growing appreciation that a good regulatory environment was necessary to attract private sector participation (World Bank 1998a: 1-2; World Bank 2005a: 4-5 and 13; C-MD5).

Given that the swift creation of regulatory authorities[85] and the arrival of a long-term private investor in the sector were reactions to domestic pressures rather than calculated measures to pursue reform, it was perhaps no surprise that implementation of further reform steps was sluggish (World Bank 2003b: 8). Many factors appeared to have played a part. The dissolution of PSRC and the transfer of Michael Opam to PURC left MME without any champion to drive reform (G-GD2; G-GD4). Meanwhile, the utilities continued to resist. In an attempt to pre-empt the break-up of VRA and drive the restructuring in such a way that it would maintain its influential status, VRA had already started a process of ring-fencing its activities with the intention of creating SBUs. Around 1995, VRA attempted to pre-empt potential efforts to break up its activities by registering its transmission and distribution departments as separate SBUs.

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[85] Just because regulatory authorities had been created, it did not mean tariff reform had been implemented and Government interference reduced.

The transmission department became the Ghana Grid Company and NED became the Northern Electricity Company, but to all intents and purposes they remained as integrated VRA departments. This allowed VRA to deflect efforts to restructure it more fully by claiming that it was already in the process of doing so (G-CF1; C-MD1; G-EU3). On top of all this, the Bank managed the ERSO credits poorly. The Bank's Implementation Completion Report for ERSO-II in 2003 rated Bank performance as unsatisfactory, citing problems such as staff limitations during supervision missions, lack of sector specialists (in energy and banking in particular) and a general absence of proactivity in designing achievable project goals for a third ERSO credit (World Bank 2003b: 12).

Macroeconomic instability in the run up to elections in December 2000 also had a large impact. Trade losses in 1999 and 2000 amounted to 4.5% and 6.9% of GDP respectively. Currency devaluation in 2000 led to an increase in the value of existing external debt as a percentage of GDP. This was combined with high domestic interest rates. The result was an increase in interest payments from the national budget from 5.6% in 1999 to 7.5% in 2000. At the same time, donor financing did not match predicted levels and the GoG absorbed this using domestic funds (World Bank 2003b: 10). When the new administration[86] took office in January 2001, it inherited a country on the brink of economic collapse. As a result, electricity reform considerations were put on hold whilst more immediate concerns were dealt with.

6.3.2. Analysis of reform implementation

The relationship between the Bank and the GoG during attempted implementation of reforms appears to have been one of concerned support. After the creation of PURC and the first tariff increase, the Bank deemed the GoG to have shown sufficient commitment to moving forward with structural reforms that it resumed its structural adjustment lending with ERSO. But this credit and its associated conditions (or triggers) failed to leverage much reform despite the fact it was negotiated at a higher level than sector

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[86] A coalition party led by the New Patriotic Party (NPP) ousted the National Democratic Congress (NDC), who ruled since 1992 and as the Provincial National Defence Council (PNDC) in a one-party state system from 1982-1992. NDC gained power again in the recent elections in December 2008.

projects. The Bank certainly had the power, through its ability to withhold loans, to attempt coercion of the GoG, but despite the GoG's inability to find finance from elsewhere, it was far from a puppet. This was largely due to the ability of the GoG to withstand the Bank's intellectual power. The Bank does seem to have been quite lenient after conditions of ERSO-I were not met, although ERSO-II was in tandem with other credits so this might account for the approval without conditions being met. This may have led GoG to believe Bank staff would not stop the ERSO credit if they could not meet the conditions, otherwise the Bank would look unsuccessful, especially considering its earlier espousal of Ghana as a star reformer. Three tariff increases in 1998 were not followed by another until 2001, indicating that GoG did not follow ERSO conditions despite claiming in the LDP that it had sent to the Bank as part of its negotiation process that it would do so. By the time plans for a third ERSO credit came around, both sides were rather unwilling to continue – as noted in the Implementation Completion Report, the Bank rated its own performance as unsatisfactory and perceived recipient commitment as weak.

Ownership of reform implementation appears to have waxed and waned over time. The GoG drove the establishment of the regulatory authorities and the Bank clearly noted this achievement as an example of a pre-existing commitment to reform. The driving force behind unbundling VRA and divesting ECG initially appears to have been the GoG through PSRC, but the Bank's inclusion of this in its ERSO credits offers a alternative interpretation. The GoG's LDP for ERSO offered this component as a potential trigger, but it was written only a month before loan approval. This means that Bank negotiations took place before the LDP was formalised, suggesting that some components, such as electricity reform, might have been included upon Bank insistence. Of course, this is only speculation. The level of conviction regarding creation of regulatory authorities appears high. The transferral of Opam and others to PURC ensured that it was imbued with the conviction that had characterised PSRC, although PURC's ability was tempered by its lack of independence. Also, the removal of these key figures from MME left the Ministry without anyone to champion other reform steps and furthermore, without key staff in MME pursuing the reform agenda, no one was given responsibility for following up aspects of reform that made it into the MoF's dialogue with the Bank. Initially there was high political commitment to reform and for the most part, this was because creation of a regulator directed public dissatisfaction with tariff increases away from GoG. However, this breadth of ownership did not last long and no further tariff increases were made whilst the ruling party prepared for elections in 2000. Political will to push any reform that might impact upon important interest groups, such as the utilities, appears to have faded considerably. Alternatively, because the public were not well aware, and perhaps not interested, in parts of reform that were not felt to impact directly on the price they paid for electricity, these areas, such as VRA restructuring, were less likely to be supported by the political elite.

Knowledge asymmetry during reform implementation appears to be relatively high. The Bank had lost Armar as insider, although I have noted that it is not clear that the Bank ever fully utilised his knowledge. The tariff increase that brought about the establishment of the regulatory authorities was fairly well understood by the Bank and it viewed both as positive developments. On the issue of restructuring and divestiture the Bank seems to have been misled by information and commitment in ERSO documentation that did not reveal the true nature of commitment to and ownership of reform. Of course, it is not clear whether the MoF knew it was giving the Bank misleading signals, as it also might have been ignorant of the issues surrounding the reforms. In any case, the Bank never really appreciated the lack of GoG's political will to move on VRA unbundling or ECG divestiture, nor the reticence within these utilities. This is apparent in the Bank's attempt to keep up the momentum using conditions it later acknowledged were not relevant. Continual pressure from the Bank to increase tariffs suggests the Bank did not really understand how unpopular such a move was and how this affected the decision-making within the GoG.

6.4. Rethinking reform (2003-2007)

In this section, I look at how reforms seemed to gain a second wind, the impact of the 2006 energy crisis and negotiation of the recent Bank GEDAP project.

6.4.1. Description of reform rethink

Reform appears to have restarted after Cabinet approval of a re-charted reform policy in 2003 and the subsequent establishment of a Bank-funded Power Sector Reform Implementation Secretariat.

After coming to power, the GoG's immediate energy sector issue was petroleum prices. For many years, the Government had not adjusted petroleum prices to reflect increases in the price of oil and exchange rate changes, resulting in the accumulation of debt by the Tema Oil Refinery, which the GoG ended up having to assume.[87] However, by early 2001 the new Minister for Mines and Energy, Kandapaa, obtained Cabinet approval to continue with the existing reform plan (World Investment News 2001). However, before moving forward the GoG decided to assess whether the reform path required recalibration, and so in early 2002 it employed Economic Consulting Associates (ECA) from the UK to re-examine the sector. ECA's final report, published in March 2003, only diverged from the 1997 recommendations of PSRC in two ways: it suggested VRA retain ownership of existing hydro and thermal activities and two SBUs be created in distribution under one holding company run under a short-term management contract rather than the earlier proposal to have five. Existing proposals for the creation of a new transmission utility company, establishment of a rural electrification agency, tariff increases and transfer of responsibility of licensing to PURC were ostensibly unchanged (ECA 2003).

The decision to re-examine options for reform coincided with Bank conditions related to further macroeconomic support. Despite not having met many of the triggers set out in ERSO-II, the Bank and GoG agreed to continue with ERSO-III, which was approved in July 2001. Seen as an emergency measure to "support the political and economic transition facing Ghana in 2001" (World Bank 2003c: 3), continued implementation of electricity sector restructuring and tariff increases were made triggers for further support once ERSO-III had ended. Over the following year this planned support took the shape of a possible 3-year PRSC scheduled to begin mid-2002 (Hansard 2003: c344). Although, the actual trigger in ERSO-III for further adjustment lending was the rather vague "*progress* in implementing power sector reforms" (World Bank 2003e: Annex 1, emphasis added), during negotiations of PRSC-1 this was adapted to "*decision* on power sector reform to restructure VRA, including the separation of transmission from generation, and confirmation of role of private sector on thermal generation" (World

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[87] Adjusting petroleum prices became a sticking point in negotiations over the Bank's continued macroeconomic support (World Bank 2003c).

Bank 2003e: 36, emphasis added). The "launch [of] power sector reforms" was then made a trigger for PRSC-2 scheduled for mid-2003 (World Bank 2203ee: 38). Despite having had little success inducing reform during its ERSO credits, the Bank clearly prioritised electricity reform in its PRSCs: in total, electricity reform made up two of ten triggers for PSRC-1 disbursement[88] and it was one of ten triggers in both PRSC-2 and PRSC-3 (World Bank 2003e: Schedule 2).

Ghana's PSRCs were built upon the country's Poverty Reduction Strategy Paper (PRSP) approved by the Bank and the IMF (World Bank 2003e: Schedule 1). During PSRC preparation, the Bank rated policies followed by the credit as fully owned by the Government because:

> (i) it is fully aligned with the [PRSP] and draws heavily on the authorities' own policies and programs section of the {PRSP]; (ii) top Government officials were actively involved in its preparation; and (iii) important reform measures were adopted as prior actions which were critical to finalize preparation of the operation (World Bank 2003e: 35-36).

A cabinet reshuffle in April 2003, led to the appointment of Paa Kwesi Nduom as Minister of Energy, and claims of ownership over electricity reforms within the PRSP were further reinforced by his reassurance in Parliament that "this strategy is our document. It is not a document prepared by the Bank, the IMF or any [donor]" (Hansard 2002: c676).

Compliant with the trigger for PSRC 1, in mid-2003, Cabinet approved the direction of electricity reform based upon ECA's recommendations (World Bank 2003e: Schedule 1; Daily Graphic 2003). After the Cabinet approval coordination of electricity reform activities was placed under a dedicated directorate. In mid-late 2003, a Power Sector Reform Implementation Secretariat was established and the Bank agreed to pay for the employment of a Technical Director and Legal Director. The first position was filled by none other than Michael Opam and the second went to Vivienne Gadzekpo (GoG/MME 2008; G-GD1; G-GD2; G-GD4). Under the auspices of the Secretariat, various

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[88] This was policy objective B1 – expanding the supply of energy services economically while protecting the poor. The overarching policy objective for the B category was the improvement of the business environment while protecting the poor (see PRSC 2003e: Schedule 2).

members of the electricity sector were invited to be part of five Planning Committees formed to investigate how to implement reforms. These committees roughly followed the recommendations laid out by ECA and included the VRA Holding Committee, the Hydro Company Committee, the Aboadze Thermal Complex Restructuring Committee, the Distribution Planning Committee and the Transmission Restructuring Committee (GoG/MME 2008; G-GD1; G-EU6). Although the Bank did not provide technical assistance to these committees – and neither did any external consultants – it did provide funds and was in close contact with the Secretariat through its energy sector representative (G-GD1; G-GD2).

Despite the approval of the electricity reform and the committees, reform was still not exactly forthcoming. Shifting responsibility for reform from MME to the MoF by including reform in the PRSCs presented the GoG with the opportunity to demonstrate commitment to reform without having to implement it: according to one interviewee, for GoG it was "a case of just reporting and making phantom milestones, but it did not mean much" (G-MD2, see also C-MD5). Although tying reform to PRSCs and General Budget Support (GBS) gave policy conditions more weight, it also oversimplified the complexity and political challenges associated with reforming the sector and the depth and breadth of commitment required. This was intensified as MME became marginalised as the MoF became the government focal point for utilities and donors as far as energy issues were concerned. As a result, most of the key electricity reform conditions in PRSCs were rather vague. (C-MD5; G-MD2; G-GD5).

Nevertheless, by mid-2004, the committees had presented their reports (G-GD1; GoG/MME 2004). The three committees investigating VRA's hydro and thermal activities advised against unbundling until a more competitive electricity market existed (G-GD1).[89] The committee looking at distribution did present Cabinet with an action plan but warned that any merger of NED and ECG would involve tricky issues of significant financial compromise and staff harmonisation: subsidisation of NED's operating costs would result in further deterioration of ECG's already dire financial situation; contrary to NED's desire, ECG could not afford, and did not want, to take on

[89] It was argued that, as a matter of national security, VRA needed a thermal plant in case of low water supply.

NED's higher salaries; and, the GoG could not afford the severance pay of all NED employees (G-GD1; G-EU2; G-EU6).[90] The committee looking at transmission recommended the establishment of an independent transmission company.

Given that 2004 was an election year, implementation of recommendations made by the distribution and transmission committees was put on hold. Oddly enough, the electricity reform trigger for PRSC-2 disbursement – "launching power sector reform" – was still considered fully achieved and the credit was given in mid-2004. Elections were held in December 2004 and the incumbent, Kufuor, was re-elected. The ensuing Cabinet reshuffle led to the appointment of Professor Mike Oquaye[91] as Minister for Mines and Energy and he duly replaced Opam with Clement Abavana, the former Director of NED (G-GD1; G-GD3).

Moves to keep up the momentum on reform during the course of 2005 seem to be largely the result of Bank pressure. In a press statement in December 2005, Oquaye recalls his first year in office:

> The Ministry had to hit the ground running when we took office in the early months of 2005. There were several ripe initiatives pending that needed to be addressed by the Ministry, meaningfully and expeditiously. Most of these initiatives had to do with those so-called "triggers", which in the Ministry translated into meeting power sector goals and time tables and deregulation of the petroleum sub-sector. These triggers had to be met in order to qualify for donor budget support and debt forgiveness. We were able to accomplish nearly all. (GoG/MME 2005)

Dwindling resistance within VRA also eased the path to reform. Whilst initially resistant to change, questions over the ability of VRA to repay loans led to failure to attract private finance on numerous occasions. As a result, the notion of restructuring reform gained more support within the organization (G-MD4; G-EU3). At the same time, leadership became a contentious issue. In August 2001, President Kufuor had appointed Dr. Charles Wereko-Brobby as CEO, and from the start, VRA staff had trouble with his management style. Internal resistance grew and there is speculation it

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[90] The merger was very contentious. ECG did not want to join forces with NED. Meanwhile NED salaries were linked to those of VRA and so 40-50% higher than ECG.

[91] Apparently, he was appointed for the purpose of regional balance in Cabinet and as a reward to the Greater Accra for improved results in the election (G-GD3).

was supported by some factions outside the organization. In mid-2003, amid claims of fund misappropriation, the Government asked him to resign (G-EU6; Daily Graphic 2008).

In early-mid 2005, poor inflows into the reservoir at Akosombo indicated a potential water shortage so the GoG approached the Bank for assistance. Bank approval of a short-term project in generation was practically impossible given the internal climate within the Bank (see Section 4.3.2). However, a credit to look at access expansion and improvements in distribution was suggested and a Project Concept Note for a Ghana Energy Development and Access Project (GEDAP) was drawn up in June 2005 (World Bank 2005d; G-EU6). The project focused on a mix of rural electrification and transmission and distribution rehabilitation, with the latter most likely to satisfy GoG desire and Board requirements that the financial and technical sustainability of utilities was improved (in line with PRSC conditions). The Project Concept Note also acknowledged the importance of unbundling transmission from VRA and made reference to a possible Management Support Services Agreement (MSSA) in distribution, both of which had been explicitly noted as triggers for the disbursement of PRSC-3 (World Bank 2004d: Schedule 2). The Project Concept Note expected appraisal to happen in early 2006 and project approval to be granted by mid-2006, and to this end, workshops were held in 2005 and 2006 to assess project options (G-GD1; World Bank 2005d).

With the continuation of GEDAP preparation implicitly dependent upon achievement of PRSC-3 disbursement triggers due in mid-2005, the GoG moved on with reform. Given the distribution committee's warning, no Cabinet decision was made on the merger of NED and ECG, but it did instruct the Power Sector Reform Implementation Secretariat to commence with the restructuring of VRA. The first job consisted of amending the existing legislation surround VRA, which gave it sole mandate for transmission activities, and in September 2005 the Volta River Development Act of 1961 was amended in Parliament. (G-GD1; Hansard 2005: c1164; VRA 2005; World Bank 2006a: 6).[92]

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[92] The Act was amended to leave responsibility for transmission with VRA *until* a separate or independent transmission utility was established.

The Secretariat then set about the creation of a separate transmission utility. VRA had already registered the Ghana Grid Company in 1995. It was possible to reactivate this company, but under the Companies Code reactivation would have required the VRA to present audited accounts for the past ten years. Given that the company had never actually functioned as a separate entity these were impossible to provide. As a result, the existing Ghana Grid Company was abolished and a new one planned (G-GD1; G-MD2). The Bank did not let it hinder the disbursement of PRSC-3, confident that the GoG had already taken "irreversible steps that confirm the Power Sector Reform is on track in its implementation" (World Bank 2005c: 33).

The Bank did however make distribution the focus of its second trio of PRSC tranches (PRSC-4-6), set to start in mid-2006. With the amendment of the Volta River Development Act and creation of a transmission utility company supposedly on course, Oquaye confirmed this new focus in a speech in December 2005:

> All the salient aspects of the Power Sector Reform has [sic] also been accomplished, the outstanding part being the selection of a Management Services Provider for the new Electricity company of Ghana (ECG) after the merger between the old ECG and the Northern Electricity company (NED). (GoG/MME 2005)

Around this time, the Swiss government was very keen to get involved in the sector, particularly to support the MSSA (G-GD5; G-BD1).[93] The Distribution Planning Committee report on the MSSA still sat with Cabinet (GoG/MME 2006), so a broad memorandum of understanding was signed in which the Swiss pledged support in the distribution sector in general (G-BD1). The Swiss officials were very keen for a Cabinet decision on the MSSA and brought up reforms whenever they could.

Despite all the rhetoric and apparent momentum, reform efforts suffered a setback in 2006. In August 2006, four months after a Cabinet reshuffle in which Joseph Kofi Adda had been appointed Minister for Energy (G-GD3), lower than average Volta River inflows to the Akosombo Dam coupled with limited T1 availability[94] and reduced

[93] At the time, Swiss aid was tied to using Swiss contractors.
[94] Due to a technical fault.

imports from Cote d'Ivoire,[95] led to the initiation of a load management programme by the electric utilities (Sackey 2007). By November of that year, after the end of the heavier rain season,[96] reservoir levels were reportedly only 6ft above the minimum operating level of 240ft, and 30ft below the maximum operating level of 276ft (Daily Graphic 2007). An expected 200MW supply from Cote D'Ivoire was unavailable after a delegation in March 2007 announced technical difficulties and domestic electricity shortages. Measures to resolve the crisis relied on of the purchase of emergency electricity from thermal plants, which further weakened the national economy (Daily Graphic 2007).[97]

The Bank's response to the energy crisis and load-shedding was a strongly worded letter in mid-November 2006, in which it warned the Government about potential US$1bn of damage to the national economy if it was not resolved and proposed some remedial actions (World Bank 2006a: Section 6.9; Hansard 2007: cc672-673). This was followed a fortnight later by a long overdue GEDAP preparation mission that proposed that subject to certain conditions, project appraisal take place in March 2007.[98] These conditions included informing the Bank of the timeline for appointing the Board of Directors and staff for the separate transmission company by the end of January 2007, and shortlisting firms for the MSSA (World Bank 2006a). Within two weeks of the mission, the Ghana Grid Company (GRIDCo) was registered as the transmission utility and a number of task forces set up to prepare for its establishment the following year (GRIDCo 2008; Abavana 2008). It was also agreed that the contract for the Management Services Contractor for ECG would be in place in May 2007 (World Bank 2006a: 6).

Resistance within ECG to the notion of foreign management, which had always existed, remained high. A joint mission between the Bank and the Swiss in March 2007 failed to

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[95] Whilst undertaking a refit of a thermal plant, Cote d'Ivoire – Ghana's western neighbour – was also hit by low water levels (Sackey 2007) and exports to Ghana fell from 120MW to 10MW (G-EU3).
[96] Ghana has two rainy seasons; the 'light' rains and the 'heavy' or 'long' rains.
[97] During the crisis, Akosombo and Kpong dams, normally contributing 60-65% of the nations electricity, were only supplying 30-35%.
[98] The initial Bank mission in 2005 expected the next mission to take place in March 2006.

result in agreement with the GoG and ECG on the nature of the MSSA, in particular because the mission did not believe the GoG's Request for Proposals as written would result in significant improvements to ECG (see World Bank 2007a) As a result, proceeding to the negotiation stage was made conditional on GoG informing the mission of the next steps on the MSSA (World Bank 2007a). In the end, the Bank decided to leave the MSSA out of GEDAP and in July 2007 the US$210.55m GEDAP credit was finally approved (World Bank 2007c; G-RA2; G-GD5).[99]

Meanwhile, debate over the proposed MSSA continued. GoG reluctance to take an official stance on the details remained despite agreement during GEDAP negotiations that consultants responsible for management support services would be in place by October 2008. ECG management firmly opposed the MSSA as they felt the overriding issue within the organisation was financial sustainability. They believed a management contract would not solve this problem and might possibly make it worse. Whilst accepting that management deficiencies existed, they felt those were mainly confined to the commercial side of the business, insisting that technical capacity was high (G-EU1). Nevertheless, at some point in 2007 donor pressure led the Government to commit to the ECG/NED merger. At a symposium in Accra on 31 October 2007 entitled *Energy Sector Reforms: Removal of Policy Implementation Barriers* the Deputy Minister for Energy, Kwame Ampofo Twumasi, announced the merger of NED and ECG to create a holding company with four geographically divided SBUs (G-EU7; Ghana News Agency 2007).[100] Four months later, in February 2008, international consultancy firm PwC was brought in undertake a study on Restructuring of the Electricity Distribution Sub-sector. PwC presented its report in May/July 2008 (VRA 2008: 10) and the Government determined there should be 5-year transitional period during which NED and ECG were strengthened and empowered to be efficient and perform better. In the interim, a task force was set up within VRA to assess ways in which to operationalise

[99] This part was actually to be bilaterally negotiated with the Swiss as they were providing the funds. It was only part of GEDAP to the extent that it came under the general project framework in order that the DPs in the sector had a programmatic approach. Thus it is included in the GEDAP PAD, but was not part of Bank negotiations since there was no Bank financing for it (G-BD1).

[100] Note that this was different from the original ECA and Distribution Planning Committee recommendations for the merger of ECG and NED to form a holding company with two SBUs.

NED as a limited liability company (G-EU1; G-EU7; VRA 2008: 1). It was agreed that the MSSA would support commercial operations of ECG, and an agreement was finally signed with the Swiss in September 2008 (G-EU1; G-BD1).[101]

6.4.2. Analysis of reform rethink

During the rethink of reform, the Bank-GoG dialogue on reform remained at the level of macroeconomic lending. The replacement of ERSO with PRSCs can be interpreted as a move to match Bank conditions (or triggers) with GoG objectives in a more relevant way. These reworked high-level conditions were supposed to pave the way for a new, flexible, more accountable relationship. As one interviewee put it, "the difference now is the reversal of incentives" (G-MD1). That the Bank funded the Power Sector Implementation Secretariat gives some indication of its willingness to accept that it needed to come to the aid of the GoG. It could not coerce the GoG to reform if there was not adequate support. Also, perhaps the Bank did not feel that relations needed to remain so forceful given that 'irreversible steps' towards reform had been taken. In particular, this allowed the Bank to be flexible when some triggers, such as the MSSA, were not met, showing maturity in the relationship. The relative strength of the Bank at the beginning of the reform rethink was high: so great was the need for development assistance in the wake of economic crisis that the GoG really could not meet its own needs without budgetary support. Moreover, IFI support was seen as a catalyst for other donors, thereby amplifying the Bank's influence. But the Bank was by no means all-powerful and the GoG actually developed a code of conduct for GBS donors to follow. This showed a degree of intellectual independence by the GoG.

With regards to a new sector project, GEDAP, it seems that the relationship was overshadowed by the conditions of the PRSCs. During the energy crisis, the Bank delayed GEDAP negotiations until GoG undertook concrete reform measures and tariff reform. It seems reasonable to assume this was an attempt by the Bank to demonstrate its power. The strength of the Bank's negotiating power was further reinforced by the GoG's need for the system rehabilitation that GEDAP offered.

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[101] In order for negotiations to be completed before the elections in December 2008, it was agreed to define components later. So there is still lack of clarity over what the MSSA will look like.

Perceptions of electricity reform ownership within Ghana during the reform rethink vary. It is difficult to ascertain whether the Bank or the GoG was the main driver. Triggers for PRSC-1 disbursement clearly signalled that the Bank expected movement on reform. However, the Bank had been pursuing reform at that level for the previous five years so it is not clear why the triggers should have had so much impact at that point, although it was likely that the new government was keen to appease the Bank. With Opam back at MME, it is reasonable to assume that he was keen to finish the reform process that he had helped to design. The restudy of reform options by ECA is seen by some as appeasement of the Bank, by others as a serious government move to reconsider reforms, and by a few to represent an effort to stall decision making even further. The MME committees set up to ascertain how to implement reform were the initiative of the GoG and did not include the Bank, offering MME a clear degree of autonomy from Bank influence. However, the Bank did fund the Power Sector Implementation Secretariat so must have been at least peripherally involved in the reform process within MME. GEDAP has its origins in the GoG's request to the Bank for assistance to cope with the drought in 2006. The actual design of GEDAP's components owes a lot to the reluctance of the Bank to be involved in generation. The design was also affected by the Bank's desire to fund technical rehabilitation of transmission and distribution systems as well as rural renewable energy projects, all of which was a response to criticisms over omission of a poverty reduction focus in its electricity lending. The level of conviction during the reform rethink again lies with Opam and the Director of Power, who had also become convinced of the need for reform. Abavana also appeared very instrumental in moving reform forward within MME and the utilities. VRA gradually assumed a degree of conviction as the drought highlighted the need to unbundle in order to attract private sector participation. Conviction within ECG regarding restructuring and divestiture never really developed. Despite seemingly broad support for reform in Ghana, political commitment was too often inconsistent. The political will appeared to be there – Nduom in particular was marked out as a key proponent of reform – but the change in Ministers led to erratic progress. High-level Bank conditions did pressurise key policymakers, but delays remained. It is likely that Ministerial commitment was the result of technocratic support, via Opam, Abavana and the ECA report, and Bank pressure.

Knowledge asymmetry between the Bank and GoG during the rethink of reform appeared in many areas. Bank staff did appear to appreciate the political sensitivity because they arranged their PRSC to leverage reforms in such a way that it was acceptable to GoG, although this begs the question of why ERSO failed to appreciate this need. Because PRSCs were based on a PRSP that the Bank had helped to prepare, they were designed with insider knowledge. During the work of the MME committees, the Bank was not involved, although it did provide funds and was in close contact so it is reasonable to assume it was well informed. During the energy crisis, the Bank used its knowledge of GoG's need for assistance and the extent of its reform implementation to leverage further reform necessary for PRSC trigger disbursement. The MSSA was a troublesome area exacerbated by the lack of clarity over what the GoG was willing to do about the ECG/NED merger. It appears the Bank was not fully cognisant of the opposition within ECG to the proposal. ECA had noted the previous problems with management contracts in Ghana and in general, but this does not appear to have had an impact.

6.5. Conclusions

In this chapter I have analysed the dynamics of Bank-recipient relations during the electricity reform process in Ghana. In this section, I discuss the main concepts of the analytical framework presented in Section 2.4 in light of the findings presented in this chapter.

Power dynamics

The modified PA framework added the concept of intellectual power to the financial leverage wielded by the principal in the traditional PA framework. Although it might appear that the GoG has undertaken quite substantial reform, the process has been piecemeal and erratic at best. The Bank's obvious financial power superiority in the late-1980s and early-1990s left GoG with little choice but to acquiesce to reform conditions. However, the Bank did not have a great deal of intellectual power over the GoG. As a result, whilst conditionality was key in instigating design of reform, conditions geared to forcing implementation of reform were not so successful. The implementation of a new regulatory framework and the mobilisation of the private sector were both ad hoc reactions to crises rather than driven by planning. Not surprisingly, lack of steady reform implementation allowed political barriers, utility inertia and economic instability to lead to the eventual stagnation of reform. Although reform remained a favourite Bank condition of macroeconomic lending ever since PSRC made its recommendations in the late-1990s, it only led to real reform progress when coinciding with wave-like periods of enthusiasm for reform within the GoG.

Ownership constraints

The modified PA framework proposed ownership constraints as a more appropriate assumption than interest alignment. From this, success of policy implementation would correspond to the degree of policy ownership. In Section 2.4 I noted three facets of ownership: dimensions, depth and breadth. In general the GoG has controlled the direction of reform, but implementation has suffered from wavering political commitment and vested interests. The driver of reform was initially the Bank: GoG reformers were not so enamoured of the idea of institutional or structural reform. But regardless of who initiated reform, the GoG, through the PSRC, took control of its design. This was made possible by the level of intellectual capacity and nationalist pride within the local energy community. Conviction of the need for reform was unfortunately removed from the MME when key PSRC staff were moved to the regulatory authority to drive its development. Whilst this definitely hindered MME's capacity to push forward with restructuring reforms that the utilities were opposing, it might be argued that reforms could never be achieved overnight. Concentrating on establishing an effective regulatory regime was considered vital before encouraging private sector participation. However, this is countered by the argument that an effective regulatory regime independent of government interference has yet to materialise. The tariff issue is one indicator of the inconsistent political commitment to reform. Whilst political will driven by the desire to maintain public support led to the President and Parliament hurrying through legislation to establish the regulatory authorities, continued interference in tariff-making significantly reduced the impact of this reform step. Insolvent utilities continued to burden the state and macroeconomic instability constantly loomed. Meeting Bank conditions on tariff reform could be seen as a reason for continued government intervention in regulation, although government intervention tended to result in tariff decisions opposite to those the Bank wanted: tariff freezes rather than increases. When political commitment for other reform steps did appear, it was more often than not the result of pressure to achieve Bank triggers rather than genuine belief in the need for reform. In some way this did forge an alliance between key policy makers and technical staff supportive of reform, but this alliance may not have existed between the MoF and MME, the latter being in charge of the PRSC negotiations. Using the PSRC mechanism based upon a locally-authored PRSP might have removed MME from PRSCs negotiations therefore making triggers less widely agreed.

Knowledge asymmetry

The modified PA framework considered knowledge asymmetry as a more relevant concept than information asymmetry. As instigator of reforms, promoter of certain consultants, and with a man on the inside during PSRC's work, it would be reasonable to assume the Bank was fairly knowledgeable during reform design. 'No objection' was required from the Bank, so it had to be informed about all relevant documents. But by limiting the role of the Bank and undertaking the design themselves, rather than leaving it in the hands of international consultants, the GoG created a situation where it was much more knowledgeable than the Bank. Tacit knowledge about utility opposition was not fully appreciated and after Armar returned to the Bank knowledge asymmetry grew. Promises of reform set out as ERSO conditions belied the lack of appetite for restructuring reform steps and further tariff reform. Bank staff ignorance might explain why they continued to include electricity reform as key triggers in their macroeconomic lending. With the advent of GEDAP, another route for knowledge to flow seems to have opened up, although the extent to which Bank staff shared experiences between themselves is not clear.

Having completed the analysis of electricity reform in Ghana, in the following chapter I synthesise the analyses from my two case studies.

7. Explanatory power of a modified principal-agent theory: synthesising the case studies

The two preceding chapters presented an in-depth analysis of the reform processes in Tanzania and Ghana. In those chapters, I traced the evolution of Bank-recipient country relations during the ongoing reform process. In this chapter I synthesise the evidence from my case studies to unravel how Bank-recipient relations shape and constrain electricity reform in such a way that has led to the development of hybrid electricity reform models. Comparing it with insights from a traditional PA analysis, I assess how the modified PA framework enhances our understanding of how Bank-recipient relations have shaped and constrained electricity reform in Tanzania and Ghana. Table 4 offers a reminder of the analytical framework developed in Chapter 2, including the key concepts of traditional and modified PA theories.

Table 4. Analytical framework for exploring donor-recipient relations

Trad. theory	**Modified theory**		
Concept	***Concept***	***Facet***	***Detail***
Delegation under contract	Power dynamics	Type	Coercion (finance), authority (knowledge)
		Strength	Can influence be resisted?
Interest divergence	Ownership constraints	Dimensions	Who are the drivers? Who chose direction?
		Depth	Level of conviction: weak (legitimisation), strong (locally defined)
		Breadth	Political, technocratic, etc.
Information asymmetry	Knowledge asymmetry	Level of asymmetry	Ignorance, distortion
		Sphere	Political, technical, social, etc.
		Nature	Tacit, explicit

Section 7.1 explores how hierarchical power relations outside of contractual agreements affect the direction of electricity reform. Section 7.2 looks at how a conceptualisation of ownership beyond simple alignment of economic interests explains electricity reform progress more accurately. Section 7.3 expands upon simple information asymmetry to discuss the problems inherent in attempting to know, understand and respond to the barriers that recipients encounter when attempting electricity reform. Section 7.4 brings these key characteristics together and presents some of the limits of the analysis.

7.1. Controlling the direction of electricity reform

The hierarchical relationship between donors and recipients in ODA involves delegation between actors of unequal power of responsibility for policy change. This power differential manifests itself in many ways during the negotiation and enforcement of development credit agreements. Traditional PA theory assumes power is wielded through the threat of withholding loans. I assume within the modified PA framework that power relations also have a knowledge element not always expressed in a formal contract. In this section I investigate what my cases say about the evolving power dynamics of donor-recipient relations during the reform process. I first look at what insights traditional PA might offer and then focus on a broader view of power dynamics to include intellectual power.

7.1.1. Coercion, influence and authority

The traditional PA framework models the relationship between principal and agent as a formal contract between two boundedly rational actors, each pursing their own interests. Use of traditional PA theory to analyse ODA focuses on the development credit agreement for a concessional loan negotiated between donor and recipient. The terms and conditions of this formal agreement and how they are enforced are at the centre of the analysis. The power relationship is confined to observable coercion through the threat of withholding loans.

Analysing my cases using a traditional PA framework we can see that both the GoT and GoG took the Bank's financial power seriously. In great need of financial assistance to rehabilitate the sector and increase generation, the governments of Tanzania and Ghana had no real bargaining power when it came to negotiating the terms of the Bank loans that held reform conditions. The notion of 'commitment lending' espoused in the Bank's 1993 electricity lending strategy, solidified the perception that non-implementation of policy reform would result in either loans not being negotiated or, if they were, actual disbursement would be withheld. This method was echoed in the Poverty Reduction Support Credit (PRSC) mechanism. Credit disbursement was triggered by implementation of agreed policy reform conditions. The use of PRSCs appears to have had the effect of raising electricity reform higher on the agenda but at the same time of increasing the distance between those responsible for agreeing to the mandate (reform) and those responsible for performance (implementation).

In Tanzania, the 1993 Power VI Project is an example of the Bank's intention to leverage structural reform by exercising power through conditionality. The Bank actually had two parallel tracks along which it was pursuing conditional reform, emphasising its desire to effect change. Alongside the Power VI Project was the Privatisation and Parastatal Reform Project (PPRP), which set up Parastatal Sector Reform Commission (PSRC). Until the government opted not to privatise TANESCO, the Bank had a number of avenues along which it was trying to maintain pressure upon the GoT: PSRC and international consultants were pushing privatisation under the Privatization and Private Sector Development Project (PPSDP), and a reform project was in the pipeline; Songo Songo Project savings were being withheld until tariff reform was undertaken; the NETGroup management contract was being supported by a Bank Trust Fund; and rural electrification was being discussed in Energizing Rural Transformation (ERT) Project negotiations. By the time the crisis came along, most of these conditions were subsumed within the PRSC process, raising conditionality to the highest level of donor-recipient dialogue in Tanzania. In Ghana, approval of the Thermal Power Project in 1995 was made conditional on the GoG embarking on the path to reform and a number of other private sector development projects and macroeconomic support credits consolidated these conditions. The Bank also included reform in high-level dialogue and it would appear that inclusion of reform in PRSCs from 2003 onwards stimulated some movement on implementation.

Whilst the financial incentive gives a valuable insight into why Tanzania and Ghana reluctantly embarked upon reform, it does not explain the additional pressure resulting from implicit conditions, knowledge and history. In the following section I address the idea of knowledge as power.

7.1.2. Knowledge as power

Traditional PA analysis views power as the ability to withhold loans. Although Killick et al. (1998) and Dijkstra (2002) appear to appreciate the subtle influence of knowledge claims and capacity to negotiate, the PA models they employ do not formally include them. The inclusion of these issues in my modified PA framework adds weight to its explanatory power. In Bank-funded electricity reform in Sub-Saharan Africa, intellectual power is partly the product of historic dependence on the Bank.

The GoT's relationship with the Bank has increased in complexity as reform has progressed. Relations have moved from simple lender-borrower interactions to more coercive exchanges. By the time electricity reform came on the agenda, the GoT had long been dependent on the Bank for financial and intellectual support in the electricity sector. The Bank's influence became more of an imposition with the advent of conditionality in the 1980s, particularly within the electricity sector, where the Bank exercised power over the GoT through intellectual means. Reasoning behind reform, and knowledge about possible reform paths were largely absent within the GoT, leaving the Bank and international consultants fairly free to direct the reform process. In fact, the dismissal of EBSI recommendations despite their potential suitability for the Tanzanian system indicates the extent to which the Bank was initially able to manipulate the design of reform in the country. The practice of study tours was also used by the Bank to convince GoT and utility representatives of the value of reform. Country selection appears to have been used to steer the views of study tour members. For example, the bad experience of reform in India witnessed during the second study tour led many tour members to believe TANESCO should not be privatised. This seriously undermined the one-size-fits-all model that Tanzania was pursuing through the work of international consultants.

In Ghana, the government's relationship with the Bank in the electricity sector evolved in a similar manner to that in Tanzania. After many years of the Bank's authoritative assistance in the sector, approval of the Thermal Power Project was made conditional on GoG embarking on the path to reform. However, unlike the GoT, the GoG had more control over the design of reform although international consultants did provide advisory services. This led the Bank to assume reform conditions were likely to be implemented. For instance, soon after the publication of the GoG's reform strategy in 1997, aspects of reform were included in the Bank's macroeconomic lending instrument, the Economic Reform Support Operation (ERSO), but these had little impact, largely due to the political atmosphere at the time, the change of administration and the other issues threatening the economy (namely, petroleum prices). The Bank continued to lend to the GoG despite such slow progress on reform, preferring to accept promises that reform would be taken up next time.

Based upon my evaluation, power relations between the Bank and governments in both Tanzania and Ghana have certainly undergone a significant transition during the reform process towards more coercion underpinned by conditionality. The use of conditionality took place in conjunction with intellectual influence, the effectiveness of which is largely determined by the extent of the local capacity to control reform. In more recent times reform has been a significant element in the PRSC mechanism in both countries. This began earlier in Ghana than in Tanzania, and I assume this is because the Bank wanted more leverage over the more intellectually powerful GoG. Although as I discuss later, putting reform into PRSCs may actually have diminished the Bank's influence because it avoided addressing important sector-level implementation challenges. The ability of each government to manage this power asymmetry differed greatly based upon its capacity in, knowledge of and approach to both the reform process and interactions with the Bank, as I shall now discuss.

7.1.3. Perceiving and withstanding the exercise of power

Donor-recipient interactions under the conditions of a hierarchical power relationship are affected by how powerful actors perceive themselves relative to one another, both in terms of financial and intellectual capacity. Power can be actively exercised, or the threat of its exertion can be enough to achieve the desired effect. Consequently, perceptions of power (and the threat of its use) and the perceived ability to withstand its application play an important role in exacerbating or equalizing any imbalance of power between two actors. The ability to withstand this financial and intellectual power is proportional to the ability to satisfy ones own interests without outside help.

With conditionality as their weapon, it appears that Bank staff initially perceived that they held power over the GoT and could induce it to undertake reforms. This was symptomatic of the Bank's belief in its own knowledge superiority. At the same time, the GoT was fairly limited in its negotiating power. Alternative sources of funds, especially private finance, were not forthcoming and the capacity and knowledge required to design a locally-appropriate reform strategy were limited. The general perception was that the Bank knew how to do it and had the power to enforce it anyway. As a result, the legacy of dependency on the Bank for financial and intellectual support continued. However, many of the people in power during the Mwinyi government wanted change and saw Bank and IMF conditions as a way to achieve it. This indicates that there was some level of local support for the direction taken. The GoT's decision in 2005 to despecify TANESCO might be viewed as an attempt to resist Bank influence. However, by that time pressure to reform had subsided somewhat. The Bank's willingness during the crisis to withhold credit disbursement and delay negotiations on a new project suggested it still believed in, and was powerful enough to enforce, coercive tactics.

The GoG tended to perceive it was able to withstand outside influence and satisfy its own interests. Such strength was acknowledged by the Bank, forcing it to consider and reconsider its 'star pupil'. This strength is notable for the fact that the Bank kept giving funds even when reform conditions in their macroeconomic support credits during the late 1990s were not met. This might indicate that conditions were becoming more relaxed as the Bank moved into the 'comprehensive development framework' paradigm. The GoG managed to maintain a degree of autonomy over the reform design and implementation and in fact, by the end of the 1990s, the inability of the Bank to impose its conditions strictly is evidence both of the GoG's power to resist and of the Bank's unsure feeling about intervening, reflecting the change going on in Ghana at the time.

Both countries were in desperate need of finance to support the construction of thermal power plants, which would reduce dependence on hydro. Both countries had also agreed upon Bank projects to privatise state-owned enterprises (SOEs). In Tanzania this included TANESCO and in Ghana it included ECG. Despite this, perceptions of power (active and threat) and the ability to withstand the pressure it brought differed between the two cases. GoT officials could not maintain Nyerere's resistance to Bank influence, and neither did they all want to; they needed and wanted Bank support. The Bank capitalised on this and dependency grew. Ghana's Rawlings accepted Bank support but kept to a certain objective irrespective of the Bank's conditions – some of which were met, whilst others were implemented more slowly. Ghana's confidence in the electricity sector was also higher than Tanzania's, particularly given the international reputation of VRA. During reform implementation, putting electricity reform in PRSCs in both countries significantly elevated its position on the national agenda. However, both countries took advantage of the more relaxed PRSC mechanism to at times renege on conditions.

Insights from my cases regarding the impact of intellectual influence (or knowledge as power) in addition to financial leverage mirrors findings elsewhere on the use of local knowledge and donor-supported technical assistance to inform policy. In this context, a number of authors have argued that local knowledge is incorporated into donor-recipient programmes and projects in a very limited way (Briggs and Sharp 2004; Briggs 2005) and that knowledge transfer and technical assistance in the politically sensitive field of development, a field marked by power inequalities, merely privileges and knowledge held by donors and strengthens their position (Wilson 2007; Ferguson et al. 2010).

The notion that knowledge as power is an important characteristic in the donor-recipient relationship has been argued by Smith (2008) in her analysis of the Bank's relationship with the Government of South Africa from 1990-2002. Her findings show that whilst Bank 'expert' intervention can offer valuable technical insights, it often neglects political knowledge. This concurs with the sentiments of a senior Bank staff member that I interviewed, who claimed that the Bank's assistance in electricity reform was in no way political, merely technical (MD3). Importantly, Smith (2008) found that the Government of South Africa in turn promoted the Bank's hierarchy of knowledge, which privileges technical and scientific knowledge over political knowledge. The result has been greater reliance on the Bank's technical assistance at the expense of valuable local knowledge resources.

7.2. Overcoming ownership constraints within the electricity reform process

Lack of local ownership is commonly cited as a reason for non-implementation of reform. In Section 2.2.2, I claimed that unequal power relations in the donor-recipient partnership make *pure/full* local ownership impossible. However, the greater the proximity to ideal full ownership, the higher the chances of sustainability. The traditional PA framework tends to assume local ownership is impossible so focuses its attention on a narrow range of incentives that the principal can offer to make a certain action appear in line with the boundedly rational economic interests of the agent. In the modified PA framework I substitute the notion of interest divergence with ownership constraints in order to shift the focus towards broader incentives to overcome these constraints. This gives more opportunity for assessing within the PA model where the real barriers to ownership lie. In this section I investigate what my cases can tell us about how and why local ownership of Bank-funded reform has evolved and what impact this has had on reform sustainability. I first look at how traditional PA theory would analyse ownership by assessing attempts to align economic interests through economic incentive mechanisms. I then analyse ownership more broadly in terms of *dimension*, *depth* and *breadth*.

7.2.1. Expressing commitment to reform

The traditional PA framework assumes the principal and agent have divergent interests. From this standpoint, the framework posits that the agent will override their own interests in favour of pursuing the principal's interests (through implementation of the delegated task) only if the incentive offered for doing so compensates the agent to a degree they deem sufficient. In essence, the incentive must compensate the agent for the loss in welfare resulting from not pursuing their own agenda. In accordance with the economic vision of a rational self-interested actor looking to maximise their wealth, the incentive focused on within ODA tends to be financial assistance in the form of conditional loans, where suspension of credit disbursement is used as punishment for non-implementation. The extent of the economic incentive to balance the perceived risk of punishment is deemed to be the key determinant of implementation, but the nature of incentive (i.e. monetary/pecuniary) does not appear relevant.

Framing the electricity reform experience in Tanzania and Ghana in this manner presents us with a case of the Bank working to induce reform by touching the monetary nerve of the recipient government. In Tanzania, the postponement of Songo Songo Project negotiations over concern about IPTL is a clear example of the Bank employing a negative economic incentive to induce the GoT to act in a certain way. Only when clarity on IPTL was gained and arbitration finally underway did the Bank agree to continue negotiations. The Bank continued in its attempt to incentivise the GoT to continue with reform by refusing to approve use of Songo Songo Project savings for a transmission and distribution project unless tariff reform was undertaken. This was also the case for the ERT Project. Electricity reform was finally included in the PRSC mechanism around 2005 and continued this momentum, resulting in a number of key reform steps being taken. In Ghana, the Bank did not withhold any of its ERSO or PRSC credits despite non-implementation of a number of conditions. However, it did hold back from entering negotiations on GEDAP because it wanted certain pre-conditions to be met first, particularly a decision on the management contract and the unbundling of transmission from VRA.

The perceived risk of not receiving financial assistance does not fully explain why, in my cases, the governments did not always meet agreed conditions. The picture is much more nuanced. Taking a broader vision of actor interests and how ‘welfare’ is defined, it is reasonable to assume that broader incentives will be required to compensate for any loss in welfare. Concerns over the driving force behind reform, low capacity to understand reform options and limited policy legitimacy amongst stakeholders served to undermine achievement of local ownership. It is these concepts that I discuss in the following sections.

7.2.2. The driving force behind reform

Understanding ownership of policy change must encompass not only who holds responsibility for implementing a policy. It must consider who the drivers of change were, why a certain direction was chosen, who the winners and losers were and where the resistance was? Both Killick et al. (1998a) and Dijkstra (2002) acknowledge these considerations in their analyses of ODA using the PA framework. But here I build upon them further through the idea of a driving force. The driving force with regards to electricity reform might be assumed to be the actors who had most to gain from reform and who had the greatest desire to push it forward. The losers from electricity reform were usually the incumbent vertically integrated utilities. They were largely opposed to restructuring, privatisation and regulation, all of which they feared would reduce their political power.

In both Tanzania and Ghana, the initial driver for electricity reform was Bank conditionality. The Bank was unwilling to continue to fund investment in electricity sectors around the world, so generation projects like the Power VI and Songo Songo projects in Tanzania and the Thermal Power Project in Ghana, were financed on the basis that an attractive environment for private sector participation would be developed through sector reform.

In Tanzania, the government had little understanding of how to reform and many stakeholders were fairly reluctant for state-owned utilities to be placed in the hands of the private sector. It was not until after gaining some experience that the GoT felt more confident in making decisions regarding reform. Although the Bank was the driving force, PSRC in Tanzania became the Bank's local vehicle. Whilst it gave the Bank ideas purchase locally, it drove a wedge between sector ministries who felt left out of the decision-making process in their sectors. International consultants were used right from the start in Tanzania and they had a big role to play in driving the reform in a certain direction. The Bank approved their terms and conditions and they were unwilling to question the model that they had been asked to create an implementation plan for, despite any misgivings they had.

In Ghana, the claim that the Bank was the driver of reform is complicated by the fact that a Ghanaian member of the Bank was seconded to advise the Ministers of Finance and Energy on the issue. Also, the GoG claimed to control the reform design. The Bank was the motivating factor, but the need for private sector participation was appreciated within the GoG. After Bank conditions had taken effect, the push for reform came locally although international consultants were used as advisors. The push to continue with reform after implementation had stalled appears to have been Bank-led through PRSC conditions. In fact, by 2003 reform implementation in both Tanzania and Ghana continued to be driven by the Bank conditions or crises, such as water shortages.

7.2.3. Deepening local support for reform

As noted above, full ownership of reform is impossible to achieve, given that the Bank has its own strategy which forms part of its lending conditions. However, whether the Bank's strategy dominates or merely concurs with local policy can be assessed in terms of *depth of local support*. Dijkstra (2002: 312) describes this as "[local] insight into the feasibility of implementing reforms". In the electricity reform process, this might come across as the level of conviction amongst policymakers and stakeholders that reform was the solution to problems in the electricity sector and the ability of those policymakers and stakeholders to adapt and modify a general solution to country needs.

Reform in Tanzania was very much the appropriation of a combined Bank-consultant model. This meant implementation was always threatened because of a lack of understanding and commitment within the government and TANESCO. It is very telling that the strategy proposed by ESBI-Price Waterhouse in 1995, which adapted reform to fit local conditions, was not deemed extensive enough to attract private investment. This implies that the Bank assumed restructuring would automatically lead to private investment, regardless of the local context. And the more restructuring, the greater the levels of private investment. The management of restructuring studies by PSRC actually gave reasonable depth to local support for reform, but it was confined to PSRC staff and a few MEM employees who could appreciate and understand the complicated consultancy reports. The removal of the Permanent Secretary left MEM without a key champion of reform.

Ghana's story is rather different. The GoG chose to establish a clear, locally driven process to design the reform strategy rather than simply legitimise a consultant or Bank proposal. This was intended to generate significant depth of local support amongst a wide range of actors within the sector. To a large extent it managed to do that, but implementation still suffered from low motivation of some actors who had endorsed the strategy. This suggests that local support was not always as deep as might have appeared. Certainly a number of key actors in MME were wholly committed to reform and went on to be involved in setting up PURC. But with these actors gone, there was no one within MME to champion reform and so implementation of other reform components began to stall. The return of Opam to MME in the early 2000s and his good relationship with the Bank brought back to the ministry a champion who fully supported reform and was in a position to influence the Minister of Energy.

Deepening ownership in both Ghana and Tanzania appears to have occurred to differing degrees. In both countries, local champions were the key to maintaining depth of local support. Their positioning within government hierarchies of power determined their effectiveness and ability to convince others of the need for reform. It appears that overt support for reform in principle also masked hidden agendas and opposition to reform in practice. In Tanzania, the Bank's use of PRSC as a local vehicle who fully advocated reform was quite successful in terms of generating deep support. However, PRSC's desire to privatise parastatals created significant bad feeling amongst other stakeholders and left other necessary parts of ownership (i.e. breadth) sorely affected. In Ghana, the Bank's inclusion in its Public Enterprise and Privatization Technical Assistance Project (PEPTAP) of ECG divestiture indicates confidence it would happen, but it is clear from ECG staff that there was no deep desire for it.

7.2.4. Broadening local support for reform

Dijkstra's (2002: 312) augmented PA framework makes reference to the notion of power dynamics within the recipient country in terms of the strength of opposition and policy 'credibility'. In my modified PA framework I expanded upon this idea by incorporating different domains of ownership. Ownership is often reported to exist at a vague level denoted by such things as 'country', 'national', 'government' or 'local'. But the idea of domains helps to distinguish between who has the power to design (technocratic ownership) and the power to implement (political ownership) as well as the extent of legitimisation resulting from wider support and conviction of interest groups (societal ownership). The extent to which all these stakeholders are onboard and in agreement with the need for reform and the form it takes can be viewed as the *breadth of local support*.

The GoT initially showed a good degree of political will towards reform but showed limited technocratic ownership. Capacity within MME was low and this resulted in responsibility for designing reform being handed to international consultants. By the time the consultants had proposed their recommendations, many GoT representatives appeared convinced of the reform strategy. But the Bank's position was incoherent at the time, opening up an opportunity for those who were not fully on board to dissent. The GoG, on the other hand, was technically rather capable of designing reform and they often claimed that reform was completely home-grown. But international consultants were used and their impact should not be dismissed lightly. Political will in

Ghana rather erratic, responsive to public pressure and greatly affected by the change in Energy Ministers after the new government took office. The dire status of the electricity sector status eventually led VRA to acknowledge private investment was needed and would only happen if there was a level playing field. In both Tanzania and Ghana, study tours were a method used by the Bank to broaden local support for reforms amongst key stakeholders. The experiences witnessed during the Tanzanian delegation's second study tour actually led to increased opposition to reform.

In an effort to broaden support for reform in Tanzania and Ghana, the Bank adapted conditions and put them in high-level dialogue. This was partly the result of an accumulation of experience from electricity and wider reform programmes leading to substantive policy changes within the Bank. The idea was that it would allow countries to have more input in loan conditions, but it also opened up opportunities for dithering behaviour. Putting reform into PRSC dialogue allowed the Bank to better understand and align with the country (less need for conditions) rather than coerce the country to align with it (through achieving conditions). This resulted in fewer issues when conditions were not met and less likelihood that they would not be met.

The separation of reform ownership into different elements, each of which have a bearing on the direction of reform, links with research highlighting the importance of local champions and social acceptance on successful reform design and implementation. In a report by GTZ (2008) on the challenges faced in reform of the water sector in Kenya, Tanzania, Uganda and Zambia, key champions and public acceptance were deemed imperative in order to maintain political support and momentum. The notion of different elements of ownership is also present in the analysis of reform ownership by Williams (2002). Viewing reform as an institutional innovation, he augments previous research on the role of executives as the architects of change by analysing the role of technocrats in identifying barriers to reform and presenting innovation strategies that executives endorse.

However, it is debatable how to achieve reform ownership. In a 2008 Bank article, entitled *Reform Teams: How the Most Successful Reformers Organized Themselves*, Criscuolo and Palmade (2008: 2) argue that successful reformers depended on:

> a small, dedicated reform team that was connected to the top of government and in charge of formulating and updating the reform strategy, building consensus, coordinating and mobilizing resources for implementing the strategy, and, crucially, nurturing the reformist political leadership over time.

Importantly, this team was outside of line ministries and engaged directly with donors. This type of organisation ties in with the idea of both political and technocratic ownership – in fact, it offers a way to link the two. But the results found by Criscuolo and Palmade (2008) compare interestingly with my results in both Tanzania and Ghana. Whilst Tanzania attempted to create through PRSC a small, dedicated team outside of the Ministry of Energy, this structure led to resentment within the line ministries and increased barriers to implementation. In Ghana, the 'dedicated reform team' was neither small, nor outside of the line ministry, resulting in a well-owned reform design at a technocratic level.

7.3. Minimising knowledge asymmetry during the electricity reform process

Knowledge asymmetry is the second assumption of the modified PA framework. In this section I investigate what my cases can tell us about how and why knowledge asymmetry has been minimised during the reform process. I begin by analysing information asymmetry in the manner favoured by traditional PA theory before incorporating the notion of knowledge, and related characteristics of *spheres of knowledge asymmetry* and *ways of knowing*.

7.3.1. Reducing information asymmetry

Traditional PA framings assume the agent always has more information than the principal, not only information about how they *might* go about doing the delegated task, but also information about how they *actually are* going about doing the delegated task. As such, ensuring the delegated task is done in a way that is satisfactory to the principal requires a mechanism to gain information about the agent's activities. Such monitoring is costly so the principal will only undertake it to the extent it costs less than the loss from having the activity done in a different way, i.e. the way the agent wants to do it.

As a result, the agent will always have an incentive to shirk proportional to the perceived risk of being caught and punished.

When taking this perspective in the analysis of electricity reform in Tanzania and Ghana, we might expect the Bank to overcome this problem by improving the design of its contract and monitoring mechanisms. In Tanzania, the Bank was given detailed information about what was going on during the work of PSRC, leading it to assume that the process was working well so no added pressure was required. Although Bank staff did become aware of the depth of opposition to reform, there was still a general confidence that reforms would eventually take place. The Task Force set up during the energy crisis in 2006 attempted to get clearer information about the status of the sector, but it did not investigate some of the more political aspects hampering reform. In Ghana, the inclusion of reform in the PRSC mechanism was expected to generate clearer information about the GoG's willingness to undertake reform because it was based upon the national poverty reduction strategy paper.

However, information asymmetry does not explain why, with all the documents, policies and official communications, etc., Bank staff still lacked understanding of government commitment to reform. I suggest that a focus on knowledge asymmetry might add to the explanation of this challenge faced by Bank staff and the action they took to overcome it.

7.3.2. Observing knowledge asymmetries

The concept of knowledge asymmetry differs from information asymmetry by virtue of the fact that more transparent monitoring does not necessarily reduce asymmetry because it does not capture tacit dimensions. In essence, knowledge asymmetry adds to the existing problem of information asymmetry by acknowledging that designing mechanisms to enhance the flow of information only works for codified knowledge. In electricity reform, knowledge asymmetry can occur during negotiation of a loan or during the implementation of the subsequent policy condition. The extent to which the principal knows what action the agent is likely to take might influence the loan negotiation. And the extent to which the principal knows how the agent is implementing a policy condition and if not, why not, will influence their decision about whether to punish the agent in some way (e.g. withholding credit disbursement or refusing to approve a subsequent loan).

The level of knowledge asymmetry between the Bank and recipient during the reform processes in Tanzania and Ghana has varied, as has the Bank's response to rectify the situation. In Tanzania, Bank staff were given information about what was going on during the work of PSRC, but they appear to have had limited knowledge of some of the political issues. The change in the Bank's lending aims after 2000 did little to improve the situation. Clarity over the emergency electricity generation and TANESCO finances was still lacking. Much of this lack of knowledge was due to there being no clear communication channel for knowledge to pass along. Rather than increase understanding, the Bank's multiple projects seem to have generated very little coherent stock of shared knowledge amongst staff. Not until the energy crises in 2004 and 2006, and the inclusion of energy in the General Budget Support (GBS) process, were concrete steps taken to get to grips with the status of the sector.

In Ghana, having a Bank staff member on the inside during reform design offered great potential being kept informed of the GoG's progress. However, after the reform strategy was launched and Armar returned to the Bank, this avenue for knowledge to pass along was closed. The Bank continued to include reform in ERSO credits despite limited progress on reform, implying it believed it was only a matter of time before the GoG took action. After the new government was elected, the continual changes in the Ministry greatly hindered the Bank's ability to understand the extent to which reform was really on the government agenda. Ministers attempted to appease the Bank as they settled into their jobs in order to access PRSC funding, but there was often limited substance behind talk of reform.

7.3.3. Addressing ways of knowing and spheres of knowledge

Moving from information asymmetry to knowledge asymmetry, one comes across the notion that there are different spheres of knowledge and different ways of knowing (codified and tacit) within each sphere. Spheres of knowledge pertain to technical, political and social spheres. Reducing knowledge asymmetry in one sphere does not necessarily reduce it in another. To achieve an overall reduction in knowledge asymmetry actors must access different spheres of knowledge, and of course, one or more actors in the delegation chain may desire knowledge in one or more spheres to remain asymmetrical. Spheres of knowledge in electricity reform include the technical aspects of reform, the political barriers and the social acceptance of restructuring and privatising a well-established sector. In each of these spheres, knowledge is dispersed and only certain aspects of it can be captured through codification. In the case of electricity reform, ways of knowing might relate to the following of reports and auditing in order to gain codified knowledge of what might be required or what is happening or having people on the ground can improve tacit knowledge.

In Tanzania, the Bank had access to a great deal of knowledge regarding the technical aspects of reform. The restructuring plans required the Bank's approval and its advice was often sought. However, the political challenges surrounding reform were not so widely understood. It appears that the Bank assumed that opposition to reform within the utilities could be easily overcome through study tours and continual pushing of restructuring consultancies. The Bank was not fully aware of the growing discontent with private sector participation, arising from bad experiences with IPTL, the NETGroup management contract and eventually the Richmond scandal. Even when these issues did come to the fore, Bank staff were unprepared and unable to deal with them. This resulted in some rather unsatisfactory relations between Bank staff and GoT employees. The decentralisation of staff members managed to improve relations, however this only occurred later on, and after many decisions had already been taken.

Although in Ghana the Bank had their man on the inside during the design of reform, this does not seem to have given the organisation much additional insight into the chances of successful reform implementation. Much of this is to do with the fact that any knowledge Armar might have had was not transferred to new Bank staff who began working on reform after the strategy had been published. The Bank's PSD Group who negotiated the ERSO credits obviously felt the GoG was committed to implementing the reform strategy and were disinclined to withhold credit disbursement even when it was clear the GoG was not going to implement the electricity reform conditions that had been set. This leniency appears to have been because of general macroeconomic instability rather than because the Bank appreciated more time was needed to overcome resistance to electricity reform. This delay lasted into the new administration and it took some time before the Bank was fully aware of the new government's commitment to reform.

Lack of tacit knowledge appears to have been a central feature of the knowledge asymmetry within Bank-recipient relations during reform in both Tanzania and Ghana. Particularly absent has been a clear understanding of the political challenges to reform that led to slow reform implementation. Decentralisation does seem to have overcome this aspect of knowledge asymmetry to some extent, but only where personal relations between decentralised Bank staff members and stakeholders within the sector have been positive.

The concept of knowledge asymmetry has many similarities with findings of research on the monitoring and evaluation process in Bank-sponsored programmes and projects. In their study of the monitoring and evaluation of Bank-funded education reform in Colombia, Neu et al. (2006) find that by prioritising indicators that can be compared throughout its repertoire of programmes and projects, the Bank limits its ability to reduce knowledge asymmetry and increases the opportunity for actors to manipulate knowledge (or construct information) in a way that meets their own interests and/or is consistent with what they think the Bank as a principal wishes to see/hear. Essentially, the knowledge asymmetry is only reduced to the extent that the knowledge can be codified easily, and even then it suffers from limitations. Reducing information asymmetry can be achieved by improved monitoring and evaluation, but reducing knowledge asymmetry requires additional alternative measures. The chances of the Bank investing in such additional alternative measures, or even broader monitoring and evaluation tools, is limited by the pressure from member states and senior management to provide econometric measurement of success (Annisette 2004). The complexity of PRSPs has only heightened the challenge of monitoring and evaluation in order to close the knowledge gap between principal and agent (Holvoet and Renard 2007).

7.4. Conclusions

The starting proposition of this thesis was that Bank-recipient relations shape and constrain the direction of electricity reform in important ways. The traditional PA framework as employed by Killick (1998) and augmented by Dijkstra (2002) expects reform implementation to be proportional to the extent to which economic incentives offered by the donor overcome bureaucratic inertia and political opposition within the recipient. Whilst this framework offers a great deal of insight into the way donor-recipient relations shape and constrain reform processes, it potentially underestimates the impact of certain additional aspects that I have found important in my cases. Better understanding of these aspects adds more predictive power to the theory and can help guide policymakers better. In particular, these are the role of knowledge as power, broader visions of ownership and knowledge asymmetry. Within my analysis in this chapter, I have added value to the analytical PA framework in three ways: advancing the notion of knowledge as power, elaborating upon facets of ownership and developing the concept of knowledge asymmetry. The synthesised results are summarised in Table 5. These results correlate with findings of other research on Bank-recipient and wider donor-recipient relations regarding the power of knowledge, reform ownership and monitoring and evaluation issues.

With respect to the hierarchical arrangement of actors within the PA relationship, the modified PA framework adds an intellectual power dynamic to the financial power dynamic of the traditional PA framework. Whilst reform in both Tanzania and Ghana was largely driven by a desire to fulfil Bank conditions in order to obtain financial assistance, design of reform was driven by intellectual forces. In Tanzania, the government had limited capacity or knowledge to design reform so were at the mercy of Bank and consultant recommendations. On the other hand, in Ghana the government had a good stock of local capacity to draw from and the desire to design reform, thus allowing it to somewhat withstand Bank and consultant influence. However, the fact that the GoG actually went further than the Bank had expected is rather startling. Over time, the Bank's thinking on reform became more intellectually diverse. Meanwhile, experience of reform in both countries grew. These two factors combined to create the conditions in which the GoT and GoG felt more in control of the pace and direction of reform implementation. This finding would not have been accounted for in a traditional PA analysis and therefore presents a strong case for employing the modified PA framework.

Traditional framings of PA theory assume divergent interests limit the probability of a delegated activity being carried out. This probability could be increased by aligning interests using appropriate economic incentives. The modified PA framework replaces this with the idea of ownership constraints: the greater the local ownership, the higher the probability of the delegated activity being carried out. Economic incentives remain important, but other incentives are necessary to achieve local ownership. For instance, who drives the direction of the delegated activity is an important factor. Also key are the depth of conviction within key stakeholders that the delegated activity is necessary and the breadth of support for undertaking the activity. In both Tanzania and Ghana, there has been considerable opposition to reform, particularly from incumbent utilities. This was unsurprising in Tanzania, given that the utilities were not widely involved in reform design. But in Ghana, the involvement of key utility figures in the design of reform belied their support for any change within the sector. By replacing the traditional PA framework's assumption of interest divergence with the broader notion of ownership constraints, the modified PA framework is better able to explain why economic incentives did not change X, but other issues did play a role.

The traditional PA framework assumes information asymmetry, whereby the agent is always better informed about implementation of the delegated task than the principal. The principal can put in place monitoring systems to get information about the extent of implementation, but these are costly. The modified PA framework adds to this assumption the notion of knowledge asymmetry. Knowledge that is tacit in nature cannot always be monitored by gathering information. Rather, it must be gathered by gaining experience about what is happening on the ground. Decentralisation of AFTEG staff proved to be quite instrumental in the latest round of Bank projects. Before that in both Tanzania and Ghana there had been significant misunderstanding with the Bank over the level of commitment within the recipient governments to reform conditions. This framing explains shirking behaviour and response by the Bank more effectively than traditional PA analysis of simply not having enough information. It allows for type of information and distortion of information to be appreciated.

In summary, traditional PA theory's focus on financial leverage, alignment of economic interests and information gathering leaves a number of factors unaccounted for. The modified PA framework builds upon the elements of the traditional PA framework to expose the ways in which intellectual influence, alignment of non-economic interests and knowledge gathering also affect the way in which donor-recipient relations shape and constrain the electricity reform process.

To some extent, the outcomes of reform efforts in both Tanzania and Ghana seem to have limited bearing on the Bank's influence. And of course, the way in which donor-recipient relations shape and constrain the electricity reform process provides only a partial explanation for reform outcomes. As noted in Section 3.1.3, the electricity reform process can be viewed as an instance of many different phenomena, or classes of events, such as interest-group politics, high-level decision-making or organisational culture. Whilst I have alluded to the roles of domestic politics within the recipient and organisational culture within the Bank in the reform process, my analysis focused on the interaction between the two sets of actors dealing with these issues: the donor-recipient relationship. This does not mean I believe domestic politics and organisational culture are unimportant determinants of reform outcomes – far from it. In particular, domestic politics in recipient countries have had a large impact, especially when considering ownership constraints. For instance, certain in-country politics, such as the change in Ministers in Ghana led to waves of political impetus. However, I believe my research on the donor-recipient relationship allows the connection between domestic politics and organisational culture to be understood through the lens of interactions between constrained actors. In this way, it augments research on the reform process by filling an important gap in the literature.

Based on the synthesis provided in this chapter, in the next chapter I offer my conclusions. I answer the research questions raised in Chapter 2 and present the contribution to knowledge that this thesis has made. I end with policy implications and potential avenues for further research.

Table 5: Synthesised results

	Concept	Case	
		Tanzania	**Ghana**
Hierarchical arrangement	**Financial power dynamic** *(e.g. offer conditional loans)*	• Reforms started because made a condition of receiving funds for PPRP, Songo Songo Project and Power VI Project. The GoT was in dire need of financial assistance, both for the national economy and the electricity sector in general.	• Reform started because made a condition of receiving funds for Thermal Power Project.The GoG could not expand the electricity sector without external financial assistance. The perceived financial clout of the Bank explains attempt to include reform elements in macroeconomic lending instruments (ERSOs and PRSCs).
Hierarchical arrangement	**Intellectual power dynamic** *(e.g. use of consultants, promotion of single model, study tours)*	• MEM accepted the Bank- and consultant-designed reform strategy because it had no knowledge of what reform should look like. But the accumulation of experience in reform after the restructuring consultancies, the management contract and the study tour led to a greater understanding within the GoT over reform options. This was combined with a more flexible Bank position, and resulted in a policy space in which the GoT felt comfortable and supported enough to postpone reform.	• GoG had ability to design reform to their specification and go beyond recommendations made by the Bank.
Interests	**Interest divergence** *(e.g. economic incentives – give or withhold loan)*	• The GoT and wider stakeholders were not too keen on utility reform. Only after Bank advocacy and threat of withholding loan disbursement did reform efforts begin.	• In an attempt to increase the pressure on the GoG to reform, the Bank put reform conditions in its macroconomic lending instruments. The aim was to get more leverage as the threat of withholding the loan would catch the attention of the MoF.
Interests	**Ownership constraints** *(e.g. incentives for ownership)*	• The lack of ownership of reform explains why the Bank could not get the tariff increases they wanted despite using the Songo Songo savings and ERT Project as bait. The lack of broad ownership is evidenced by the fact that PRSC championed whilst MEM did not.	• Ownership constraints explain why the GoG felt it owned reform yet failed to implement much of it, particularly in the face of Bank conditions. The lack of political will because of the high turnover of energy ministers, and utility opposition were big obstacles.
Information	**Information asymmetry** *(e.g. codify, monitor)*	• The Bank ensured it gained as much information about the extent of implementation as possible by requiring all documents and decisions were cleared through them. The stakeholder meeting after the restructuring consultancies had been completed was a way to get information about how stakeholders felt about reform. Lack of information also explains why the Bank put a hold on Songo Songo Project negotiations.	• As was the case in Tanzania, the Bank ensured it gained as much information about the extent of implementation as possible by requiring all documents and decisions were cleared through them
Information	**Knowledge asymmetry** *(e.g. get people on the ground and experience)*	• Decision to decentralise AFTEG staff to Dar es Salaam greatly improved the Bank's ability to gather knowledge. The success of the Task Force had a lot to do with gaining better knowledge about the true state of the electricity sector in Tanzania.	• The Bank's ignorance about the GoG's level of commitment to reform conditions in the PRSCs was largely because it lacked understanding of what was going on on the ground. The MME felt left out and little reform was possible if they were not onboard.

8. Conclusions

The purpose of this thesis was to better understand how donor-recipient relations shape and constrain the electricity reform process in Sub-Saharan Africa. Such an endeavour, it was argued throughout the thesis, requires a modified PA approach that integrates broader understandings of power, partnership, ownership and knowledge from the development studies literature into traditional political economy accounts of overseas development assistance (ODA). In this chapter I summarise how I have undertaken this task and examine the implications of my findings for development studies and political economy literatures. I conclude with the significance of this study for policy makers and suggestions for further research.

8.1. Summary of the thesis

In the introduction to this thesis I noted that the donor-recipient relations in the electricity reform process have received very little attention in the academic literature despite their evident influence in the form of conditionality.

In Chapter 2, I proposed that Bank-recipient relations are most commonly analysed using a traditional PA framework. Central to this framework is the notion that donor-recipient interactions represent hierarchical power relations between actors with different objectives and a lack of knowledge about each other's activities. I argued that, whilst this offers much valuable insight, its parsimony often means it does not adequately reflect the reality of complex interactions between donors, recipients and those individuals and interest groups who make up these entities. In order improve our understanding of this important causal mechanism behind electricity reform outcomes in such a way that overcomes this limitation, I proposed a modified PA framework, incorporating the notion of intellectual power, a broader conceptualization of interests and ownership and the idea of knowledge asymmetry into the traditional PA model.

Given the exploratory nature of the research, a case study approach was chosen. In Chapter 3, I explained that the depth of insight offered by case study research suited my desire for accurate validation of the refined concepts within the modified PA framework. In this chapter I also explained why the cases of Tanzania and Ghana were chosen, noting in particular that they showed high experience levels of the phenomema – Bank-recipient relations – under investigation. I described how the analytical framework was operationalised and how data analysis would proceed, followed by a detailed description of the sources of data and data collection methods.

With the analytical framework in place and the research methods clearly defined, the empirical element of the thesis was reported over three chapters. In Chapter 4, I presented the evolution of thinking within the Bank. This scene-setting chapter described the global landscape within which Bank lending for the electricity sector has evolved over the lifetime of the organisation. This was important to contextualise the case studies. In Chapters 5 and 6, I analysed the evolution of reform in Tanzania and Ghana respectively. For purposes of analytical ease, the reform process was divided into four phases: origins, design, implementation and rethink. Bank-recipient relations during each phase were analysed using the modified PA framework.

In Chapter 7, I synthesised the findings from my case studies to generate insights into how Bank-recipient relations shape and constrain the electricity reform process that go beyond what an analysis using a traditional PA framework would offer.

8.2. Implications of my findings

In this section I summarise the synthesised findings from my case studies and the limitations of the analysis. Bearing these limitations in mind, I then discuss how these findings offer a significant contribution to knowledge.

8.2.1. Answering the research questions

There are two research questions driving this thesis, one empirical and one theoretical. These will be answered below:

Q1. How do World Bank-recipient relations shape and constrain electricity reform?

It is quite apparent from the case studies that Bank-recipient relations have had a significant impact on the electricity reform process. The obvious starting point is the Bank's financial influence, which has allowed it to have a say in the reform process. But the situation is more nuanced than this and differs between countries for a number of important reasons. The relationship is not merely one in which the donor orders the recipient to do something and the recipient does it, especially not considering the changing priorities and experience within each actor. As the reform process has evolved, so the experience of each has grown, leading to new strengths, weaknesses and opportunities.

In Tanzania reform was very much the product of Bank-controlled negotiations for a loan to finance construction of the Kidatu hydroelectric power plant and a loan to support a programme of privatising state-owned enterprises. The Bank was an ever-present force in keeping the GoT focused on reform. However, as time went on experience grew within the country and lessons began to be learned about what was happening around the world. This gave the GoT knowledge about reform and enabled it to withstand the Bank's intellectual influence. The Bank's intellectual position also changed, allowing for reform mutations to be considered. For instance, the regulatory system put in place in Tanzania was quite unique and widely supported. Rural energy provision also came out as an issue that needed attention. Meanwhile, restructuring itself – a key area of Bank pressure – failed to take off despite a number of Bank attempts to coerce the GoT. Private participation in the form of a management contract proved fatally flawed as none of the necessary investments to rehabilitate the system were made meaning any savings that were made were eventually lost. The variety of contact points between the Bank and government, each relating to a different agenda, meant that coherence was also missing. Incumbent utilities took this opportunity to step up pressure on the Government to maintain the status quo. In the end, the privatisation of the national utility was suspended and priority was given to getting it back on its feet. The details of this process have been set out in Chapter 5.

In Ghana, relations between the government and the Bank have similarly been influential in the reform process. However, the GoG has had its own ideas about reform. The design of reform went further than the Bank envisaged, due to enthusiastic local champions. But resistance within incumbent utilities and the change of government stalled this strong initial movement. The Bank continued to push reform through conditions for macroeconomic support, but this only served to create a gap between promises of movement on reform and actual implementation. Whether or not the various changes in Minister of Energy actually slowed reform implementation down is hard to determine, although is clear that without a steady political champion momentum was difficult to maintain. Finally, however, there was some movement on the restructuring, although tariff reform is still slow despite PURC having been active for a decade. The details of the reform process in Ghana have been set out in Chapter 6.

Reform in both Tanzania and Ghana was initiated as a condition of one or more Bank loans. The implementation of reform has then been a tug of war between Bank coercion and domestic inertia and opposition, particularly from incumbent utilities. As experience and knowledge has accumulated, reform has unfolded in different ways. In Tanzania, this process seems to have led to a clearer articulation of what the government wanted and what the local needs were. In Ghana, it appears that articulation was already there but it was the political will that was lacking, only occurring in the wake of crises. The Bank-recipient relationship has clearly constrained the reform process in terms of what options countries felt able to pursue. But as experience grew and the Bank took on board the need to address side effects such as regulatory issues and rural electrification, Bank-recipient relations shaped reform in a way that allowed the direction of reform to follow a more appropriate path.

The impact of domestic political issues and the internal workings of the Bank are not fully explored in this analysis. However, the fact that Bank-recipient relations are a hinge between these two complex entities make this analysis particularly insightful.

Q2. How does the modified PA framework explain the ways in which World Bank-recipient relations shape and constrain electricity reform?

This research question is broken down into three sub-questions:

a. *How do intellectual power dynamics between the World Bank and recipient affect negotiating power?*

Traditional PA theory offers a valuable insight into how the Bank's financial influence affected the balance of negotiating power and subsequent reform conditions. Both governments were highly dependent on Bank finance in order to invest in much needed rehabilitation and expansion plans. However, traditional PA theory does not satisfactorily explain the difference in negotiating power between the governments of Tanzania and Ghana. The additional notion of intellectual power suggested by the modified PA theory offers a better indication of why the GoG was better able to withstand the influence of the Bank than the GoT and also why the one-size-fits-all model was initially followed. In the case of Tanzania, the government was heavily dependent on the Bank for intellectual guidance. Misreading the Bank's policy as a firm intellectual position and desirous of meeting the commitment lending requirement, the GoT appeared quite happy to align themselves with the recommendations of consultants, who were also keen to meet assumed Bank criteria. This resulted in undermining the notion of choosing different options, something that Bank documents had advocated. Ghana was more heavily endowed with intellectual capacity in the energy sector, and VRA was considered a strong, respectable utility. The GoG's intellectual capacity meant that the Bank's financial clout only initiated the reform process but did not give it as much influence over the design.

b. In what ways can recipient ownership intersect with achievement of the World Bank's aims?

Ownership is repeatedly cited as a key ingredient for reform success, although it is something of a black box. In terms of the ways in which recipient ownership intersects with achievement of the Bank's aims, traditional PA suggests that where ownership can be identified, it is largely in terms of aligning economic interests in a top-down fashion using economic incentives. Motivations beyond financial needs, such as political legitimacy, are often lacking. The modified PA analysis sheds light on several of these aspects of ownership that traditional PA frameworks do not take into account. Agent ownership, widely accepted as key to the sustainability of any reform process, can be viewed as having technocratic, political and societal 'domains'. Addressing all of these domains effectively reduces the risk of the principal's delegated task being derailed.

The GoT showed limited technocratic ownership but significant political ownership. The GoG, on the other hand, showed widespread technocratic ownership but limited political ownership as the change of government led to the need to keep utilities onside. Consensus did not exist in either case – vested utility interests were understandably against the idea of destruction of their empires. Unpacking of the breadth of ownership into these 'domains' goes some way in explaining why the Bank's model was pushed but not understood in Tanzania and understood but not pushed in Ghana.

Economic interests-based ownership neglects the diversity of ownership within a country. Ownership can be deep but not broad, or vice versa. The modified PA framework shows an ability to appreciate different domains of ownership which all require analysis in order to determine the extent to which non-implementation can be ascribed to a lack of ownership.

c. *How does knowledge asymmetry explain the behaviour of the World Bank and recipient countries?*

In the late 1990s, the Bank tried to reinvent itself as the 'Knowledge Bank', but the difference between information and knowledge is rarely acknowledged. Knowledge asymmetry in the modified PA framework offers a more accurate concept to use than the traditional idea of information asymmetry in the traditional PA framework. Introducing this concept has a lot of value when investigating how reform experience (tacit knowledge) drove the Bank to refocus its electricity sector lending and recipients to change their attitudes to reform. The manipulation of knowledge offers an opportunity for agents to mask the actual extent of policy implementation from prying principals. Designing a better contract does not necessarily remedy this situation, as the Bank's attempt to incorporate reform in Poverty Reduction Strategy Credits showed.

The concept of knowledge asymmetry explains why the Bank has been seeking to get closer to its clients through decentralisation of staff and hiring local consultants. Decentralisation has offered a means for the Bank to improve its understanding of needs and constraints within recipient countries. This is a change from incentivising the agent to align themselves with the principal to a proactive move by the principal to align themselves with the agent. Whether it is used to achieve greater ownership or to have more direct influence on the knowledge is something that requires further exploration.

Tied to the concept of knowledge (particularly tacit knowledge) is the notion of learning, understood here as the accumulation of knowledge. Although my research did not focus on the process of learning, it does appear to have had an impact on the evolution of donor-recipient relations. For instance, an emerging insight from the data is the axes of learning. It appears that the Bank has tended to learn from reform experiences in a 'horizontal' way across countries at the expense of 'vertical' learning from experiences within countries. For instance, in Tanzania, the unsatisfactory experience of Power VI project did not seem to have any impact on its later projects. Rather, project preparation was informed more by experiences of similar projects in other countries around the world. Whilst learning from other countries is extremely useful, it seems logical that lessons learned from previous experiences in the same country limit are also important. It is possible that the Bank's recent push to acknowledge the importance of local starting conditions suggests a move towards greater vertical learning.

Because I was unable to fully explore this emerging insight, it was not possible to deeply examine issues surrounding what was learned, how it was learned and the extent to which what was learned was actually utilised. However, this would be a valuable area for further research, particularly connecting it with work done in the context of learning between projects in the project management literature.

8.2.2. Limitations of the analysis

There are a number of limitations to the analysis of the case studies in this thesis. Firstly, research into complex policy processes is never easy and in the context of limited data availability, as was the case in Tanzania and Ghana, the challenge increased. Even though in-depth qualitative research was undertaken, it is still difficult to model complex interactions between the Bank and recipient governments. Certain aspects may not have been fully captured and it was not always possible to corroborate some empirical threads. However, I believe this does not limit the claims I have made, but merely limits my ability to make further claims that additional data triangulation might have made possible. An example is the impact of corruption on the electricity reform process and Bank-recipient relations. Any claims relating to such a sensitive issue would be very hard to substantiate without significant additional data.

Secondly, this thesis sought to expand the explanatory power of the traditional PA framework by incorporating conceptual ideas from the development studies literature. Such integration is difficult to achieve and broadening the concepts of the PA analytical framework arguably leads to a loss of focus and predictive power. However, this limitation is counterbalanced by the gain in explanatory depth of the study, allowing more detailed investigation of the complex dynamics of donor-recipient relations during the electricity reform process. Even with this depth, in order to retain some degree of parsimony, actors remain fairly unitary and personal interactions are not explicitly examined in the framework.

Thirdly, time and financial constraints meant it was not possible to investigate a greater number of cases with such depth. Tanzania and Ghana are certainly worthy of study on their own, but I acknowledge that replication would improve external validity of the results and potentially offer additional insights. Replicating such a proposed analytical framing of delegation in ODA in the case of other Bank-recipient relations may be difficult and time-consuming, but it is quite feasible. How far the arguments proposed in this thesis on Bank-recipient relations may be replicated for other donor-recipient relations may be limited by the degree to which the key assumptions are appropriate. However, the insights from this thesis might offer a springboard for future comparative work.

8.2.3. Contribution to knowledge

This thesis makes three contributions to knowledge. Firstly, the starting point of this thesis was the claim that donor-recipient relations have so far received insufficient attention in the descriptions of the electricity reform process, yet the thesis has shown that they are fundamentally important in such processes. In particular, this thesis has noted the various ways in which donor-recipient relations serve to help and hinder reform sustainability. It has shown that donor-recipient relations shape and constrain the electricity reform process when it is funded through direct projects or the General

Budget Support (GBS) process. As experience within the Bank and recipient countries has grown, lending constraints allowed more appropriate reform paths to be forged using a timescale that recipients were more comfortable with. This research adds to literature on electricity reform and enhances analytical understanding of the policy reform process. It also offers the first full in-depth analysis of donor-recipient relations in the electricity reform process in Tanzania and Ghana and the first analysis of electricity reform using the PA framework.

Secondly, a contribution has been made by showing how concepts from development studies can be fruitfully combined with the traditional PA framework in order to explain evolution of electricity reform through the study of donor-recipient relationship dynamics. A contribution has been made to the growing literature on PA framings of ODA relations by shedding light on how more nuanced notions of ownership and knowledge can be integrated into the PA framework, updating it in the wake of recent discourse. The thesis confirms the ability of a modified PA framework to explain why two governments have come to deal with the challenge of reform in quite different ways and how and why the policy reform analysed was implemented in the way it was. Therefore, it is reasonable to assume these concepts are relevant to other instances of Bank-recipient relations in the electricity sector. Also, power dynamics, ownership constraints and knowledge asymmetry within Bank-recipient relations in the electricity sector are most certainly not unique, but represent a more general phenomenon of Bank behaviour. Furthermore, given the hierarchical power relationship between the Bank and its clients that is arguably common to all donor-recipient relationships, at the very least, the concepts of domains of ownership and knowledge asymmetry that I have explored in the modified PA framework are likely to be of great relevance to the wider donor community.

Thirdly, this thesis makes a modest methodological contribution to knowledge. Most studies employing PA theory to investigate ODA are econometric or desk-based. Coding in-depth, field-based qualitative data to investigate ODA using a PA framework required the design of an innovative tailor-made data matrix. The contextual nature of the data meant that using ready-made software to code the large swathes of interview data would sacrifice accuracy and might have invalidated the results completely. The matrix allowed me to order the data without losing linguistic nuances, particularly where interviewee data came from non-native English speakers. Such an easy-to-follow, self-designed data analysis tool is an example of something that others might find useful to develop when undertaking research in similar contexts.

8.3. Policy implications

The findings of my research into the nature of the relationship between the Bank and recipient countries in the reform process have a number of policy implications for the electricity sector and, to the extent these findings can be generalised, the wider donor community. However, policy prescriptions based on PA framings must come with a note of caution. As noted in the second chapter of this thesis, PA theory has both analytical and prescriptive elements, which often leads to it being used as the theoretical underpinning behind much policy practice. The blurring of the line between the analytical and prescriptive uses of PA theory can be extremely challenging to cope with.

The first policy implication of my research relates to the development of the Bank's new energy strategy. This research shows that donor-recipient relations matter, in particular the style and composition of partnership. At present, most concern over the Bank's new strategy is focused on content rather than delivery. This thesis has shown that the way in which the Bank helps countries to achieve certain goals in the electricity sector greatly influences the chances of general sustainability. This may require an open appreciation of the power dynamics so that the Bank's knowledge claims are transparent and recipient countries are given an opportunity to utilise their own knowledge and capacity. If sustainability is to be achieved, ownership in the broadest sense must be sought, through achieving technocratic, political and societal support. Also, having local staff on the ground to ensure that the real needs and interests of all stakeholders are adequately addressed is imperative. The content of the Bank's new energy strategy prioritises climate change and poverty reduction. These are important issues and it is right that they are central to the strategy. But reforms are still a crucial area in need of attention if countries are to rehabilitate their electricity sectors, achieve financial and technical viability, appropriately regulate electricity provision and achieve pro-poor electrification objectives. All of these are required if the climate change and poverty reduction agenda is going to be met in such a way that is appropriate and sustainable.

The second policy implication is that the effectiveness of sectoral reform conditions in Poverty Reduction Strategy Credits (PRSCs) appears questionable. Whilst it brings reform into high-level dialogue between the Bank and recipient, it can marginalise sector ministries in such a way that can hinder the implementation of said reform. Reform is still important if the electricity sectors of many countries are to become sustainable so that governments can focus on the social provision of electricity to the poor. It is important to consider how reform should be included in the Bank's new lending strategy and how it is aligned with the PRSC mechanism.

The third policy implication relates to the debate on aid effectiveness. Policymakers are continuing to improve the effectiveness of aid and, as noted by McGee and García Heredia (2010), there is a growing body of academic and grey literature highlighting the significance of aid relations when it comes to effective application of aid. The notions of domains of ownership and knowledge asymmetry offer policymakers an explanation of why aid relations have gone some way to improve chances of ownership but continue to stop short of fully owned solutions.

8.4. Avenues for further research

There are a number of potentially fruitful avenues for further research building upon the findings of this thesis. Three possibilities will briefly be discussed below.

Firstly, my research offers an initial exploration into how the conceptual gap between developments in development studies and political economy literatures can be bridged. Although it focuses on two cases studies, the modified PA framework can hopefully have broader application. A logical next step in this research programme is to begin a systematic comparison of donor-recipient relations in other sectors and other donors to test the framework developed in this thesis. Drawing on a wider empirical base would allow strengthening and further refinement of the claims of this thesis. Of particular interest would be the extent to which the analytical framework is useful in exploring relations between bilateral donors and recipients.

Secondly, an emerging insight from the empirical data was the role of learning in the Bank-recipient relationship. Although this was only briefly explored, the process of learning and adapting poses many interesting avenues of research. It allows the PA framework to be viewed as organic, constantly changing as a result of demands from various actors in the system and the growth of knowledge about the relationship. Waterman and Meier (1998: 197) provide one of the few discussions on learning, evolution and dynamism in PA relationships. Principals and agents can interact on a continuous basis and learn from previous interactions. This has a bearing on the role of incentive and punishment mechanisms put in place to reduce agent shirking. This might offer additional insight into the impact of Bank-recipient relations during the evolution of electricity reforms.

Thirdly, although my research has given deeper insight into causal mechanisms behind the reform processes in Tanzania and Ghana there are many experiences out there that can add to our understanding of how the reform process is shaped. Gratwick and Eberhard (2008) have already called for more research into the nature of so-called ‘hybrid’ models in order to ascertain their stability and sustainability. The findings of this thesis support this call and suggest that further research might focus on determining the range of hybrid models. In particular, the evolution of the reform process might offer insights into the extent to which a particular reform example is a stable hybrid or merely constitutes a messy product of history.

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Appendices

Appendix A: Interviewee list

APPENDIX A WAS PROVIDED FOR EXAMINER USE ONLY. PLEASE NOTE THAT CONFIDENTIAL INFORMATION HAS BEEN REMOVED.

Please note that:

- Code names represent the area of empirical research followed by the sector affiliation and chronological number (as opposed to positioning of evidence in the analysis):

  C = Contextual background (Chapter 4), T = Tanzania case study (Chapter 5), G = Ghana case study (Chapter 6).

MD = Multilateral donor, BD = Bilateral donor, EU = Electric utility, RA = Regulatory authority, GD = Government department, PP = Politician, CF = Consultancy firm, EI = Electric industry, IC = Industrial consumer

- Where an interviewee has been used in more than one case/chapter, only one code name is given and corresponds to the first case it is used in (for example, C-MD2 could be used in Chapter 4 and Chapter 5).
- Some positions and affiliations have been generalised in order to protect sources that wish to remain anonymous. In most cases, this is done by denoting interviewees simply as an 'employee'.
- Some interviewees have held multiple roles and had multiple affiliations (for example, a former employee of the electricity utility now working for the Ministry of Energy). To avoid confusion and maintain confidentiality, I have denoted them by their position at the time of interview.

Table 6. List of interviewees

Code name	**Position**	**Affiliation**	**Sector**	**Interview date**
The changing landscape of electricity reform lending within the World Bank				
C-MD1	Senior Energy Specialist	World Bank	Multilateral donor	27/10/08
C-MD2	Regulatory consultant	World Bank	Multilateral donor	17/03/09
C-MD3	Sector Manager	World Bank	Multilateral donor	18/03/09 25/03/09
C-MD4	Economist	World Bank	Multilateral donor	20/03/09
C-MD5	Senior Advisor	World Bank	Multilateral donor	23/03/09
C-MD6	Consultant	World Bank	Multilateral donor	25/03/09
C-MD7	Regulatory consultant	World Bank	Multilateral donor	03/04/09
C-MD8	Lead Financial Analyst	World Bank	Multilateral donor	03/04/09
C-MD9	Consultant	World Bank	Multilateral donor	08/04/09
Case study 1: Electricity reform in Tanzania				
T-MD1	Senior Energy Specialist	World Bank	Multilateral donor	17/04/08 21/04/08
T-MD2	Consultant Power Engineer	World Bank	Multilateral donor	29/05/08
T-MD3	Programme Officer	World Bank	Multilateral donor	23/06/08
T-BD1	High Commissioner	British High Commission	Bilateral donor	07/05/08
T-BD2	First Secretary	SIDA	Bilateral donor	25/04/08
T-BD3	Counsellor	SIDA	Bilateral donor	25/04/08
T-BD4	Counsellor	SIDA	Bilateral donor	30/04/08
T-GD1	Deputy-Commissioner for Power	MEM	Government department	07/05/08 13/05/08
T-GD2	Commissioner - Energy	MEM	Government department	30/05/08
T-GD3	Former Permanent Secretary	MEM	Government department	20/06/08

T-GD4	Commissioner - Policy Analysis	MoF	Government department	28/05/08
T-GD5	Principal Consultant	PSRC	Government department	20/04/08
T-GD6	Director-General	REA	Government department	07/05/08
T-EU1	Former Privatisation Director	TANESCO	State-owned electric utility	22/04/08
T-EU2	Senior Manager	TANESCO	State-owned electric utility	19/05/08
T-EU3	Senior Manager	TANESCO	State-owned electric utility	26/05/08
T-EU4	General Manager	TANESCO	State-owned electric utility	30/05/08
T-RA1	Director	EWURA	Regulatory authority	09/05/08
T-RA2	Director-General	EWURA	Regulatory authority	29/05/08
T-EI1	Commercial Manager	Songas	Electric industry	26/05/08
T-EI2	Managing Director	Songas	Electric industry	26/05/08
T-CF1	Employee	International management consultancy	Consultancy firm	20/06/08
T-IC1	Director	Simba Cement	Industrial consumer	22/05/08
Case study 2: Electricity reform in Ghana				
G-MD1	Economist	World Bank	Multilateral donor	16/12/08
G-MD2	Program Manager	World Bank	Multilateral donor	25/03/09
G-MD3	Employee	World Bank	Multilateral donor	09/04/09
G-BD1	Counsellor	Embassy of Switzerland	Bilateral donor	15/12/08
G-GD1	Technical Advisor	MME	Government department	26/09/08
G-GD2	Technical Advisor	MME	Government department	30/10/08
G-GD3	Former Advisor	MME	Government department	20/11/08
G-GD4	Director	MME	Government department	17/12/08
G-GD5	Senior Economics Officer	MoF	Government department	25/11/08
G-EU1	Director	ECG	State-owned electric utility	06/10/08
G-EU2	Director	ECG	State-owned electric utility	21/11/08
G-EU3	CEO	GRIDCo	State-owned electric utility	12/11/08
G-EU4	Project Manager	VRA	State-owned electric utility	18/09/08
G-EU5	Electrical Engineer	VRA	State-owned electric utility	18/09/08
G-EU6	Director	VRA	State-owned electric utility	11/11/08
G-EU7	Director	VRA	State-owned electric utility	19/11/08
G-EU8	Director	VRA	State-owned electric utility	01/12/08
G-EU9	Plant Manager	VRA	State-owned electric utility	01/12/08
G-RA1	Executive Secretary	Energy Commission	Regulatory authority	15/09/08
G-RA2	Director	Energy Commission	Regulatory authority	23/09/08
G-RA3	Executive Secretary	PURC	Regulatory authority	02/10/08
G-RA4	Legal Director	PURC	Regulatory authority	17/11/08
G-EI1	Business Manager	TICO	Electric industry	01/12/08
G-CF1	Managing Partner	Local energy consultancy	Consultancy firm	06/11/08
G-PP1	Member of Parliament	MP	Politician	03/10/08

Appendix B: Sample interview questionnaire

Please note that:

- Interviews began with structured "nonschedule" questions (Richardson et al. 1965: 46), which involved questions of a similar meaning but formulated in words relevant to the respondents' experience of reform. As the interviews progressed, questioning naturally led down different avenues of interest, depending on what the respondent had – or wished – to offer. This freedom was extremely important.
- Given the different roles and knowledge of various actors, it was important to tailor questions to relevant issues and time-scales. For instance, some actors had been involved in all parts of the reform process since the beginning. Others had more limited experience, perhaps of simply one aspect of reform – for example, regulation – and maybe only for a couple of years – for example, during design of reform but not implementation.
- In many instances interviewees were happy to give their opinion about areas of reform that they were not necessarily an integral part of. This was always welcomed, as it would assist triangulation. In general, interviews included a combination of factual and opinion questions.

Introduction

At the beginning of each interview I offered a personal history and overview of the aim of my thesis. I also asked if I could record the interview.

Generic opening questions

These questions were designed to make the interviewee feel comfortable and to ascertain their position/role in reform and get an idea of where they placed themselves and their organisation in the reform process.

1. Could you briefly explain the role of the your organisation within the energy/electricity sector
2. Could you briefly explain when and how you have been involved in the reform process?
3. What was your impression of the relationship between the World Bank and the Government/Ministry of Energy during these years?

Specific tailored questions

Please note that these questions changed depending on the interviewee. Also questions were followed up as necessary answers double-checked where unclear. The following is an example from an interview with a representative of the Energy Commission in Ghana.

4. During the reform process, what arguments were put forward and by whom? Did you feel it was the right way to go?
5. I am led to believe that, with the exception of PURC and EC creation, along with some tariff increases, the reform process has been slow/stagnated. What do you think have been the key barriers to reform implementation?
6. What issues do you face within the Energy Commission that relate to the continuation of reforms?

*Closing questions to gather final thoughts and get possible lead*s

7. The reform process has been ongoing for a number of years. What lessons have been learned that can help the process as it moves forward, and how are they being used?
8. Is there anyone else you feel I should talk to?

Conclusion

At the end of the interview I told interviewees that I would send them the interview notes or transcript (as applicable) for them to make any comments or clarifications,. Based on the returned transcripts, I asked the interviewee how they would rather be referenced fully, by organisational affiliation or anonymously. Finally, I thanked them for their time and asked if I could contact them should I require any other information.

Appendix C: Electricity reform chronology in Tanzania

Table 7. Chronology of electricity reform in Tanzania

Date	Activity	Reform Element
1964	GoT nationalises electricity sector and merges components into TANESCO	Corporatise
1984	ESMAP commissions study to assess issues and options in Tanzania's energy sector	
1992	GoT publishes its National Energy Policy after a decade of consultation	Revise Electricity Law, Commercialise Operations & Service Provisions
1992	Two independent power producers (IPPs) licensed; Independent Power Tanzania Ltd. (IPTL) and Songas Ltd.	Introduce Private Generation (IPPs)
Aug 1997	TANESCO declared a specified public corporation. Put under the Parastatal Sector Reform Commission (PSRC) established in 1992 to drive the process of privatization	Privatization (Private Sector Participation)
Oct 1999	GoT approve new electricity industry policy and restructuring framework (to be reviewed every five years) in preparation for the unbundling and privatisation of TANESCO through PSRC. Electricity Trading Arrangements and Corporate Restructuring studies undertaken by Mercados Enegeticos and Stone & Webster Consortium respectively	Restructure & Unbundle Utility
Dec 1999	GoT publishes "Policy Statement on Competition and Industry Specific Regulation of the Utilities and Infrastructure Sector", which provided for creation of a single agency for the regulation of the water and energy sectors	
April 2000	EWURA Act passed by Parliament	Establish Regulator
2002	IPTL comes online	Introduce Private Generation (IPPs)
May 2002	NETGroup Solutions takes over management of TANESCO on a 2-year Management Support Service Contract (MSSC)	Commercialise Operations & Service Provisions
2003	National Energy Policy revised	Revise Electricity Law
July/Oct 2004	Songo Songo pipeline opens and electricity generation at Songas begins (commissioned by president on 4th Oct 2004). Seven industrial plants set to use gas in their processing	Introduce Private Generation (IPPs)
Jun 2005	Rural Energy Act establishes REA and REF	Commercialise Operations & Service Provisions
2005	GoT de-specifies TANESCO	Privatization (Private Sector Participation)
End 2006	EWURA operationalised	Establish Regulator
Dec 2006	NETGroup Solutions contract with GoT ends.	Privatization (Private Sector Participation)
2007	Electricity Act passed in parliament, replacing 1931 Electricity Ordnance Act (and amendments)	Revise Electricity Law

Source: Adapted from Ghanadan and Eberhard (2007)

Appendix D: Electricity sector structure in Tanzania

Figure 5. Structure of Tanzania's electricity sector up to 1997

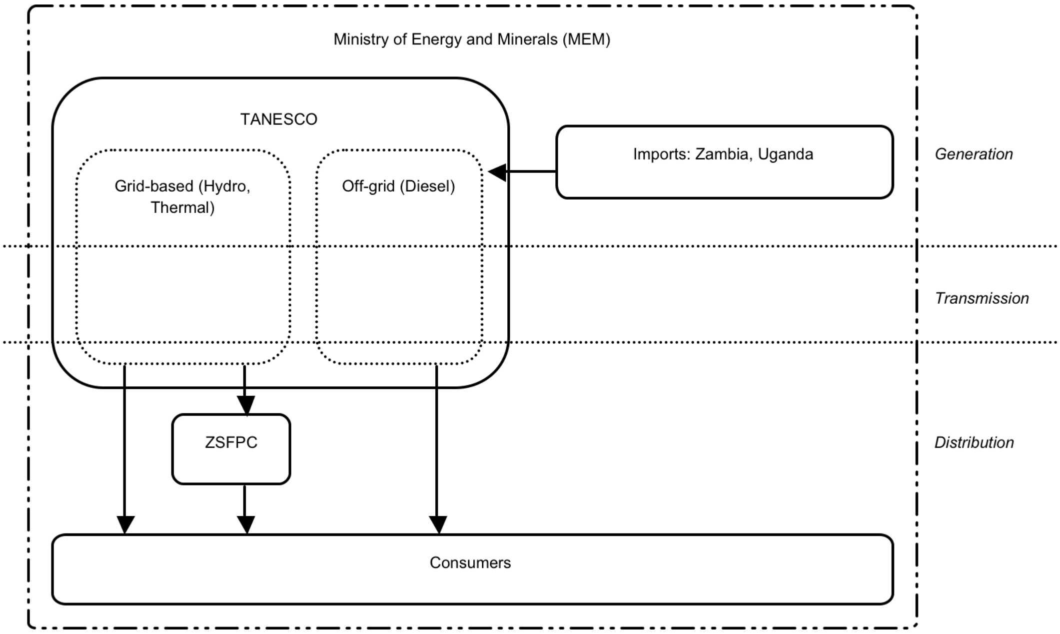
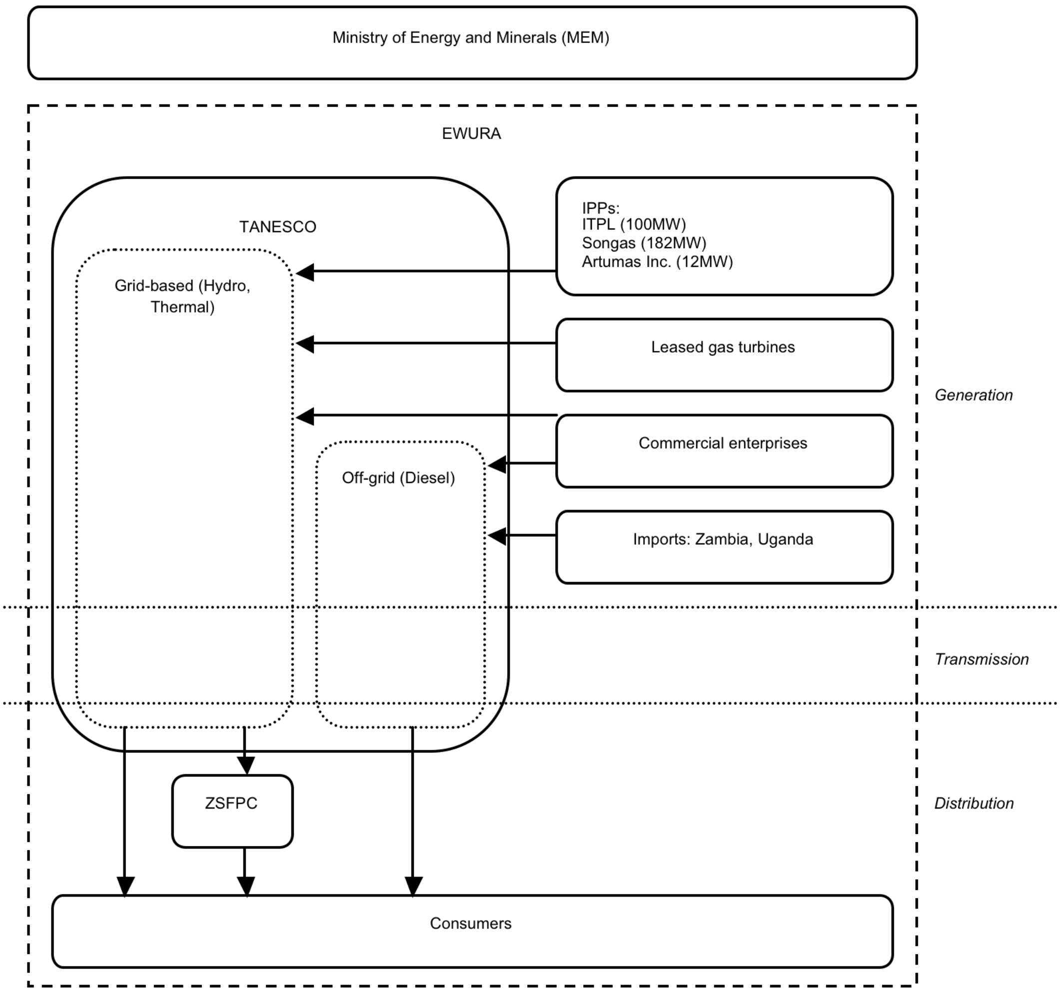
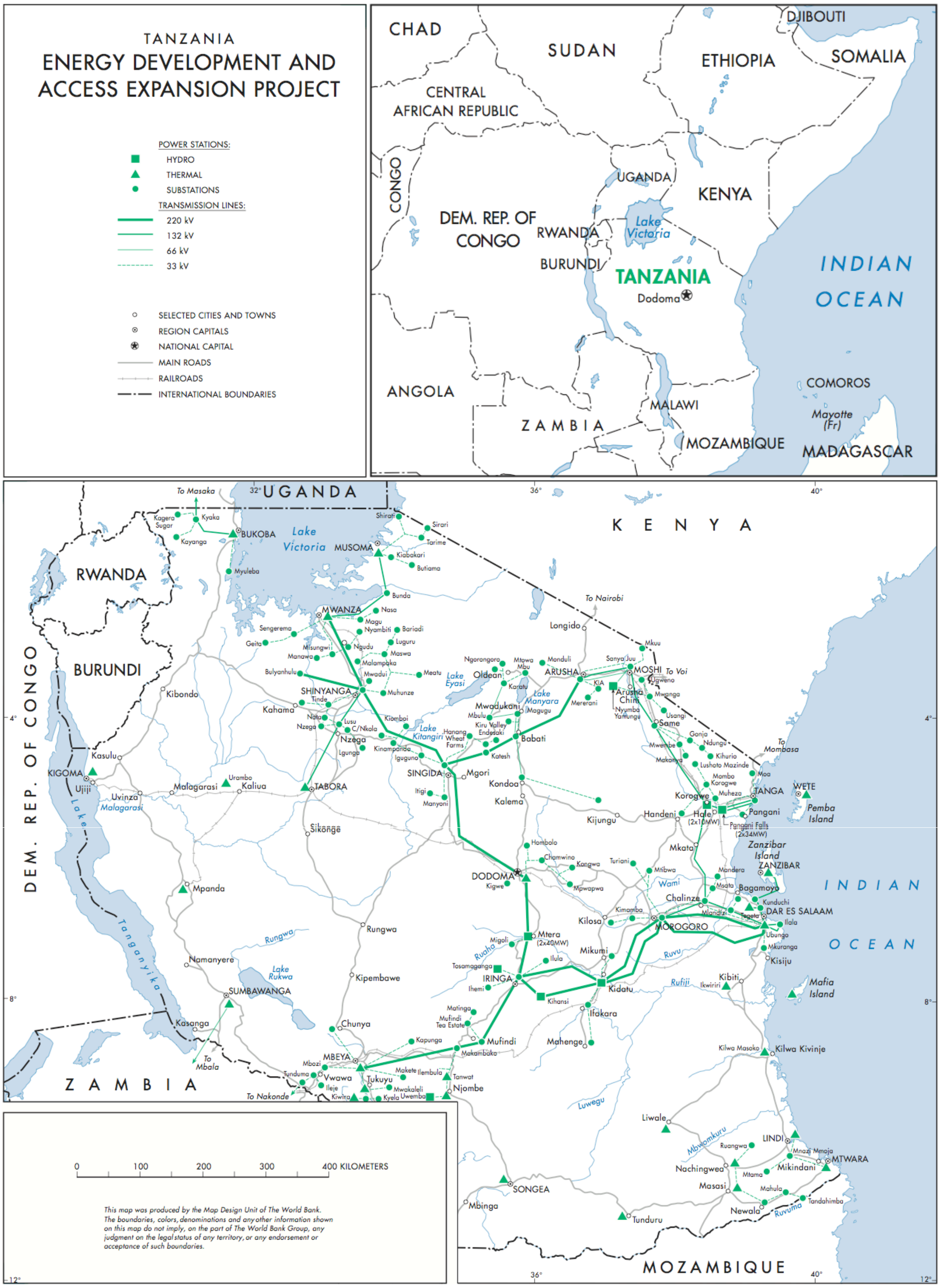


Figure 6. Current structure of Tanzania's electricity sector



Appendix E: Tanzania national grid network at time of TEDAP

Figure 7. Tanzania national grid system



Source: World Bank (2007d)

Appendix F: World Bank projects in Tanzania with electricity sector component

Table 8. World Bank electricity projects in Tanzania

Project No.	Project name	Description	World Bank contribution (US$)	Total project cost (US$)	Approval date	Completion date
P002676	Power Project	Expansion of infrastructure through 21MW of diesel plant	5.2m (IBRD)	5.2m	13/11/67	30/6/72
P002684	Kidatu Power and Supplementary Loan Project	Hydro dam, G plant, T lines and sub-station	30m (IBRD)	30m	8/12/70	31/12/76
P002692	Power II Supplemental	Supplement	5m (IBRD)	5m	6/6/74	N/A
P002710	Kidatu Hydroelectric Project (02)	Hydro dam, Kidatu G plant extension, training for TANESCO	30m (IBRD)	30m	1/7/76	31/12/81
P002743	Power - Mtera (04)	Hydro dam, rehabilitation of diesel station	35m (IDA)	35m	26/7/83	31/12/91
P002762	Power Rehabilitation Project	Investment program for TANESCO	40m (IDA)	40m	6/5/86	30/6/92
P002756	Power Project (06)	Hydro dam, G plant, T lines and sub-station. Study of tariffs, gas generation potential and restructuring options	200m (IDA)	340.5m	6/5/93	30/6/01
P002797	Songo Songo Gas Development and Power Generation Project	Development of gas field, pipeline and G facilities	183m (IDA)	296m	9/10/01	29/2/08 (Extended)
P078090	Energizing Rural Transformation (ERT)	Peri-urban electricity supply expansion	80m (IDA)	155m	Did not take place	
P074624	Tanzania Emergency Power Supply Project	Emergency loan	43.8m	110.8m	8/6/04	31/7/06
P060936	Tanzania Power Sector Restructuring Project	Support process of electricity reform	100m	100m	Did not take place	
P101645 P092154	Tanzania Energy Development and Access Expansion Project (TEDAP)	Investment in T and D, support for REA, test off-grid electrification approaches	105m	164.6m	13/12/07	31/3/12

Source: World Bank (2010)

Table 9. Other World Bank projects in Tanzania relating to the electricity sector

Project No.	Project name	Description	World Bank contribution (US$)	Total project cost (US$)	Approval date	Completion date
P002729	Songo Songo Drillings Project	Offshore drilling project	30m (IDA)	30m	12/6/80	30/9/82
P002737	Songo Songo Petroleum Exploration Project (02)	Offshore drilling project	20m (IDA)	20m	22/12/81	31/12/83
P002744	Petroleum Sector Technical Assistance Project	No details	8m (IDA)	8m	6/6/85	31/12/92
P002786	Petroleum Sector Rehabilitation Project (PSRP)	Improve supply and distribution of petroleum products, implement appropriate petroleum pricing policy	44m (IDA)	74m	15/1/91	30/6/01
P002811	Power Engineering and Technical Assistance Project	No details	10m (IDA)	11.6m	14/1/92	30/6/96
P002788	Parastatal and Public Sector Reform Project (PPRP)	Support process of public sector reform	34.9m (IDA)	41.9m	10/6/93	31/1/01
P049838	Privatization and Private Sector Development Project (PPSDP)	Continue support of public sector reform process	45.9m (IDA)	80m	14/12/99	30/9/09
P074072	First Poverty Reduction Support Credit (PRSC)	General Budget Support	132m (IDA)	132m	29/05/03	31/03/06
P074073	PRSC-2	General Budget Support	150m (IDA)	150m	29/07/04	30/06/05
P087256	PRSC-3	General Budget Support	150m (IDA)	150m	08/09/05	30/06/06
P095509	PRSC-4	General Budget Support	200m (IDA)	200m	09/05/06	30/06/07
P095657	PRSC-5	General Budget Support	190m (IDA)	190m	24/04/07	30/06/08

Source: World Bank (2010)

Appendix G: Electricity reform chronology in Ghana

Table 10. Chronology of electricity reform in Ghana

Date	Activity	Reform Element
1961	Volta River Development Act passed in Parliament creating Volta River Authority (VRA) responsible for all river issues including construction and running of new dam and power plant at Akosombo	Revise Electricity Law
1961	VRA signs PPA with VALCO for 30 years tariff	
1967	Electricity Act repealed and Electricity Corporation Decree enacted, establishing Electricity Corporation of Ghana (ECG) as sole electricity distributer, replacing Electricity Department in the Ministry of Public Works	Revise Electricity Law and Corporatise
1969	VRA signs PPA with electric utility in Benin and Togo	
1987	NED created as a subsidiary of VRA	
1989	National Electrification Scheme (NES) set up to address rural electrification	
1993	Management Services Contract agreed with EDF	Commercialise Operations and Service Provisions, Private Sector Participation
1993	Statutory Corporations (Conversion to Companies) Act, 1993 passed by Parliament and VRA and ECG are converted into companies	Commercialisation
Jan 1994	Policy statement made by GoG on reform	Restructure and Unbundle
Apr 1997	GoG approves recommendations made by Power Sector Reform Committee (PSRC)	Restructure and Unbundle
1997	Thermal plant at Takoradi (T1) comes online	
Oct 1997	Public Utilities Regulatory Commission (PURC) Act passed in Parliament creating the Government-funded PURC responsible for economic regulation, including tariff setting.	Establish Regulator
Dec 1997	Energy Commission (EC) Act passing in Parliament creating the independently-funded EC responsible for technical regulation and policy advisory services	Establish Regulator
Mar 1997	PURC issues first tariff increase	Establish Regulator
1998	The Takoradi International Company (TICO) is established	Introduce Private Generation (IPPs)
2001	Second thermal plant at Takoradi (T2), owned by TICO and VRA, comes online	
2002	Restudy of reform by ECA	Restructure and Unbundle
2003	New reform committees set up	Restructure and Unbundle
Sep 2005	VRA Act amended by Parliament	Revise Electricity Law
Dec 2006	GRIDCo registered	Restructure and Unbundle

Source: RCEER (2005), Malgas (2008) and interviewees

Appendix H: Electricity sector structure in Ghana

Figure 8. Structure of Ghana's electricity sector up to 1997

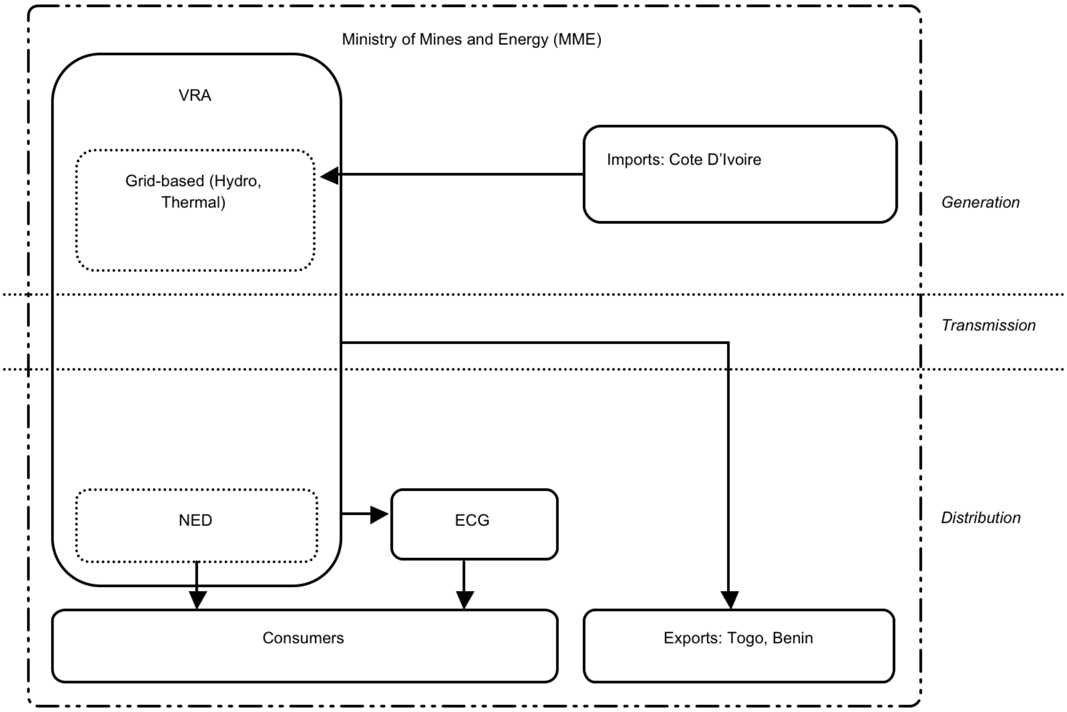
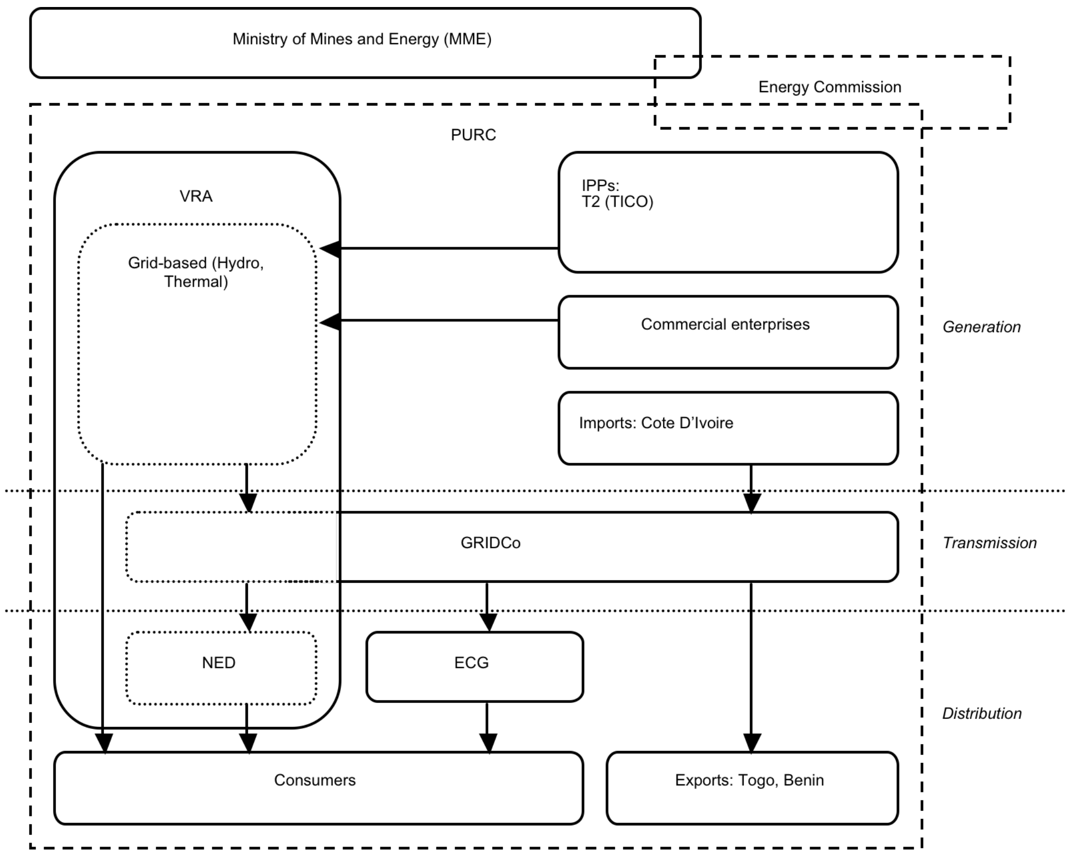
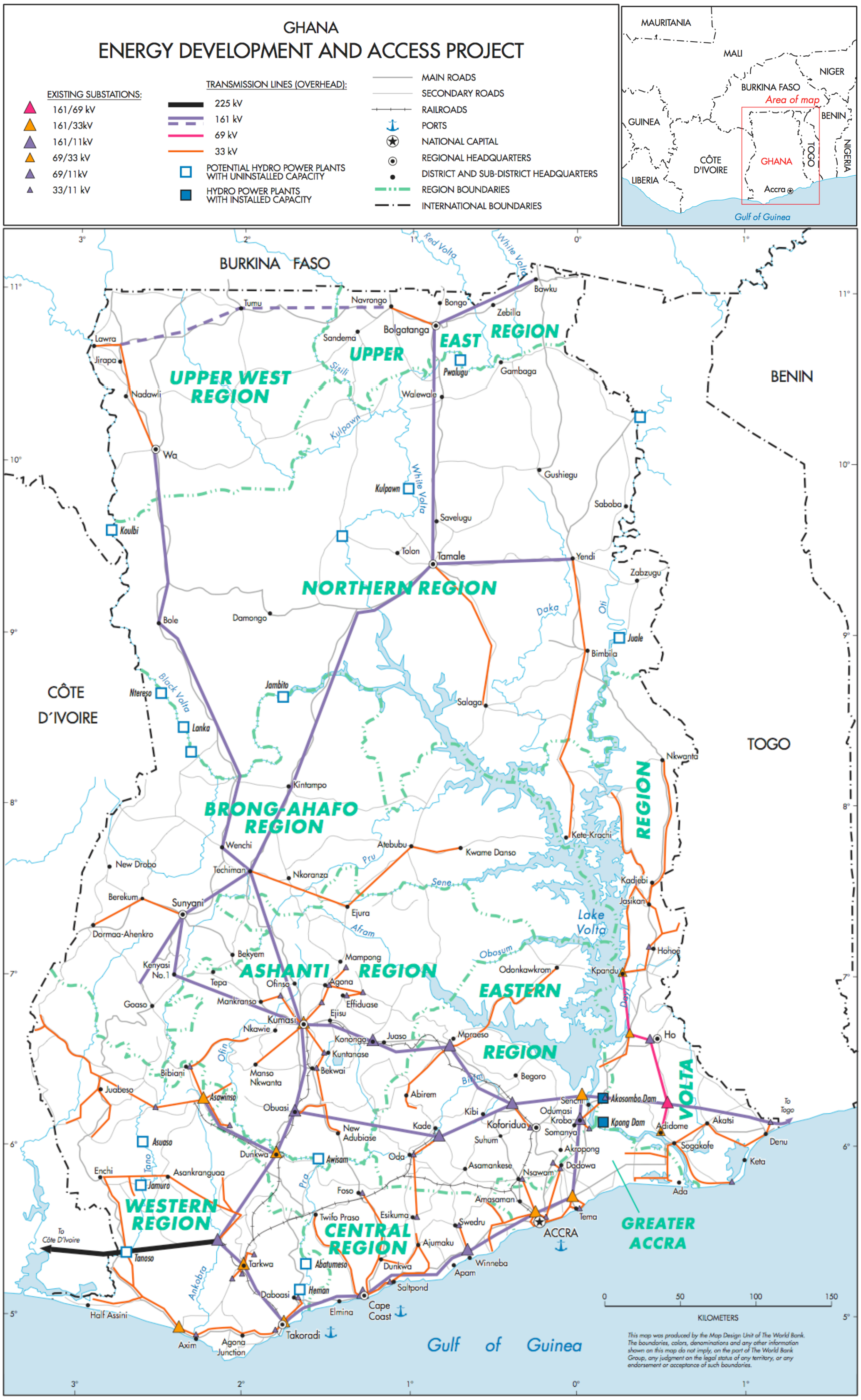


Figure 9. Current structure of Ghana's electricity sector



Appendix I: Ghana national grid network at time of GEDAP

Figure 10. Ghana national grid system



Source: World Bank (2007c)

Appendix J: World Bank projects in Ghana with electricity sector component

Table 11. World Bank electricity projects in Ghana

Project ID	Project name	Description	World Bank contribution (US$)	Total project cost (US$)	Approval date	Completion date
P000834	Volta River Hydroelectric Project	Hydro dam, G plant and T connection	47m (IBRD)	47 m	08/02/62	25/04/71
P000835	Electricity Expansion Project	T & D rehab and expansion	10m (IDA)	10m	14/06/68	30/06/71
P000836	Volta Expansion Project	G plant expansion	6m (IBRD)	6m	03/07/69	31/12/73
P000841	Power Distribution Project	Further T & D expansion	7.1m (IDA)	7.1m	15/06/71	30/06/74
P000853	Third Power Project	Sub-T & D expansion	9m:9m (IDA:IBRD)	18m	22/03/77	31/03/82
P000854	Kpong Hydroelectric Project	Hydro dam, G plant and T connection and expansion	39m (IBRD)	39m	22/03/77	31/12/82
P000868	Power System Rehabilitation Project	T substation and D rehab + tech studies	28m (IDA)	28m	19/09/85	30/06/91
P000879	Northern Grid Extension Project	T system expansion & D connection	6.3m (IDA)	6.3m	17/02/87	30/06/92
P000908	Fifth Power Project	Policy reform, performance contract & ECG invest up to 1992, sector plan study	40m (IDA)	40m	29/08/89	31/12/96
P000925	Sixth Power Project	VRA invest up to 1995, NED invest up to 1994, VRA training centre & system studies	20m (IDA)	146.4m	27/03/90	30/06/98
P000953	National Electrification Project	Investment to connect district capitals, D reinforcement, ECG MC/ring-fencing	80m (IDA)	134.8m	04/03/93	31/03/00
P000926	Thermal Power Project (Takoradi)	Thermal G plant and T connection, regulation & private sector participation arrangements	175.6m (IDA)	414.3m	16/02/95	31/12/06
P094917	WAPP APL 1	VRA investment	60m (IDA)	75m	29/07/06	31/12/10
P074191	Energy Development and Access Project	Institutional development, D work & access expansion	90m (IDA)	210.55m	26/07/07	30/11/12
P070970	Rural Energy Access	See above	5.5m (GEF)	5.5m	26/07/07	30/12/12

Source: World Bank (2010)

Table 12. Other World Bank projects in Ghana relating to the electricity sector

Project ID	Project name	Description	World Bank contribution (US$)	Total project cost (US$)	Approva l date	Completion date
P000967	Private Sector Adjustment Credit (PSAC)	Accelerate divestiture of SOEs, create macroeconomic environment for investment	70m (IDA)	73.9m	09/05/95	08/04/99
P042516	Public Enterprise and Privatization Technical Assistance Project (PEPTAP)	Assist in implementing divestiture	26.45m (IDA)	30m	11/06/96	30/06/04
P055989	First Economic Reform Support Operation (ERSO-I)	Macroeconomic support. Amongst other things, supported regulatory reform. 7% General energy sector	50m (IDA)	126m	11/6/98	31/12/98
P040557	ERSO-II	Macroeconomic support. Amongst other things, supported regulatory reform. 12% General energy sector	180m (IDA)	180m	27/5/99	30/6/03
P071396	ERSO-II Supplemental	Macroeconomic support	49m (IDA)	49m	7/9/00	N/A
P050619	ERSO-III	Macroeconomic support			26/07/01	31/12/02
P076808	First Poverty Reduction Support Credit (PRSC-1)	General Budget Support	88m (IDA)	125m	24/6/03	30/6/04
P083246	PRSC-2	General Budget Support	125m (IDA)	125m	13/7/04	30/6/05
P078619	PRSC-3	General Budget Support	125m (IDA)	125m	25/8/05	30/6/06
P095730	PRSC-4	General Budget Support	140m (IDA)	140m	15/6/06	30/6/07
P099287	PRSC-5	General Budget Support	110m (IDA)	110m	24/5/07	30/6/08

Source: World Bank (2010)