

Energy Governance Webinar – Participant Questions for Follow-up

For Neil McCulloch (and possibly open to others)

1. From Barnaby Dye

- I welcome Neil's stress on informal institutions, parallel relationships, and an understanding of politics. But this means that inter-elite relations are key to consider. How can political economy analyses move beyond analysis of formal institutions, on the presence of elections and 'overt' elements of politics, to these more hidden, and structural, relations?

It's an important question. Much political science is concerned with formal political institutions (constitutions, processes, parliaments etc); but in fact much of the 'real' politics is mediated through informal institutions or 'rules of the game' that all the local actors understands, but which are rarely articulated or written down. Good Political Economy Analysis already attempts to explore such informal institutions, looking at hidden forms of power – The Policy Practice include analytical tools on this as part of our PEA training. Interestingly, learning about such forms of power is not always difficult – everyone knows about them and are sometimes relieved to be able to talk about them; but approaching such topics has to be handled with sensitivity and tact, which is why it is crucial that local experts, who understand the best approach to engaging in such discussions, are closely involved in shaping the way in which such issues are addressed.

- I haven't heard ideology discussed, yet there is a growing body of work on the influence of ideas about how to do development, and what it should achieving. Can we integrate this?

Absolutely right. In fact Rodrik was talking about the importance of Ideas several years ago (see his great article <https://drodrik.scholar.harvard.edu/publications/when-ideas-trump-interests-preferences-world-views-and-policy-innovations>). Ideas, ideology and mindsets really matter. This is why political economy analysis should not only assess people's interests/incentives (although this is important) – but also look at people's motivations more holistically: what is their mindset/which ideas drive their behaviour? What are they trying to achieve? What are their capabilities? What influence or power do they have, over what or whom?

Broader Comments/Questions for Panelists, Patrick Okigbo, and Neil McCulloch

2. Subhrajit Datta Ray:

- We need to see more "Program for Result" kind of structure from donors where disbursements are linked to results and the results are targeted to address key political economy challenges

I both agree and disagree with this. PfR programs are good for Principal-Agent type problems i.e. where the issue is that the Agent (a recipient government) doesn't have any incentive to do a set of reforms and this is the only thing that is stopping them, then a Principal (Donor) can set up incentives in a PfR contract that will provide incentives for the Agent to comply. If your PEA shows you that it really is a Principal-Agent problem, then PfR programs are likely to work well. However, many political economy problems in the energy sector are not merely Principal-Agent problems. There are issues about mindset/ideologies, complex overlapping incentives or interests at play, and varying capacity – incentivizing behaviour only works if a) the organization or individual being incentivized is willing to do

the change b) it is politically and technically feasible for the change to be made and c) they have the capacity to make the change. If these are missing, then no amount of PfR will deliver the right results. Again, analysing the problem is key to see what kind of problem it really is.

3. Peter Twesigye:

- Donors don't always fully understand the local contextual issues and copy over projects from other contexts (Europe/West)

Exactly right! One of the problems of regarding energy sector reform as a technical problem is that we believe that there is a 'correct' answer. There is therefore a tendency to cut and paste the approach from one country to the next. But if one regards the problem as a political economy problem, then context is everything – something which worked in one context may not necessarily work in a different one. Certainly it is good to learn lessons from other countries, but we need to understand much better about how the success or failure of different approaches is related to the different nature of political economy in each context. That will then provide some pointers about which lessons from other countries might be relevant and which are less likely to apply.

4. Abdullah Fahimi (related question):

- What are some lessons learned around donors' work in countries that are quite different from the donors' country context?

I interpret this to mean, are there examples of where things have not worked because the context of a country is so different from that in the donor country. There are several such examples. For example, early in the wave of power sector reforms in the 1990s and 2000s there was enthusiasm for unbundling generation, transmission, distribution and regulation, because of the success with this approach in the UK and in Chile. However, no account was taken about the size of different power systems. So countries with power system of thousands of GWs were telling small sub-Saharan African countries with power systems of < 1GW to unbundle. Unbundling in such a context can be pointless – it undermines economies of scale and fragments human capacity to manage the system (often a critical constraint early in a system's development). Similarly, many donors pushed competition (and some still do). But in some places the size of the market is simply too small for meaningful competition to emerge or for there to be plausible independent regulation (because all actors know one another). A different solution is needed entailing establishing norms that work against anti-competitive behaviour rather than trying to stimulate a 'fake' market.

5. Saudatu Bobboi:

- How could researchers contribute to our understanding of PE more effectively?

By doing more PEA! It is astonishing how little is actually done compared to the size of investments. Because we want to 'fix' the problem, there is a focus on the size of investment needed. But capital is not the only problem, and often not the main problem. Doing PEA allows one to uncover puzzling

behaviour and to understand peculiar outcomes. Once one has a better understanding of what is really going on, it is much easier to define an effective strategy for supporting local actors to make improvements.