

World Bank Led Reforms in The Indian Power Sector: A Critique

Independent People's
Tribunal on the World Bank
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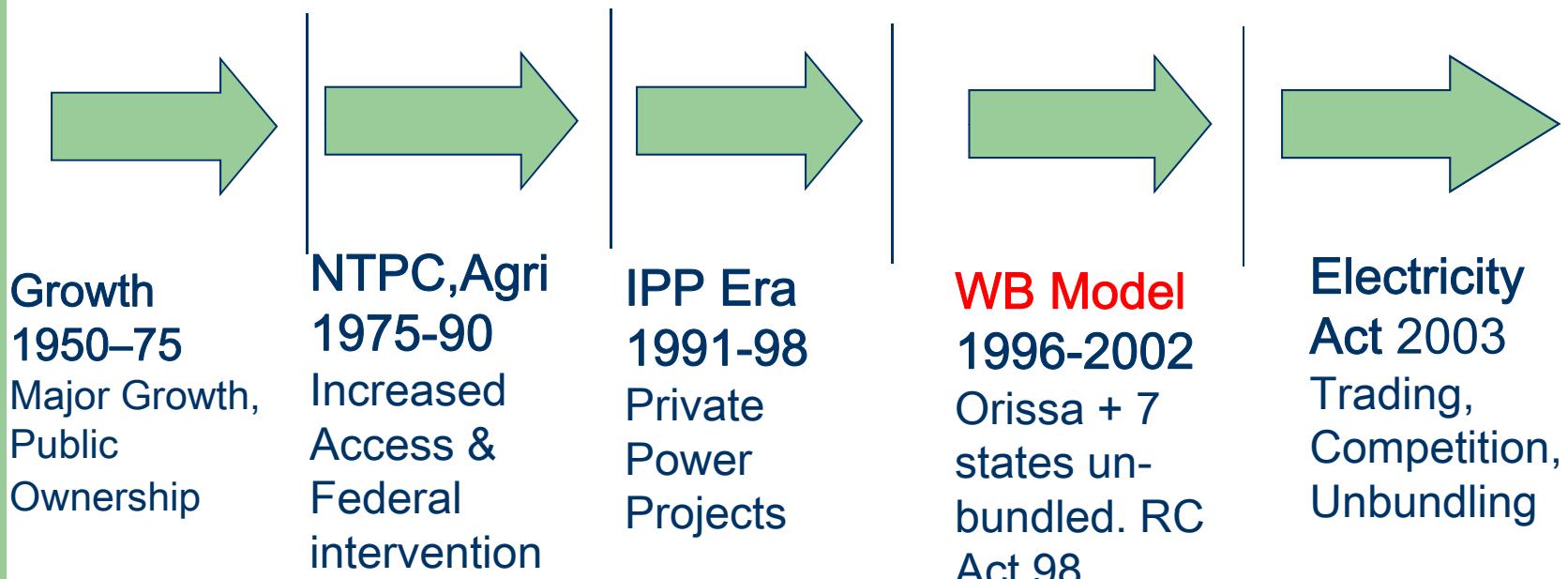
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World Bank Led Reforms in The Indian Power Sector: A Critique

- Context
- Critique
- Limitations
- Beyond the World Bank

Major Stages in Electricity Sector



-Crisis in 1990s

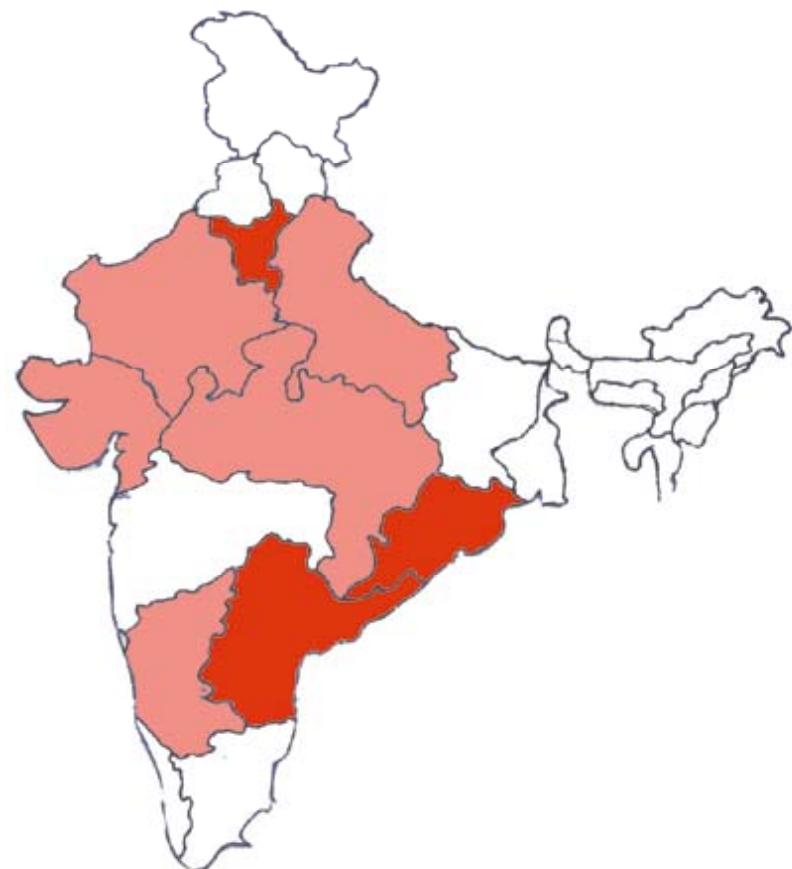
-Market Oriented Reforms taken up
Prayas

Reform: The Paradigm Shift

- Policy
 - Self Reliance → *Globalisation (Technology, Fuel)*
 - Electricity, a Development input → *a Marketable Commodity, with Cost based/Market based Tariff*
- Utility Structure
 - Integrated → *Unbundled, Corporatised, ‘Independent’ Regulation*
- Ownership
 - State → *Private*

Quick Replication with Increasing Scope

- WB states
 - Orissa
 - Haryana
 - Andhra Pradesh (AP)
 - Uttar Pradesh (UP)
 - Rajasthan
 - Karnataka
- ADB states
 - Gujarat
 - Madhya Pradesh (MP)
 - Kerala



Orissa Reform Timeline

- 1993: Reform Plan
- 1995: OSEB Unbundled
- 1996: Reform Act, WB Loan (1996-2002)
- 1999: Distribution, Thermal Generation Privatised
- 2001: State Review (Kanungo Committee)
- 2001: RC terminates license of one DISTCOM
- 2004: WB Implementation Completion Report
- 2006: RC gives notice to three DISTCOMs
- 2007: RC finds DISTCOMs performance unsatisfactory

Orissa Reform - Review

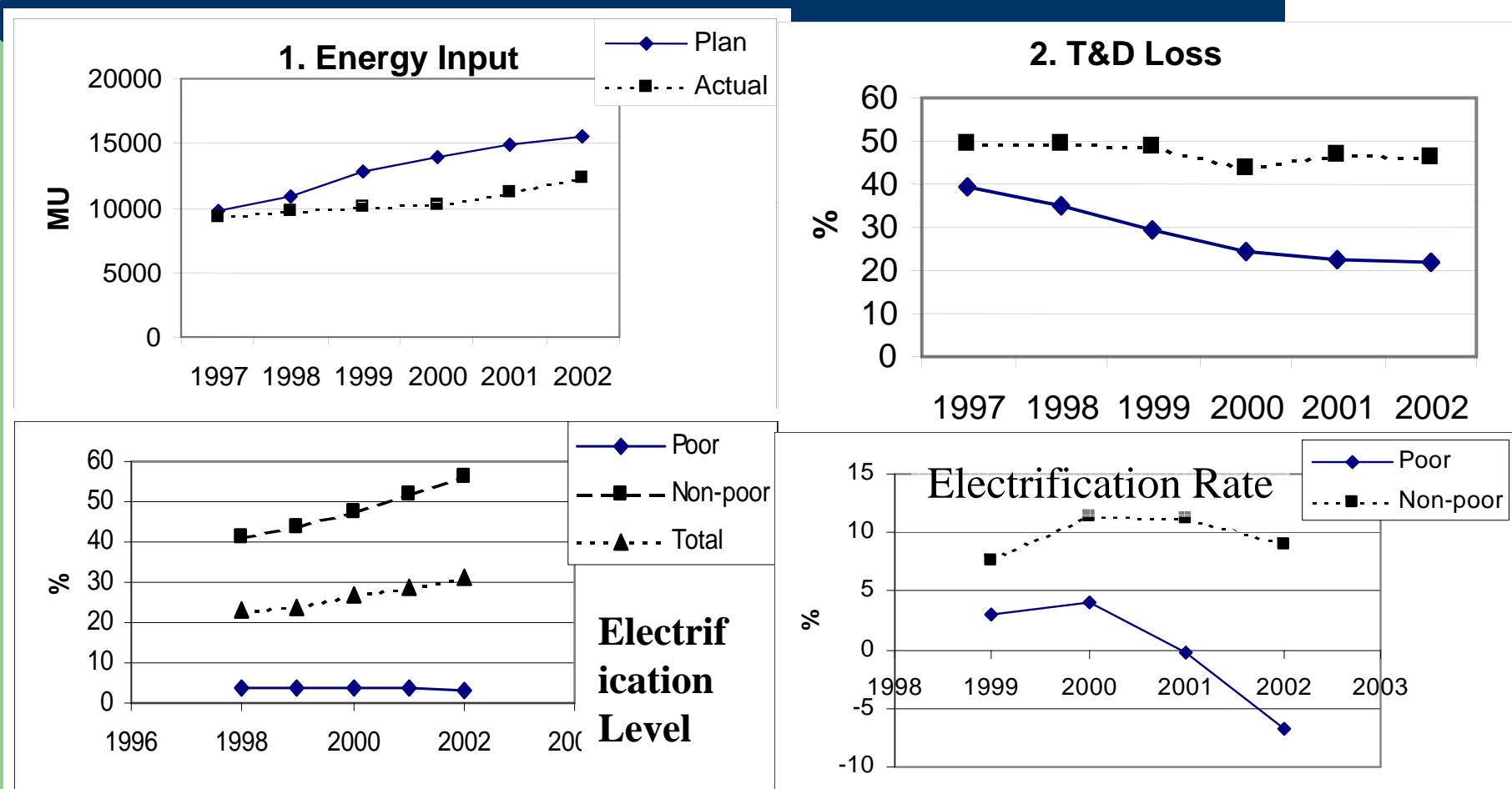
- Kanungo Committee (2001)
 - No improvement in T&D, Revenue Collection
 - Capital works not complete - no benefits so far
 - Private DISTCOMs not committed
 - Very high expense on external consultants
 - GRIDCO financial crisis
 - Review Asset re-valuation
 - Rs 32,400 m in next 5 years needed
- WB Implementation Completion Report (2004)
 - Overall outcome: Unsatisfactory
 - Remained as 'work in progress' at the end of project

Orissa Reform - Lessons

- Hasty, non-transparent, non-participatory process driven by World Bank
- Attempted to build consensus around a model, rather than creating a consensus through consultation
- Aggressively attempted replication without sufficient tests - And failed!
- Regulatory system could not do mid-course corrections

Orissa Reform: Projections & Results

Ref: RC orders, Reform Plans, & 'Power sector reform and its impact on the poor', Energy for Sustainable Development, December 2004, Bangalore, India



Andhra Pradesh

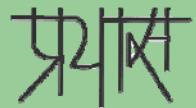
- Reform Plan: 1999-2009, \$ 4.46 Billion, WB driven with \$1.0 Billion from WB
- 5-Stage Loan, suspended by GoAP in 2003 after Stage-1
- Many conditions, not all followed

AP: WB Conditions

Item	Condition	Remarks
Annual Tariff hike	12-15%	Only in first Year
Subsidy Reduction	Gradual	Followed, but agriculture free power in 2004
Unbundling, RC	1999	Carried Out
Distribution Privatisation	By 2007	Not Followed
Generation & Transmission Privatisation	By 2003-5	Not Followed

AP: Analysing Achievements

- Investments
 - *Questionable, returns not clear*
 - Capacity addition
 - Reduction of T&D losses
 - Revenue Improvement
 - Control of theft and malpractice
 - Better consumer servicing
- 
- Not linked to WB Model



Critique of WB Model

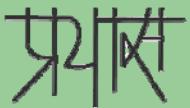
- Failure in Orissa which strictly followed the WB Model
- Failure in many other States
- Good show in AP, despite deviations from WB model

Critique of WB Model

- Non-participatory, Hasty process
 - Creating consensus on a prescribed model
 - Replication before gaining experience
- Regulatory System: An opportunity, but Sabotage prone
 - Potential for transparency, accountability, participation
 - Can turn Investor friendly rather than Public interest oriented
- Impact on disadvantaged
 - Electricity treated as a commodity
 - No explicit pro-poor stand: Rural Electrification neglected
- Lack of accountability by WB
 - Orissa failure shows lack of robust design
 - Not accountable to Indian Public
 - Limitations of WB internal accountability measures

Critique of WB Model

- WB as a double edged sword
 - At times applied international norms, such as TAP and making industry structure more competitive
 - Aggressively pushed privatisation & commercialisation, neglected governance issues
 - In effect, prevented development of alternative paradigms (such as public control model)



Limitations of WB Model

- Incomplete sector analysis
 - Ignored issues not fitting its framework; Alternatives not sufficiently explored
 - No study of Cost of IPPs, Working of Private Distribution
 - Not promoting Integrated Resource Planning
 - Focus on Financial and technical efficiency; Equity, Environmental sustainability and Governance dimensions neglected
- Ignored situational requirements
 - Dependent on international stand
 - Improving SEBs neglected
- Positional bias
 - Promoted privatisation efforts, silent on gross mistakes



Indian Power Sector: World Bank and Beyond

- There is significant role of other IFIs, ECAs
- Current Government policies not much different from that of WB
 - Electricity Act 2003 & Policies
 - Public Private Participation for Growth
- What reform do we need? Need to work out alternative models