

ICED Evidence Library

Building political commitment for energy reform

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DFID's recent Inclusive Growth Diagnostics highlighted that in many DFID priority countries energy is a key constraint to economic growth. Businesses in many low-income developing countries report that a lack of access to affordable and reliable power is key constraint on their growth¹. DFID's overall objective in energy is to support partner governments to deliver energy sectors that drive resilient, inclusive growth and deliver modern energy for all². However there are a series of barriers that need to be overcome to successfully support energy sector reform: financial, technical and political.

Energy reform is highly political, and any attempts to support sector reform without an understanding of the domestic and international political landscape are likely to fail. Whilst all politics are defined by local circumstances, useful learning is emerging on how to build political commitment and maintain it through the reform process. This paper seeks to draw out the particular political challenge of energy reform, considers what has worked to get initial political buy in and, in a second section, shares examples of how tactics can be applied to secure and then maintain commitment through specific, politically sensitive reforms.

For more information please consult the ICED ['How to' guide: Building and maintaining political commitment for energy reform](#)

Understanding the political economy of power sector reform

The political feasibility of energy reform is particularly challenging because political elites have used control of the rents from power utilities to shore up their positions – and because energy investments and reforms tend to require sustained support over timeframes longer than the tenure of a minister or the life of a government. Energy reforms are also politically sensitive because they are wrapped up in perceptions of national security and of equitable development – who has access and who does not – and yet large investments are needed, often requiring foreign investment, which brings with it additional political complexity,

Programmes using active and iterative political economy analysis to understand the power dynamics in energy sector programmes have helped build a body of experience of how reforms can be supported successfully. There is also a significant body of work looking at the politics of energy reform and more generally of economic sector reform. This paper does not seek to summarise these. Rather this paper derives good practice from politically astute energy reform processes – to share lessons and deepen understanding of delivery.

8 Key Steps to supporting reform

At the heart of a successful energy reform process is **active political analysis to obtain and maintain political commitment**. And the recent experience set out in this analysis, suggests the core principles are to:

1. **Identify champions and the room to manoeuvre** – what is the dominant narrative for change? What is politically feasible and works with the grain within this?
2. **Decide how much donor visibility is useful** – a big reform agenda can benefit from an external high level champion and a large financial commitment. But equally, working behind the scenes and supporting national stakeholders to build the case for reform can be more effective – particularly given how sensitive energy security can be.
3. **Build coalitions for change** – engage a wide range of stakeholders in considering the options. And go beyond the usual suspects – engage national universities in the analysis, explore cross party support with parliamentarians, engage the public through the media – to build and then maintain political commitment. Monitor what matters to different interest groups – to build accountability.
4. **Develop a reform plan** based on a long term vision for the **whole of the sector** i.e. generation, transmission, distribution and demand

¹ International Finance Corporation, *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction*, January 2013, Chapter 4.

² DFID, *DFID's Priorities in the Energy Sector: A Policy Framework*, September 2015.

management. Find some easy wins to build confidence i.e. least politically contentious but can show impact, sequence reforms in incremental steps to tackle more challenging reforms.

5. **Understand who will win and who will lose** from any reform, their relative influence and develop tactics to reduce immediate impacts: less direct changes, incremental or slower change, transitional support for the losers
6. **Be prepared for windows of opportunity** – the political moments - when reform is possible or can be speeded up. Celebrate success – help increase the credibility of your champion.
7. **Be prepared for stalling and backsliding** – by analysis of what political space is contingent on a

specific context, it is easier to predict when a window of opportunity is disappearing or opening e.g. understanding that political support for removing fuel subsidies will reduce if oil prices rise. Make small bets initially and have plans in place for reversals – such as switching work to a new ministry, if a ministerial change reduces commitment. Use international agreements and lobbying by business leaders, investors and donors to maintain pressure.

8. **Take a whole-of systems approach to energy reform** – this approach demands working across the sector, across the value chain and the diverse range of actors involved, taking into account the interrelated trio of investment, policy/regulations and financial viability – all three of which are needed to deliver change.

Approaches to politically sensitive reform

By gaining an understanding of the political dimensions of energy reform, from governance and policy reform, to taxation, regulation and international mechanisms it is possible to develop tactics to manage reform in a politically sensitive manner. A more detailed analysis of such tactics are described in the ICED energy reform paper, and are summaries below.

Energy reforms with political dimensions:	→	Reforms are political when they involve redistribution:	→	Tactics to manage politically sensitive reforms:
Governance reforms		Social redistribution of resources between public and private sector, rich & poor, different regions, different genders, and different social & ethnic groups		Determining what reforms to support
Commercialisation of energy assets				Understand the political landscape: conduct country-level PE analysis
Spending				Support reforms that do not redistribute too much power or resources away from too many people with too much power at any one time. Multiple smaller reforms can attract less opposition than individual large reforms.
Fossil fuel subsidy reform				
Tariff reform				
Renewable energy FiTs		Economic redistribution between different parts of the private sector		Build coalitions of support for reform
Expansion of the grid				Coordinate with other donors and MDBs
Public sector project investment				Work with local organisations with aligned interests (whilst being sensitive to your host Government)
Spending of revenue raised from fossil fuel resources				
Tax reform		Domestic political redistribution of power and resources between politicians, political parties, Government departments, and social groups		Reform design:
Carbon tax				Give people time to adapt: provide long- term timetables for reform processes and stick to them.
Regulation				Ensure reforms are based on thorough consultation and engagement
Decentralisation (mini-grids, and household renewables)				Protect the vulnerable and powerless with reductions or exemptions, and specific support
Energy efficiency and demand side management				If a reform impacts specific groups of workers in the private sector, support them with transitional assistance
International Agreements				Use windows of opportunity to accelerate reform timing
Power pools	International redistribution of economic resources and power between different countries			
Paris Agreement				
International inward investment				

Figure 1; An analytical framework for understanding the political economy of power sector reform

For more information on designing politically informed power sector reform programming please consult the ICED **'How to' guide: Building and maintaining political commitment for energy reform** or contact the ICED infrastructure team for advice.