

## Workshop Report

# POWER DYNAMICS - THINKING AND WORKING POLITICALLY IN THE ENERGY SECTOR

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Sustainable Development Goal 7 aims to ensure access to affordable, reliable, sustainable and modern energy for all. Achieving this goal is as much a political as a technological challenge. The ability of governments, the private sector and citizens to build and access the energy needed for environmentally friendly growth and employment hinges not just on access to new technologies and markets, but also on policy priorities and their coherence, effective policy implementation, public-private collaboration and stability. All of these are rooted in domestic, regional and global political economy dynamics.

This 1.5 day workshop co-hosted by the World Resources Institute (WRI) and the Thinking & Working Politically Community of Practice (TWP CoP) was an opportunity to situate SDG 7 and the challenges of ensuring inclusive energy access within the broader context of the political economy dynamics of the energy sector. This workshop brought together approximately 40 participants, including analysts, practitioners and funders who have studied the political economy of the energy sector and are working in innovative ways to reform it.

The aim of the workshop was to provide a forum through which participants could explore:

- Lessons from existing and emerging research on the political economy of the energy sector;
- Insights and experience of innovative projects that both think and work politically working on energy sector reform;
- Further research needed on the political economy of energy sector reform, with particular attention to energy access (what countries and what topics); and
- Lessons development partners and practitioners should take forward in the design and delivery of future interventions.

A key point that was emphasised by participants throughout the course of the workshop was the need to clarify what is meant by reform and to establish a common language in order to move the discussion forward. It was recognised that the room was filled with different actors working across the sector, which displayed the extent of the knowledge that exists and underlined the importance of working together on these issues. Overall, discussion ranged from how to harness political interests to achieve energy sector reform, to the intersections that exist between the energy sector and other sectors such as the politics of health, social protection and the broader economy, as well as how to successfully use targeting as a way to be “smart subsidy” as opposed to anti-subsidy.

### Day 1

After introductions, the workshop began with framing presentations by Vivien Foster (World Bank) and Andrew Barnett (Policy Practice), also bringing in Brian Levy (University of Cape Town) as a

discussant. This was followed by a “Knowledge Blitz” session, which involved four presentations occurring simultaneously around the room, giving participants an opportunity to spend as much or as little time as they liked on each one. There were two group work sessions in the second half of the first day, one centred on the research agenda and the other on the agenda for practitioners.

### **Welcome and Introductions**

Davida Wood opened by talking about the World Resources Institute’s history working on political economy in the energy sector, beginning with the Electricity Governance Initiative (EGI) in 2003, a “unique network of civil society organizations dedicated to promoting transparent, inclusive and accountable decision-making in the electricity sector” (WRI). She stated the aim of the workshop to be to come together and consider what we have learnt so far, to reflect on the challenges that have emerged and to discuss how we can move forward while working collaboratively, thinking and working politically and economically.

Manish Bapna (Executive Vice President and Managing Director of WRI) then proceeded to outline the work that WRI’s Governance Center and Energy Governance Practice is doing, noting that “although we may be winning a few battles, we are not winning the war.” He emphasised the need to take the step up from incremental change to transformative change and to close the gap between elites and public mobilisation. Neil McCulloch gave a brief outline of TWP, underlining its main focus, which is to encourage actors to work in a more politically savvy way, and to create a safe space for ideas to be developed and strengthened, recognising that it can be a difficult topic for development partners to discuss. Mark Robinson (WRI) then spoke about WRI’s focus on climate and environmental governance and how participation, accountability and social equity are integral to this work.

### **Framing presentations**

Viven Foster delivered the first of two framing presentations on **Rethinking Power Sector Reform: Emerging Findings on Political Economy**. She underlined the need for evidence-based arguments and put particular emphasis on structural reforms through looking at the package of measures and scoring countries based upon how much reform they have done over the past 25 years. She referred to “big bang” reforms, which relates to the countries that experienced a leap in reform rather than an incremental shift; this is a term that would be returned to over the course of the workshop. She noted the fragility of reforms, both in cost recovery as well as structural reform, and stressed the need for continued support if reform is to be sustained. A question that emerged from Vivien’s presentation was whether incremental or “big bang” reform was more likely to lead to sustained reform; this is something that the World Bank continues to explore across the course of this multi-year knowledge project.

Andrew Barnett (Policy Practice) then spoke from the perspective of the Policy Practice, on the key lessons learned on **the Political Economy of Energy Access**. He emphasised the need for energy access outcomes, rather than structural reform as such, and sought to explore the potential for research in the sector. He identified a need to move towards smart and effective subsidies and to work with the public-private hybrid systems as they exist in Africa. Some challenges include the strong incentives for donors to work ineffectively due to bilateral competition as well as the staff turnover in aid agencies, meaning that people are not there long enough to understand the situation. The key is to

build coalitions for change, which requires trust, understanding of how political processes work and a long term vision.

Brian Levy used his role as discussant to encourage participants to “drill down into the details” and to search for answers as to how we can move beyond “broad notions towards something that is truly useful.” He asked whether the nature of incrementalism is the same in all cases, and how incremental reform might vary with the setting. Moreover, is there a pattern to the incrementalism that can offer a guide to practitioners? He echoes the idea that we are on the threshold of a moment of discontinuous technological change in the sector. The importance of rents and interests were emphasised in finding a way forward in the messiness, and discovered what we can learn from other countries such as the Philippines and Ukraine.

Discussion was then turned over to the participants with a Q&A. Discussion included: questions on the metrics of success and how valid things such as the Washington Consensus still are, how rent-seeking makes reform challenging and how to come up with guidance that is useful in terms of policy. It was also pointed out that we should resist the urge to rush to a conclusion, as each case is very context-dependent. Another interesting point that was made was that donors also operate under their own political economy constraints, and the question of how to align the political economy of donors with the local context. Katie Auth (USAID) referred to it as a “double-sided matrix.” Even the term “reform” was questioned, how useful is it? Would it be better to sub-categorise different types of reform?

Overall, it was concluded that we must avoid framing the issue too narrowly. The question that we need to keep revisiting is: what are the political obstacles to getting there and how can this be addressed? The framework needs to be a tractable platform.

### **Knowledge blitz**

The “knowledge blitz” session was then an opportunity for participants to learn more about current research projects taking place in the sector. Abhishek Jain spoke about **Rural Electrification and Power Sector in India: Perspectives from the Ground**. He talked about the ACCESS survey, which not only measures the scale and size of the problem, but also helps in understanding why the problem exists. It brings together lessons learnt on the political economy so far and contributions from the ground in order to hone in on electricity access in India and explore the barriers to electricity connection. They are now returning to the same households after 3 years to understand the evolution of energy access. The upfront cost of getting an electricity connection was found to be a major barrier as well as the poor quality of connection and the inability to pay the recurring costs. Additionally, the capacity to serve consumers is significantly lacking, both financially and in terms of manpower. He went on to speak about the issue of theft and the need to develop the narrative of energy access by making multi-dimensional energy access a mainstream idea.

Simultaneously, Catrina Godinho presented on **rethinking power sector reform in Sub-Saharan Africa**. She highlighted that most countries have maintained a vertically structured and government-owned sector model – with some allowing for private sector participation and regulation in what is termed a ‘hybrid model’. Implementation of market-oriented reforms in the region has been challenging, and measurement of impacts related to reforms is highly complex. Understanding the political economy of power sector systems and reforms is critical to addressing the underperformance and lagging development of electricity infrastructure that has been a critical constraint to growth - with persistently low access rates a detrimental symptom.

Ana Pueyo and Simon Bawakyillenuo presented on **The Political Feasibility of Removing Constraints to Renewable Energy in Kenya and Ghana**. They took a growth diagnostics approach to the research project, which involved interviews with stakeholders on how likely the reforms were to succeed, both from the perspective of a planner and from a technical perspective. Auctions were identified as one of the most appropriate tools in the African context, and it was noted that lots of Independent Power Producers (IPPs) were happening as a result of the auctioning scheme. In terms of policy, there has been seen to be a strong resistance towards the privatisation of the power sector.

Navroz Dubash spoke on **Mapping Power: The Political Economy of Electricity in Indian States**, considering how the power sector in India has shaped and is shaped by electoral politics. Despite substantial efforts at reform since the early 1990s, Indian states have continued to face challenges such as theft, inefficiency, debt and high cost. The proposed framework for analysing state politics is built upon key power sector variables, including: demand for access and quality; demand for subsidies; cost of supply; and the financial space available to state governments (as a result of open access, cross subsidies, and transfers). Their work focusses on fifteen state case studies, based on the preliminary understanding that building a virtuous political cycle in the power sector requires starting at the state level.

### **Group work - Research**

Participants then split into groups to formulate research questions. This was an opportunity to establish how much we already knew about the fundamental political economy challenges of reform in the energy sector, and what reforms are needed to reach particular energy access goals, as well as to identify gaps in our knowledge. Discussion was centred on these two main questions:

1. If there are still important gaps in our knowledge, where are the biggest gaps in our knowledge, what specifically do we need to know and how would this knowledge help?
2. Are there general lessons about “reform pathways”, or is reform completely country specific? E.g. does reform happen primarily as a result of: good leaders; new ideas or models; technological shocks; external pressure/crises.

There was discussion on how far the technological disruption impacts on political dynamics, how to operationalize knowledge and policies (and what are the success stories), reform as a process versus reform as an outcome and what the lessons are from the 90s as they relate to today.

Participants further emphasised the importance of anticipating issues in order to form questions that would be useful in the future. Topics included what resources or skills will be needed to better implement interventions for energy access and sector reform, whether it involved governments taking better control of the resources offered by donors, minimizing the effects of staff turnover, or processes for transparent decision-making, mechanisms for accountability (especially in the context of liberalisation of the sector) and spaces for citizen involvement.

The question of how technological disruption and other drivers of change alter the political economy of specific countries was also brought to the fore as well as seeking to understand the incentives that motivate politicians and other decision-makers and how power relations are changing over time. The ways in which we measure the success of the reform process was a topic for discussion and all of the above highlighted the need for more case studies, particularly in the areas of leadership, technology, crisis and the politics of related sectors. This is also due to the fact that reform pathways are country-specific in their development and there are intrinsic links to associate sectors, like gas and coal.

Nevertheless, it was also noted that there should be a balance between the specificities of case studies and general lessons. The research on reform pathways should also seek to “capture the bumps” and to understand the constraints that political actors face in the reform process.

### **Group work - Practice**

This was followed by the session on the practitioner question, which aimed to discern to what extent and through what mechanisms do externally supported projects take political economy challenges into account, centred again on two main questions:

1. What different approaches or methods might be used to ensure that projects are more politically savvy?
2. How feasible is it for donors to operate in a TWP way – and how does this vary by donor/funder? How can officials achieve a more politically aware way of working “despite” the system?

Throughout this session and into the research collaborations session on day two, participants discussed these questions and began to formulate questions on this basis. Groups discussed the framing of the question, and how helpful this would be in provoking constructive research. Some groups pointed out that the question was framed in terms of a political economy challenge rather than a political economy reality, the former implying that this is something to contend with while the latter implies that it is something that actors need to work within. It was noted that working within the context and adapting to more dominant interests implies more of an incremental approach whereas “big bang” approaches suggest confronting the power structure and making big change. In terms of sector reform, as it is understood in terms of the Washington Consensus, there was also the question of whether reform truly leads to desired outcomes, and the danger that in elevating the necessity for reform, it may lead to a tick box exercise, which allows governments to “pass the test” rather than to stimulate real change.

In response to the first question, ongoing dialogue with agents of change was stressed and was described in the session as including those who can shape opinion as well as people in the shadows who have the potential to influence processes, including external interveners, like donors, but also internal. It was also noted that dialogue often takes place with bureaucrats who do not always have the ability to influence the real drivers of the agenda itself. Mainstreaming political economy challenges into project planning was another suggestion towards ensuring that projects are more politically savvy as well as including context-specific needs in blueprint approaches.

In answer to the second question regarding donors, participants suggested addressing the constraints of short tenure, including project cycles and staff retention, given that people need time to understand the technical challenges as well as complex political realities. Similarly, it is important to leverage knowledge brokers in the local context; we need to ask who the political forces listen to, how they can be positively influenced to receive these messages, and what it will take to craft and deliver these messages. The point was also made that we need to reflect on the work that has already been done on political economy challenges. The reality is that some things do not work because they are not needed (poor design); some do not work because of poor delivery; others are needed and delivered well but there is a contextual mismatch.

With regards to the focus for future research, questions materialised across the following areas:

- The issue of demand aggregation and mobilisation of need on the part of rural users;
- Short- versus long-term perspective on policy choices;
- Understanding the attitudes of consumers and how they change over time with regards to the effectiveness of power policies;
- The impact of subsidies and the subsequent requirements for donor-supported projects;
- The dynamics of bureaucratic inertia and malfeasance;
- The sustainability of actors that work with and against the grain;
- How working with and against the grain can be complementary;
- The roots of reform;
- The extent to which a reform process takes local specificities into account.

## Day 2

The second day began with a research collaborations session, with the aim of sparking a set of potential partnerships and further discussion around the issue. The last session of the workshop was a panel discussion on donor priorities, featuring panel representatives from the World Bank, the Australian Department of Foreign Affairs and Trade (DFAT), the United States Agency for International Development (USAID), the Norwegian Ministry of Foreign Affairs (NMFA) and the British Department for International Development (DFID). After the workshop, WRI held a public seminar on [Power Dynamics: Energy Sector Reform and the Political Economy of Energy Access](#) as part of their Greening Governance Seminar Series.

For the research collaborations session, participants split into groups that chose from among the following questions:

1. How does studying the political economy of the energy sector need to shift from the Washington consensus to an SDG-informed agenda?
2. Political economy of donor interventions – what flexibility do donors have and what are the constraints?
3. Case studies of working with and against the grain e.g. mobilizing new actors, holding the state to account, helping the rural poor articulate demand for energy services.
4. How can practitioners identify capacity needs so that local actors can drive their own agendas?
5. Are new technologies disrupting existing monopolies and power dynamics and/or creating new forms of rent-seeking and patronage ?
6. Does the removal of targeted subsidies automatically disadvantage poor consumers or limit energy access?

Groups were encouraged to consider whether the question was the right one to be asking, and if not, how they would reword it to make it as helpful as possible in addressing the issue. Some groups suggested that a mix of technical and political questions would be required, in order to address practical barriers that prevent energy access in addition to solving the political challenges in power sector reform. Groups then discussed how they would research their questions, and whether a comparative approach would be helpful. With regards to comparative research, it was broadly decided that it would be very helpful for practitioners, particularly in terms of having case studies to refer to.

### **1. How does studying the political economy of the energy sector need to shift from the Washington consensus to an SDG-informed agenda?**

This group, facilitated by Sasanka Thilakasiri (Oxfam), broke the question into two sub-questions. They set their first overall framing question as how to study the political economy of the ‘energy development’ agenda (as a broader catch-all for ‘SDG-informed’) in low and middle income countries. Under this, they specifically sought to explore the existing frameworks that exist (eg. Washington Consensus), and how can they be better refined for analyzing the political economy. Additionally, they discussed whether it is possible to identify governance principles for all actors engaged in energy development that can be applied across multiple contexts. These could include (but are not limited to): participation, transparency and democratic governance. The other research question they chose was forward-looking based upon what the governance considerations of energy are in setting the development agenda (i.e. the SDGs), investigating how they are enacted and how they could be better implemented.

In terms of methodology, this group stated that in conducting the research they must prioritise how to best inform and empower energy development actors in the decision-making process, with a specific view on capacity building and dissemination. This translates into qualitative methods such as literature reviews as well as surveys directed at government actors, investors, communities and end-users. They would develop a theoretical framework and utilize comparative analysis across case studies.

### **3. Case studies of working with and against the grain e.g. mobilizing new actors, holding the state to account, helping the rural poor articulate demand for energy services.**

With discussion facilitated by Chris Greacen, this group decided that this question did indeed have the right focus given that working with the grain means working with the political reality that one encounters in the country, considering whether actors are adapting to dominant interest, or confronting them. Adapting to dominant interests implies more of an incremental approach, whereas big bang approaches try to confront the power structure and make big change. They cited the intention of these case studies as to help inform actors' strategies, thus it makes sense to choose actors' approaches and trace intermediate decisions and outcomes. Actors span the range from external interveners, like donors, but also internal.

They said that the World Bank's research presented on day one provided an invitation to engage in deeper analysis of reform outcomes (beyond the rollout of the Washington Consensus and looking at uptake of reforms). Once there is transparency and access to information, indicates belief in the importance of civil society in addition to government, private sector, and donors. Some explicit internalization of these ideas is also essential in organized, formal politics.

They would research it using a taxonomy of outcomes and interventions, forming a matrix that can be useful in case study selection and in interpreting the data. In case study selection criteria, they suggest to weed out cases that are in progress and therefore too much of a moving train. Sub-questions were also proposed surrounding issues such as: the sustainability of actors that work with and against the grain, the interdependence of working with and against the grain, initiating reform and taking local specificities into account. They indicate that this research question does lend itself to comparative analysis.

## **5. Are new technologies disrupting existing monopolies and power dynamics and/or creating new forms of rent-seeking and patronage**

This group, led by Mark Robinson (WRI) and Murefu Barasa (EED Advisory), decided this was the correct question but that it would need rephrasing to remove the implication that new technologies will have good or bad effects. The question evolved to be: “*How will disruptive technologies change the distribution of rents, who will be the winners and losers, and who will support or resist?*” The technologies in question refer to renewable off-grid energy sources, such as household solar, and implications of falling prices and market innovation.

To carry out the research, they settled on a working definition of rents in this context as “the differential between competitive market prices and what is actually charged.” The next step was to identify the rents from licensing to subsidies to (perception of) investment risk to distribution of auxiliary services and others. This would focus attention on procurement and the contract negotiation process for licenses and PPAs, or for labor sub-contracts to private companies from utilities. Finally, the research would map and analyze rents across current utility monopolies and emerging monopolies in general, in country specific cases.

The group was in favour of comparative analysis, and suggested that one approach could be to make comparisons across countries, technologies and business models, with research focused on 2-3 cities or states. They also discussed other contextual issues, such as how to create rewards for continuous innovation while maintaining stability, whether rents are too high and the need to take up a working definition of “monopolies”.

## **6. Does the removal of targeted subsidies automatically disadvantage poor consumers or limit energy access?**

This group, facilitated by Chris Beaton, found that the question would be better worded as, “What is the appropriate use of subsidies to ensure sustainable energy access in a way that doesn’t undermine the energy market and helps to enable policy reform?” They would suggest a combination of technical and political questions so as to address how to make subsidies work in terms of achieving energy access as well as how it can help to solve political challenges to power sector reform.

The target audience of this research is said to be government, utilities, donors and civil society. In terms of which subsidies are most impactful, they referred to generation technologies (particularly off-grid), connections, consumption and appliances, indicating that cross-subsidies matter across all of these. Other areas that were focussed on include: targeting, off-grid work and the interrelationship between subsidies for consumption on-grid and off-grid markets.

They would use systematic desk research as well as interviews to address questions concerning status quo and comparative experience. A comparative participatory approach would be harnessed to test targeting in specific geographic areas, ideally in multiple countries. India, Nigeria and Ghana were highlighted as possibilities. Pilots with one or more DISCOMs were also suggested in order to test out different subsidization models, as well as going in with a group of stakeholders (including government, donors, CSOs and end-users) to go through the testing evaluation.



The last session of the workshop was an opportunity for represented donor agencies to talk about their priorities going forward, and how the themes and discussion that emerged from this workshop fit within programmes that are ongoing.

### **Conclusion**

One of the designated “listeners” on day 1 pointed out that everyone has their own idea of what “reform” means; we no longer live in the same world that existed at the time of the Washington Consensus. There is therefore a need to gather the lessons on the political economy of the energy sector that have been researched thus far, and consider context-specific challenges and capacities whilst taking different levels of government and influence into account. It is also imperative to keep looking forward in term of research to anticipate further inevitable change that will happen in the sector, allowing donors to act more quickly.



## References

WRI. (n.d.) **Electricity Governance Initiative**. [Online] Available from: <http://www.wri.org/our-work/project/electricity-governance-initiative>