Annexe to Privatisation and conditionalities in six countries

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1. Annexe: Country data

1.1. Colombia

Source	Summary
IMF	
IMF Letter of Intent[1], 3/12/99[2]	42. "Colombia has over the last several years made **considerable progress in expanding private sector participation in the provision of infrastructure services.** Concessions for new projects in road and railroad construction and operation, as well as existing airport facilities, are being auctioned off to the private sector." Lists quarterly performance criteria[3] for public borrowing, as a floor stated in terms of Colombian dollars.
IMF Public Information Notice[4] 29/12/99[5] - IMF Executive Board Assessment	"Directors endorsed the authorities' plan and policies in the areas of privatization, foreign direct investment, and private sector involvement in infrastructure projects, which hold out the promise of creating a more efficient private-based economy."
IMF: Colombia: Staff Report for the 1999 Article IV Consultation[6]	"Since the early 1990s Colombia has … advanced on reducing the public sector's role in key sectors of the economy through significant privatizations, concessions, and private sector participation in the construction and operation of infrastructure facilities…" (p6) "The policy to downsize the public sector through privatization and by inviting the private sector to build and operate infrastructure projects is making a contribution to Colombia's current fiscal difficulties and holds out the promise of establishing a more efficient private-based economy." (p28)
IMF Letter of Intent 22/8/2000[7]	"In regard to the privatization program, significant advances have been made in bringing several major enterprises near the point of sale. However, it is likely that the original schedule will be affected by the intensification of attacks on strategic locations of the electricity network. As a result, the sale of the main electricity distribution company, ISA, would be postponed to 2001…"

	As a result Colombia requested a $300m rise in its 2000 borrowing targets, accounting for half the privatization proceeds shortfall.
IMF: First Colombia Review, 7/9/2000[8]	"The authorities' were encouraged to press ahead with the privatization program despite recent delays…"
IMF Letter of Intent 23/2/2001[9]	"The privatization program fell short of the ambitious expectations in 2000, mainly due to security-related problems that developed during the year and affected the electric power sector. … The sale of ISAGEN (an electricity generating company) was postponed due to legal problems, which have since been largely resolved. The government will seek to sell ISAGEN in 2001…"
World Bank	
General	
World Bank Country Assistance Strategy 2003[10]	Section on infrastructure (p12) is headed "Infrastructure - Making Private Participation Work for All." The sections talks about the problems caused by lack of missing infrastructure (mentioning water and sanitation), and declares that "The policy challenge is how to make private infrastructure investment more appealing in the context of the conflict, increase the coverage for those that cannot pay for infrastructure services, and protect the fiscal accounts. The remaining institutional and regulatory constraints that prevent further private participation should be removed; and, the stratification system for subsidization should be improved either by better means-detection and means-testing tools (not just housing quality); or a government-funded minimum level of service should be provided to all consumers, above which marginal tariffs grow steeply to recover the initial investment."
	notes that "the coverage of electricity, water, sewerage, and other public services often do not reach the fast-growing informal settlements where most of the urban poor live." (p14)
	One of the lessons drawn from the previous CAS is "in the infrastructure sector, project performance improved due to the implementation of a strategy to shift from direct financing of ventures to activities that aimed at strengthening the regulatory and institutional framework to enable private sector participation."
	"This is a performance based strategy, where weakened performance would reduce lending from a high-case to base-case scenario, and, in the event of a stalling of reform, to a lowcase scenario. The envelope for the high-case is US$3.3 billion. If the triggers in Table 6 are not met, IBRD would move to a base-case ranging between US$2 billion and US$2.9 billion and the Bank would not proceed with investment lending support for Natural Disasters Prevention, Water and Sanitation, Slum Upgrading, Decentralized Education in FY05 and FY06. Furthermore, lack of progress in sectoral reforms supporting a proposed adjustment operations also serve as a trigger for moving from the high to the base-case and would lead to an immediate downward adjustment of the lending program by the relevant amount." Triggers listed in Table 6 do not include privatization or liberalization (do include labour market reform).
	"the Bank will support a broad program of initiatives in the infrastructure areas to: (a) help turn around the significant erosion of infrastructure in recent years which resulted from dwindling public investments for maintenance of existing infrastructure and guerilla-inspired sabotage of critical highways, bridges, and power stations **as well as create mechanisms to maximize the possibilities for enhanced private participation in the new infrastructure investments…**" (p26)
	"Specific Bank lending operations covenng water supply, wastewater and sanitation management (to help Colombia meet its MDG target to increase access to safe water), national urban transportation and urban upgrading strategy (with a focus on improving shelter and basic services to the lowest income deciles) are envisaged for FY03-06. Complementing the Bank's activity, IFC's focus will be on supporting new forms of public-private partnership-where complementary public and private investment could improve access to services and fostering local currency-denominated long-term financing through credit enhancement. Together, these operations would help improve access of essential public services (e.g., water, sanitation and community roads) to the poorest segments of the population, put in place cost recovery and tariff structures that are socially and environmentally responsive, increase private participation and bring in the critically needed investments in these sectors, and help enhance efficiency of infrastructure provision and bring down logistics costs in the economy." (p26)
	As part of IBRD-IFC linkages: "In a number of sub-sectors where the IBRD's assistance helped improve the regulatory framework, IFC's sequential involvement is focusing on

	pioneering private infrastructure projects contemplating partial guarantees in local currency to avoid foreign exchange exposure in sectors with local currency cash flows. This synergy is expected to continue in infrastructure subsectors where the private sector is active." (p28)
	Remarks approvingly, "The power sector has undergone a major transformation - from almost 100% public ownership in 1990 to around 60% private participation in electricity generation (measured in MW installed) and over 43% participation in supply to final consumers. Colombia was a pioneer in introducing structural and regulatory reforms in the sector, with the result that the supply of power now takes place through a wellfunctioning wholesale electricity market, based on the British model, which has been successful in bringing about improvements in efficiency, costs and quality of service." (p5, CAS Annex C1 - Private Sector Strategy)
First Programmatic Labor Reform and Social Structural Adjustment Loan (PLaRSSAL I)[11], Sep 2003, $200m	will help the Government of Colombia to implement its recent legislation amending labor regulations (Law 789) and accelerating reforms in education, training, health, and social protection (Law 715).
	a program objective: "D. More advances in the implementation o f health system reform, fkrther expanding health insurance coverage o f the poor, reducing direct subsidy to public hospitals, and ensuring quality o f services o f health insurers and care providers." related performance indicators: * Number of newly affiliated poor persons in the subsidized health insurance regime in 2002-2006 * Decline in direct public hospital subsidy as a percentage of health budget * Percentage of health care providers and insurers in compliance with MSP quality of service standards
Urban Infrastructure Services Development Project 1998	"The objective of the Urban Infrastructure Services Development Project (UISDP) is to contribute to the expansion and solidification of the credit market for public autonomous and private providers of local public services by enhancing FINDETER's capacity to offer long-term financing for urban infrastructure investments." (p2 PAD) FINDETER "has lent overwhelmingly to the central administration of municipalities, and relatively little even to public-sector urban service companies. It has made virtually no loans to private urban service providers. GOC strategy calls for FINDETER to galvanize private-sector participation in urban services through both technical assistance and finance. However, the organization currently largely lacks the staff capacity and mechanisms to provide such services." (p3 PAD) in fact, the Government of Colombia "is counting on FINDETER to help galvanize private-sector participation in urban services." (p5) FINDETER had $1bn portfolio in 2001, and 35% of its loans went to WSS in 1995.
Regulatory Reform Technical Assistance Project, 1997, $12.5m	$12.5m 1997 loan. (same from IDB[12]). "The Regulatory Reform Technical Assistance Project seeks to increase private financing and management of infrastructure within competitive market structures…" "The project will finance studies, consulting services, and training and equipment; ensure a consistent and effective legal and regulatory framework, including the environmental regulatory framework; and promote private participation and competition by addressing specific issues and removing constraints. The privatization component will identify and develop projects for potential private participation, structure deals, design model bidding documents and implement demonstration projects in priority sectors; develop models to make bidding procedures efficient and transparent; help develop institutional capacity within sector agencies to structure projects suitable for private participation…"[13]
Public Sector Reform Loan Project, 1990-1994, $304m	
Water	
Water Supply & Sewerage Sector	"The Water Supply and Sewerage Sector project aims to alleviate poverty through increased provision of social infrastructure services by boosting water supply and sewerage coverage in

Project, 1988-1996, $150m	medium-size and small cities and towns and in rural areas. The project consists of the following components: (a) a line of credit to finance the rehabilitation and expansion of water supply and sewerage systems and the upgrading of solid waste services; (b) a program to strengthen the operating capacity of FFDU (Urban Development Fund); (c) execution of studies to improve sector efficiency; and (d) establishment of a national sector training institution and sector wide training."[14]
Santa Fe I Water Supply and Sewerage Rehabilitation Project 1995	"The study will recommend the medium and long-term structural changes that will best prepare EAAB and the Bogota metropolitan area to meet the challenges of the next century. This study will take advantage of all new possibilities provided under the Law 142 and will consider all major institutional alternatives for EAAB, from not changing the company's current status, to different formns and levels of private sector participation including widening the company's ownership through public stock issue. It will also consider separating the production from the distribution function. The study will outline an action plan for implementing the recommended structural adjustment of EAAB. Activities towards implementation of the plan would initiate if the recommendations of the study and the proposed action plan would be acceptable to the Colombian and Capital District authorities and to the Bank."[15] "An important dimension of the restructuring process of EAAB is to give a more significant role to the private sector in the traditional operating areas of EAAB. As initially conceived, this process would involve letting out private concessions for selected aspects of EAAB's operations." "EAAB has presented a plan, acceptable to the Bank, to increase private sector participation through concessions and service contracts in many areas" the plan will "prepare the way for a longer-term structural transfornation of the company, including, inter alia, participation of private sector capital in the future provision and operation of the Capital's water and sewerage services."
	"The Cucuta project has been problematic, mainly because of the politicization and weak management of the project entity, leading to serious implementation problems and suspension of the loan in 1991. Since then, intensive efforts have led to some remedial actions by the Cucuta authorities. In Barranquilla, the project with the EPM (Ln. 2637-CO) encountered the same types of problems, leading to transfer of the responsibility for water supply, sewerage and solid waste management to a new entity with minority private shareholding, and the cancellation of the Bank's loan because of massive non compliance with loan conditions." [16] p59 "In the medium term, transition to a corporate form with equity participation of the private sector will be the only way of ensuring sufficient autonomy of management action and accountability to ensure enhanced efficiency and effectiveness. … significant capital investments will be needed in the near future for the development of new water supply sources and for wastewater treatment, estimated at US$ 1 billion and US$ 1.5 billion respectively. Funds for such investments could be raised only with some form of private sector participation…" (pp72-3)
Cartagena Water, July 1998, $85m[17]	$85m loan supporting ACUACAR, the 50-50 private-public entity created under previous project (Water and Sewerage Project). Bank had considered withdrawing from water sector, but "the reform process is still at its early stage, and the participation of the Bank at this juncture would reinforce the credibility of the mixed (public and private) capital enterprise model, when any form of PSP, especially in the water sector, is still under public scrutiny. Furthermore, ACUACAR's negotiations with IFC for the latter to finance a part of the investment program were not successful, because of ACUACAR's ownership structure, i.e., 50% owned by the public sector." (p11) "Past water and sanitation sector projects in Colombia have had mixed success in trying to implement major institutional reforrns in parallel with physical investment measures. In light of this experience, the project team pushed hard for the creation of ACUACAR, a mixed capital enterprise, during the latter half of the previous Bank project, by leveraging the prospect of additional Bank financing for Cartagena's WSS sector under the proposed operation. Institutional reforms have therefore been front-loaded, i.e., the reform was a pre-

	condition for this project, which supports a major environmental infrastructure investment." (p12) "The most important lesson [from past Bank experience in Colombia] is that key institutional and financial reforms should be front-loaded. This key finding is reflected in the design of the present project in as much as significant institutional reforms have already been sought and achieved during project preparation." "The Bank's role in the process of privatization of the water and sewerage services in Cartagena and in the creation of ACUACAR has been pivotal. The Bank has helped attract private sector participation in Cartagena and played a crucial role in ensuring the success of the privatization by promoting ideas, providing a framework for considering different PSP options, extending technical assistance, convincing the political decision makers to support worthwhile institutional changes, acting as an important catalyst to accelerate process implementation and serving as a mediator in the negotiations. The Bank provided and continues to provide stability to the ACUACAR contract, which still operates in a volatile environment, by protecting it from political risks at the local and national levels." (p14) "The Bank's involvement would provide much needed long term financing which is not easily available in local capital markets…"(p14) "Borrower commitment is high as evidenced by the privatization reform process initiated by the District of Cartagena, which is considered the most successful experiences in public utilities privatization in Colombia. In part, the District moved on PSP because it was convinced that it was the key to continued donor involvement in Cartagena's WSS sector. At the federal level, improved coverage, service quality and environmental sustainability of water supply and sanitation services figure prominently in the government's "Water and Sanitation for Peace Plan" ("Plan de Agua y Saneamiento par la Paz", 1999-2002) which is designed to buttress the material basis for political moves to end the country's long-running civil war. The plan emphasizes environmentally sustainable development, improved sewerage coverage for unserved urban areas and the need to attract private capital for the WSS sector. In addition, the new Government has specifically committed itself to promoting PSP in urban service delivery in cooperation with the Bank ("Programa de Modernizacion Empresarial", 1998-2002)." (p14)
	"**Safeguards against political interference.** Cartagena and Barranquilla represent two successful cases of institutional improvement through private sector participation in water and sanitation services. This suggests that PSP is the most promising strategy for achieving institutional improvement in Colombia's WSS sector companies. Past and present Bank experience in Colombia point to a consistent pattern of political interference in the WSS sector. In Barranquilla, a new Mayor, who succeeded the Mayor who awarded and signed the PSP contract, recently tried to cancel this contract after taking office. Though not successful, his behavior highlights the potential risks of political interference and non-compliance of commitments on part of the public sector. Consequently there is an overriding need to protect the PSP model pioneered in Cartagena against the prospect of interference from future District authorities. To this end, one of the project conditions specifically requires District authorities to maintain private sector participation in the provision of the water and sewerage services in Cartagena." (p13) "an urgent priority is the need to design and restructure tariff systems that provide incentives to improved public awareness of the true cost of water and sewerage services and to targeting social subsidies in such a manner that they reach the poor;" (p13) "The two major stock holders of the company, the District of Cartagena and Aguas de Barcelona, work well under partnership conditions." "The proposed US$117.2 million project will be financed jointly by the Bank, District of Cartegena, ACUACAR, and the National Government. The repayment of the Bank loan of US$85 million, will be the responsibility of the District of Cartagena, with a partial contribution from ACUACAR of US$15.4million between years 2005 and 2011. The National Government, the District, and ACUACAR will provide the counterpart funds of

	US$20 million, US$7.6 million, and US$4.6 million, respectively." "ACUACAR will substantially benefit from this project, especially the water supply sub-component will generate substantial incremental revenues." (p16) "The up-front resolution of the Cartagena water sector institutional issues by the creation of ACUACAR ensures high quality in the provision of services and sustainability of the investments, and provides a sound basis for Bank participation in the proposed project, which would be based on a strong and capable water and sewerage utility. The continued Bank involvement in Cartagena's WSS sector will further enhance ACUACAR's operational independence and will ensure that the utility's installations will continue to be operated with private sector efficiency." (p24)
Water Sector Reform Assistance Project, 2001-2007, $40m	$40m to bring in PSP in coastal Colombian water sector. "The objectives of the Water Sector Reform Assistance Project are to support water sector reform by facilitating private sector participation in the management, and operation of water utilities, creating an improved environment for sustainable utilities, and, providing financial support to ensure their viability."[18]
Energy	
Energy Sector Technical Assistance Project 1994	"The objectives of the Energy Sector Technical Assistance Loan are to: 1) implement regulatory reforms for the power and gas sub-sectors; 2) implement strategies specifically designed for the energy sector, respecting environmental concerns and constraints and attracting private investment in the sector; and 3) develop a demand-side management strategy and assist in its implementation. The project includes the following components: 1) overall regulation, pricing and energy policy; 2) specific power sector assistance which includes engineering and investment banking assistance and privatization exports to help mobilize private capital for new power generation and distribution projects; divestment of existing public-sector controlled power plants; corporatization and privatization of utilities; and creation of the new grid company to facilitate competition between electricity generators; 3) specific gas sector assistance in developing a new industry structure and regulations for the natural gas market incorporating private sector participation and competition; 4) assistance in executing sectoral environmental assessments together with project environmental assessments, formulating energy sector environmental regulations and guidelines; and 5) energy demand management and safety enhancement by developing a demand side management strategy for efficient energy use."[19] "The Government's proposed energy sector strategy seeks to ensure a reliable and efficient supply supported by an economic pricing policy and private sector participation. The approach to the sources of market failure will consist of using regulatory instruments applied within an industry operated by private entrepreneurs."[20] p2 "The Government's proposed power subsector institutional reforms include: (a) fostering efficiency through competition together with a strong, transparent and independent regulatory framework; (b) an institutional restructuring involving the separation of national transmission from generation and the corporatization of existing state power companies by ultimately transforming them into joint stock corporations; (c) completing the financial restructuring and rehabilitation of the subsector through tariff and subsidy reforms; and (d) promoting the participation of private sector capital in new projects as well as divesting itself of existing power plants and utilities."[21] p3 "The gas sector's basic institutional framework will be promulgated in 1994; the corresponding groundwork has been developed by Coopers & Lybrand. The Bank has supported these implementation efforts by financing consultants' work through the Japanese Grant Facility and the Public Sector Reform Loan."[22] p3 "The Technical Assistance project seeks to facilitate and speed up the transition from a publicly-owned sector organization to one with private participation." "Objectives specific to the power sub-sector are to achieve the divestment of state-owned assets or enterprises, to attract new private investments for system expansion, and to execute the institutional reforms required for putting in place a fully competitive market at the generation level." p4

Power Sector Adjustment Loan Project, 1987-1990, $300m	(no details)[23]
Power Market Development Project, 1995-2002, $249.3m	"The overall objective of Private Sector Energy Development Project is to support power sector reform by facilitating the operation of a competitive bulk supply market for electricity. Specifically, the project seeks to lift transmission constraints that hinder an open access of publicly as well as privately owned power generators to the grid and to support Interconexion Electrica SA (ISA) as transmission network operator, system generation dispatcher and commercial transactions coordinator. The project will be a key component of the comprehensive power sector restructuring that is being put in place with Bank assistance. The project consists of three components: 1) Energy control Center (ECC) and Financial Settlement Center (FSC); 2) strengthening and expansion of the interconnected transmission system; and 3) technical assistance."[24]
Health	
Colombia - First Programmatic Labor Reform and Social Structural Adjustment Loan Project, Vol. 1 of 1, 2003, $200m[25]	A prior action for a second loan is further implementation of the reforms, including a "demonstrated commitment" of no further resources for public hospitals outside the regular budget, except those restructuring or under management contracts.
IDB	
Water	IDB in 1997 provided a $31.3m guarantee to a wastewater BOT (Suez)[26], and in 1998 a $24.3m loan to the PPP Aguas de Cartagena[27]. Also 1999 Pereira Potable Water and Sanitation Program, $61.6m[28] demands a management contract and a BOT; and 1998 Tibitoc Water Treatment Facility, $18m BOT (Veolia)[29]
Electricity	Electric Power Sector Program 1998, $350m[30]
Health	Program to Support Health Sector Reform 1995, $38m[31] MIF "Private Enterprise in the Subsidized Health Programs" 1999, $0.63m[32], aim "To encourage private enterprise to become involved in managing health care delivery under the subsidized health plans."
IFC	
Water	Triple A partial bond guarantee (2003)[33] "The project consists of a corporate financing package for Triple A through a proposed IFC partial guarantee (up to 25% of principal of the bond) that would credit enhance an up to US$70 million equivalent Colombian Peso bond to be issued by the company."
	ACUACAR's negotiations with IFC for the latter to finance a part of the investment program were not successful, because of ACUACAR's ownership structure, i.e., 50% owned by the public sector." (p11, Cartagena Water project document[34])

1.1 El Salvador

Source	Summary
IMF	
Press release 21/7/95: IMF approves stand-by credit for El Salvador[35]	
Press release 3/3/97: IMF approves stand-by credit for El Salvador[36]	"Following the approval in September 1996 of the necessary legislation, the sales of 49 percent of the telephone company ANTEL and of the first of four electricity distribution companies are expected to be completed in the first half of 1997, with the other three companies to be sold by year's end."
	"Social expenditure increased from 3.5 percent of GDP in 1995 to 4.8 percent in 1996 and

	will be maintained at that level in 1997, while military expenditure was contained at 1 percent of GDP in 1996 and will be reduced to 0.9 percent in 1997."
	"El Salvador's performance in the areas of public expenditure, monetary policy, and structural reform has been remarkable since the end of the civil war. However, a further tightening of fiscal policy and the continuing implementation of structural reforms to increase productivity are required to lay the basis for the recovery of private investment and growth. In addition, the attainment of the inflation objective is fundamental to prevent loss of external competitiveness. "
Press release 6/4/98: "IMF Concludes Article IV[37] Consultation with El Salvador"[38]	"Directors welcomed the resumption of privatization of public utilities, which will contribute to increasing productivity and strengthening external competitiveness, while increasing the country's exposure to investment opportunities by foreign investors. Directors noted that pressures to spend a larger portion of the privatization proceeds than envisaged in the program for 1998 should be resisted so as not to put pressure on domestic prices; this is essential to preventing a further loss of competitiveness and, consequently, to sustaining higher rates of growth. In this context, they supported the authorities' decision to use a large part of the larger-than-expected proceeds from the sale of the electricity distribution companies to repay the outstanding external short-term debt…"
Press release 24/9/98: IMF approves stand-by credit for El Salvador[39]	
Press release 15/11/99: "IMF Concludes Article IV Consultation with El Salvador"[40]	
World Bank	
WB CAS 2001[41]	"IFC has been addressing the needs of Salvadoran private sector through support to small and medium enterprises (SMEs), a regional private equity fund, a cement company, a power distributor, a local bank and regional credit rating agency, as well as in infrastructure through investments in regional power and telecom development companies."
	"Since the early nineties, successive Governments have indicated an interest in health reform, but this process has been constrained by lack of consensus on sector priorities, problems with the delivery of essential health and nutrition services and limited capacity and managerial constraints in the Ministry of Health (MOH). Because of these difficulties, only in the late 1990s was the design of the health sector reform completed. The new Government created a National Commission for health reform which has been working under the new priorities reformulated by the earthquake needs. Looking to the future, the Government places high priority in the reconstruction effort and it is seeking to take advantage of this effort to spearhead broader changes in the organization and delivery of publically-financed health services, extend basic health and nutrition coverage in the rural areas and modernize the MOH through a more community-based approach to primary care provision, the decentralization of its financial management and some outsourcing of service provision through NGOs." "IFC will support health initiatives from the private sector through direct investments and technical assistance. … IFC recently completed a regional technical assistance project to evaluate the climate for health sector investments and to identify potential projects with the private sector." (p12) "El Salvador has made good progress in the modernization of its infrastructure. As mentioned earlier, privatization of electricity distribution has been completed, and the Government has sold two thermal electricity plants and the majority of shares in the telecom company. The Government expects to negotiate concessions with the private sector to operate geothermal plants. Roads and water infrastructure have traditionally been supported heavily by IDB and CABEI. Consequently, these donors financed earthquake reconstruction needs in these sectors under ongoing projects, with the Bank financing only minor repairs to power transmission under the on-going **Energy Sector Modernization Project** (Ln. 3920-SV). To support improvement of the legal, institiutional and regulatory framework and promote private investment in the power sector, the IFC approved a US$120 million investment in the Salvadoran distribution networks. This investment

	supports the e.xpansion of the distribution networks, mainly into rural areas, and rehabilitation of the companies' existing networks in order to increase reliability and reduce technical losses. IFC also approved $15m in financing for a regional power development company focusing on renewable and co-generation projects." (p14) "Although the public sector is small and its reform agenda related to privatization, social security and deregulation is well advanced. it has a way to go in establishing a modern, efficient and accountable public sector." (p16) Mostly IDG-related goals, notable exception privatization of airports, ports, mail (p25)
CAS 2001	a benchmark under the previous CAS, under the heading "Increase efficiency and service quality through privatization of infrastructure", was "Approve legal framework for privatization, develop and adopt regulatory frameworks for telecoms and power, restructure power and telecoms companies for privatization, and privatize." Listed as delivered in FY97. (Annex E to CAS, p6)
Public Sector Modernization Technical Assistance Project 1996[42]	$24m from IBRD; $19.7m from IDB. One of the three principal aims is "Privatization and Private Sector Participation in the Provision of Public Services: The project will assist the government in establishing new rules and institutional arrangements for the provision of public services, through privatization and the development of new forms of private sector participation in the delivery of public services, especially in the areas of telecommunications, power distribution, water and sewerage, and reform of the country's social security system."[43] Makes the rather odd statement "Although in El Salvador public sector expenditures as a proportion of GDP are among the lowest in Central America … the performance and quality of the service delivered by the public sector … are obstacles to maintaining a high rate of economic growth."
Energy Sector Modernization Project 1995	"The Energy Sector Modernization Project will: (a) improve service reliability and increase coverage by rehabilitating, modernizing and expanding power generation, transmission, subtransmission and distribution systems; and (b) assist in the restructuring of the sector's legal and regulatory framework through the preparation of secondary legislation and procedures, and to support the Electricity and Hydrocarbons Regulatory Commission (EHRC) and the National Energy Council (NEC) when their respective laws are enacted." Implicitly this means paving the way for PSP, especially given the privatization-related context of a number of Bank references to this project elsewhere. "The project was a success because its objectives were an integral part of a broader Government program for public sector reform, which promoted more efficiency in public services and displacement of the state in business that can be provided by the private sector."[44] "As a part of the economic reform, the government initiated a program to restructure the energy sector, which included: (a) creation of legal and institutional frameworks for the sector; (b) enacting pricing policies and procedures based on economic costs and market forces; (c) promotion of private sector participation in the energy sector…"[45] The project rpovided TA for drafting the new laws, as well as funds for physical modernization of energy infrastructure. "As established in the Electricity Law, the electric sector was restructured and CEL, the publicly owned utility that had monopolistic control of the sector, was transformed by: (a) selling to private investors all thermoelectric power plants; (b) establishing a geo-thermoelectric company which now has a strategic private investor who will fund future developments; (c) establishing a new company, owner of the national transmission system; and (d) selling to private investors the ownership of all distribution companies. CEL remain as an estate owned utility, owner of the four existing hydroelectric power plants. The companies that today form the electric power sector are: (a) generation: CEL, Duke Energy, Nejapa Power, GESAL *(Geotermica Salvadorefia SA)* and several smaller private power generators; (b) transmission: ETESAL *(Empresa de Transmisi6n de El Salvador SA);* (c) distribution: CAESS, DELSUR, DEUSEM, EEO and AES-CLESA; and (d)

	commercialization: several companies in charge of direct service to low voltage consumers and dedicated to the import and export of energy to and from Guatemala and Honduras." [46] p6 "The reforms of the power sector that have taken place in El Salvador since 1996 are substantial and have changed completely the way the business is conducted in the country. Before the reforns, CEL controlled 95% of the power consumed in the country, while in 2002 only 29% is controlled by CEL, the rest by private operators. Before the reforms, tariffs were set by CEL previous authorization of the government, often at levels below real costs because of political considerations. Today, generation tariffs are set by direct negotiations between local generators or importers of energy and distributors and transmission, and distribution tariffs are set according to established regulations supervised by SIGET. So far the new structure has survived arguments among political parties against the reforms. As the transformation has been radical and the private sector is deeply involved in the power sector, today it would be difficult to reverse the process and return to the old government controlled monopolistic system. Strong interests are involved in defending the reforms, and include private power producers, private distribution companies, private commercialization companies, unregulated consumers and importers and exporters of energy. The chances of reversing the reforms would increasingly diminish as time passes and the reformns are consolidated by the continuous and un-interrupted operation of the power system." pp10-11
Structural Adjustment Loan Project[47], 1991-1993, $75m	(no details)
Structural Adjustment Loan Project[48] (02), 1993-1994, $50m	(no details)
Power Sector Technical Assistance Project, 1991-8, $11m[49]	Listed as a PSDE (Private sector development in the electric power sector) project in 2003 PSDE overview.[50]
IFC	
Dec 2001 loan to 3 ES elec distr companies, owned by AES. $45m A, $65-75m B.[51]	
TA health	"IFC will support health initiatives from the private sector through direct investments and technical assistance. … IFC recently completed a regional technical assistance project to evaluate the climate for health sector investments and to identify potential projects with the private sector." (p12, WB CAS 2001)
IDB	
1997 Public Sector Modernization Program, $70m[52]	
1998 Reform Program for the Water Sector, $43.7m[53]	Signed in 2000. As of Jan 2004, yet to be delivered.
2001 Local Development Program II, $70m[54]; 1997 LDP I, $34.06m[55]	municipal capacity-building in core functions, including ability to contract out.
2000 Support Program for the Instituto Salvadoreño del Seguro Social, $5.8m[56]	support for health reforms, including contracting out and other "innovative actions".
1998 Modernization of the Ministry of Public Health, $20.7m[57]	"The project finances the provision of a package of basic health services for the poor, unserved and underserved population in San Miguel and Santa Ana by contracting providers from both the public and private sectors on results-oriented contracts. In addition, two public hospitals will be transformed into model facilities that are governed semi-

	autonomously and employ modern management tools. The project will finance technical assistance, training, and basic equipment. Investments in medical equipment for hospitals financed during the execution of the project will be tied to the prior implementation of management reforms and improvements in financial, administrative and clinical systems.”

1.2 Indonesia

Source	Summary
IMF	
Letter of Intent 31/10/97[58]	42. “Steps will also be taken to promote competition by accelerating privatization and expanding the role of the private sector in the provision of infrastructure. To ensure a level playing field among companies bidding for government projects, the government has already established guidelines for procurement and contracting procedures. The implementation regulations will be issued by end-December 1997.”
Stand-by credit 5/11/97[59]	43. “Oversight of public enterprises has been moved to the Ministry of Finance from line ministries and a Privatization Board has been established.”
Indonesia--Supplementary Memorandum of Economic and Financial Policies 10/4/98[60]	8. “Bank restructuring is being accelerated and the Indonesia Bank Restructuring Agency (IBRA) strengthened. This is crucial for stopping the flow of liquidity support to banks and regaining monetary control. The most urgent priority is to effectively take over 7 large banks that account for the bulk of the liquidity support that has been provided to the banking system. The action plan for addressing the banking sector problems is described in Appendix II. Implementation of this plan is a prior action.”
Indonesia--Supplementary Memorandum of Economic and Financial Policies 10/4/98, Appendix IV[61]	A Minister for State Enterprises has been appointed with the task of managing the 164 firms in the public sector, including financial enterprises. This approach involves the transfer of management responsibilities from various line ministries, with the objective of strengthening policy supervision, avoiding conflict of interest and more closely monitoring performance to improve efficiency and profitability. A Presidential decree will be issued giving the new Minister full responsibility and accountability for the state enterprises. Enterprises have been grouped into three broad categories of firms: those operating in a competitive market environment; public utilities; and strategic industries. Appropriate performance indicators, including profitability and liquidity, are being established in consultation with the World Bank for each group, with focus on better management, planning and cost reduction.
Indonesia--Supplementary Memorandum of Economic and Financial Policies 10/4/98, Appendix V[62]	“The Government issued a decree in January 1998 designed to facilitate private participation in the provision of public infrastructure. Details of the procedures are being clarified with the World Bank. Needed changes to the decree and implementing regulations will be established by June 1998.”
Indonesia--Supplementary Memorandum of Economic and Financial Policies 16/3/99[63]	“The Government intends to restructure the power sector to improve efficiency and reduce the fiscal burden. With the support of the World Bank and AsDB, the government will (i) establish the legal and regulatory framework to create a competitive electricity market; (ii) restructure the organization of PLN; (iii) adjust electricity tariffs; and (iv) rationalize power purchases from private sector power projects. The government has commenced renegotiations with independent power producers; will initiate the organizational restructuring of PLN by June 1999; and will enact a new Electricity Law by December 1999.”
Indonesia--Supplementary Memorandum of Economic and Financial Policies 14/5/99[64]	“The overall profitability of the state-owned enterprise sector increased substantially in 1998/99 as a result of efforts to cut costs, strengthen efficiency, and promote restructuring, which should facilitate privatization.”
	36. “We are making progress with the restructuring program for the state electricity corporation (PLN) that is designed to strengthen its financial viability and prepare for its privatization over the medium term. The strategy provides for PLN's reorganization within the context of a rapid transition to a competitive retail electricity market on Java-Bali, as well as for fundamental changes in the role of the government including tariff and subsidy policies, an expanded role for the private sector, and legal and regulatory changes to facilitate these reforms. The AsDB has

	provided a program loan in support of the power sector restructuring policy. The World Bank and AsDB are also financing technical assistance to support the implementation of the reform program."
	"with the assistance of the AsDB, the government has prepared a soundly based privatization program for FY 2000, designed to yield Rp 5.9 trillion. The program will focus on enterprises—including small enterprises—operating in competitive markets where there is no compelling case for public ownership. The government is also preparing a liquidation plan for loss-making and heavily indebted enterprises that have no prospect of achieving commercial viability."
Letter of Intent 20/1/2000[65]	77. "In the electric power sector, the restructuring policy announced in August 1998 maps out the actions needed to restore commercial viability, improve efficiency, and attract private investment. The government's agenda for the coming year includes the passage of a new electricity law, establishment of an independent regulatory agency, and adoption of a tariff restructuring plan designed to restore tariffs progressively to commercially viable levels while limiting the impact on the poorer segments of society."
Indonesia: Eighth Review Under the Extended Arrangement and Request for Waiver of Performance Criteria--Staff Report; Staff Supplement; and Press Release on the Executive Board Discussion 18/3/03[66]	Structural benchmark for December 2003 is "achieve budget privatization target of Rp 8 trillion".
Indonesia I-PRSP, March 2003[67]	Focusses on general discussion of poverty reduction strategy and its formulation.
World Bank	
CAS 2003[68]	28 'A major infrastructure strategy, prepared by the Bank in consultation with the Government, will be completed by end-2003…. Implementation of the on-going Private Participation in Infrastructure TA loan will leverage private investment in the infrastructure sector **….** Working closely with the Asian Development Bank and others, the Bank's focus in energy will be on completing the implementation of the legal and policy framework to help attract private investors and to complete the restructuring of the electricity and gas entities. A Bank project is supporting the restructuring of the state electricity utility (PLN)' 37 '…developing better frameworks for both public and private service provision…' Table 9 trigger for high case is: '**Increase private investment in power** (by progress in establishing independent regulator in the electricity market, and continued tariff reforms)' 66-67 IFC invests in power Annex G p 95 To date, MIGA has facilitated an estimated US$3.9 billion of foreign direct investment into Indonesia. MIGA paid a claim in the power sector in Indonesia in 2001. Full salvage was negotiated with the Government, and the final payment was paid by Indonesia under the claim settlement agreement in mid-June 2003 as expected. In the coming CAS period, MIGA intends to support foreign direct investment (FDI) into Indonesia through the provision of political risk guarantees to investors in new projects, privatizations and modernizations of existing projects. A particular sectoral focus for these guarantees will be on infrastructure, including power, and oil and gas. But on water cf 50: 'The failure to reform the 300 water utilities led the Bank to withdraw support for the sector for the past eight years, and limit support to technical assistance to "rescue" utilities post-crisis. Now a spirit of competition is emerging, and many local governments are recognizing the need to apply sound governance procedures to the water utilities they own. Under design is a series of Bank operations that would allocate funds on a competitive basis to those utilities demonstrating the greatest willingness to improve governance with a view to improving their fiscal sustainability and to expand their coverage and

	responsiveness so that the poor are better serviced. This will be further supported by assistance to Indonesia's Association of Water Enterprises (PERPAMSI) to build its capacity in supporting its members to improve service to customers. Within this new spirit in Indonesia we hope to create a demonstration effect, whereby governance and service standards would be improved.'
Indonesia Private Sector Development Strategy, 4/1/01[69]	"The effectiveness of attempts to privatize physical infrastructure in the 1990s were limited by lack of independent regulation, by lack of competitive market structures and by lack of transparency in many of the deals that were concluded. One consequence is the frequency of high profile contractual disputes between the public utilities and their private partners. Government policies do not yet favor transparent privatization of infrastructure and frequently act to crowd out new private investors. Similar considerations apply in the health and education sectors where private providers frequently are able to reach poorer sections of the population that the public providers do not reach, and in other cases are able to provide better quality services at lower cost. But government policies have discriminated against private providers." Medium-term vision includes "the private sector … playing the leading role in generating growth and fiscal resources and providing the public infrastructure and services needed for sustained poverty reduction." Under the heading of "long-term sustainable development", "In infrastructure, the Bank will continue to promote privatization and private participation through its ongoing sector projects in teleconmmunications, power and transport. IFC is looking for opportunities to invest in the transport and water sectors. The Bank will seek means of promoting the private provision of social services in health and education through its sector projects and AAA advisory activities." "The Government's efforts to attract private investment in infrastructure focused initially on the power sector, with proposals for Indonesia's first IPP (Paiton I) first being solicited in 1990. By end-1997, "take-or-pay" agreements had been concluded for 27 IPP projects, all but a few of which were unsolicited." "During the mid-1990s, the Bank proposed the adoption of a cross-sectoral framework for private participation in infrastructure to help reduce risks and costs and continued to highlight the need for wide-ranging legal and regulatory reform. Advice was provided on the drafting of a cross-sectoral framework, but Government commitment was lacking and the envisaged regulation (Presidential Decree 7 of 1998) was only issued after the crisis had struck." "the Government has focused far less on creating an enabling environment in which all comers may flourish, than establishing and expanding in direct competition with private insurers, its own comprehensive system of health insurance." "The Bank has been providing advice and assistance to Government on matters relating to SOE reform and privatization for many years. During 1997/1998, an IDF grant financed the services of an advisor who was instrumental in preparing the Government's 1998 Masterplan for SOE reform and privatization. Subsequently, technical assistance to MISE on SOE governance and privatization has been financed by ADB under a TA Grant. However, the Bank continues to provide advice through helping shape and monitor implementation of the IMF program. Progress has been slow and the ADB in now playing the leading role in SOE reform; accordingly we have given this activity a low priority over the last year. We are, however, ready to intensify our assistance to the Government if requested, mobilizing our comparative advantage to help Indonesia apply international best practices in SOE privatization." "Through its sectoral projects in education and health the Bank will focus on creating an adequate regulatory environment and a level playing field for private provision of education and health services. The aims will be to improve coverage

	and quality and reduce crowding out of the private sector by often inefficient subsidized state activities. Health and education are relatively new areas for IFC, where the Corporation is learning the best ways to support private sector efforts."
Indonesia Development Policy Review: The Imperative for Reform, December 10, 2001[70]	"the case for moving ahead with privatization is compelling. But what is the best way forward - especially given opposition in Parliament? … The needs of the budget dictate that large SOEs be privatized quickly. Unfortunately, privatizing such firms is never simple - they tend to have legal or contractual impediments, occupy a position of natural monopoly, or have substantial political support for keeping them in the public sector." [pesky political opposition…]
	4 projects focussing largely on physical infrastructure investment without discussing private sector involvement in the short descriptions available: Power Sector Efficiency Project, 1989-1995, $337m [71]; Rural Electrification Project, 1990-1995, $329m[72]; Gas Utilization Project, 1990-1999, $86m[73]; Power Transmission project, 1991-1997, $275m[74]
Technical Assistance Project for Public and Private Provision of Infrastructure, 1991-1997, $30m	no details[75]
Rural Electrification Project (02), 1995-2000, $398m	Includes a PLN (electricity co) and a MOC (govt) component. PLN component has 6 subcomponents, one of which is "economic subtransmission schemes aimed at promoting private sector participation in small scale generation by interconnecting captive power plants, cogeneration plants and other small power producers". One of the two MOC subcomponents is "preparation of up to two geographic areas for possible conversion to a "Pola III" mode of organization, wherein responsibility for all distribution functions include ownership of assets is transferred from PLN to a third party."[76]
Technical Assistance Project for Public and Private Provision of Infrastructure (02), 1995-2001, $28m	One of four objectives is "develop an updated strategy for public-private partnerships and suitable frameworks for private participation in provision of infrastructure services…" [77] "private sector participation: The private sector operates significant amounts of captive power capacity, and is expected to play an increasingly important role in the supply of gas and electricity. The Government has already signed power purchase agreements with independent power producers (IPPs), to supply about 3,000 MW of bulk power to PLN. The Government's plans indicate that about 5,000 MW of IPP capacity is expected to be commissioned during REPELITA VI, on build-own-operate (BOO) basis, of which about 600 MW would be Outside Java."[78] p2 Between 1978 and 1994, "PLN's implementation capacity has grown significantly, whereby it now connects over one million new consumers annually, a pace un-matched by most utilities and, PLN carries out an annual investment program of about US$ 3.5 billion." p3 "Private sector participation. The GOI has concluded that private sector participation is a prerequisite for reducing the financial burden on the GOI as well as increasing the efficiency of electricity production. Projects with signed power purchase agreements, projects for which negotiations are reportedly nearing completion, together with projects earmarked for private investors and to be commissioned within the next eight years, account for over 7,000 MW of generation power plant. Major policy, institutional and sector structure changes are needed to ensure that this participation -- entry as well as operations -- is based on competition and transparent rules, and that the resulting power purchase prices are the lowest possible."
Renewable Energy Small Power (RESP) Project, 1997-2001, $66.4m	"The principal objectives of the Renewable Energy Small Power Project are to: (1) facilitate private sector-led development of small renewable power projects, selling electricity to the state corporation (PLN) on a commercially sustainable basis…"[79]
Power Transmission and Distribution Project (02), 1996-2004, $373m[80]	Second principal objective is "promoting sector efficiency, competition, and private sector participation by implementing functional decentralization (unbundling) of PLN operations in Java-Bali and developing effective regulatory oversight and institutions."

	Two Bank Tas are influential: “during negotiations it was agreed with the Government that it shall, on the basis of this study, prepare draft regulations to govern the power sector and furnish these to the Bank for review and comments by June 30, 1996, and finalize and enforce such regulations by September 30, 1996.”
Private Provision of Infrastructure Technical Assistance Loan, 2003, $17.1m[81]	“in 1990, when Government solicited proposals for Indonesia’s first Independent Power Producer (IPP) project, a 1,200 MW coal-fueled station in East Java. The Power Purchase Agreement (PPA) for Paiton I was signed in early 1994 and financial closing was achieved in April 1995, with debt financing provided by a combination of export credit agencies and commercial lenders. Many other private infrastructure projects, most unsolicited, were by then already in the pipeline and-when the economic crisis struck in the second half o f 1997-Indonesia had committed to long-term power purchase agreements with 26 independent power producers and awarded concessions for numerous toll road, telecoms, water supply, and other projects. In little over three years from the Paiton I PPA signature, over US$20 billion in investment commitments had been secured for private infrastructure projects, dominated by electricity (US$10.2 bn), telecoms (US$8.4 bn), and transport (US$2.1 bn). In stark contrast, the SOE reform and privatization program had moved very slowly. Nine years after its launch, GOI had sold only minority stakes in only a handful o f SOEs, of which only two (Telkom and Indosat) were infrastructure providers.” p4 After the 1997 currency crisis, “Agreements for most operating and committed private projects-including all IPPs-were “re-opened”, with the subsequent renegotiations generally proceeding slowly. Sponsors generally accepted the need to renegotiate, and several subsequently agreed to “close-out” their projects. However, a few opted for international arbitration and / or to claim under political risk insurance, and decisions to date have so far favored the project sponsors.” p5 “***Building public acceptance** of **private infrastructure.*** There are continuing indications of strong resistance to restoring private investment in infrastructure, both from within the public sector and from civil society. Three underlying causes can be identified: ***** Private participation requires sector departments and infrastructure SOEs to accept a paradigm shift in their roles and in the way they do business. It also requires effective inter-agency cooperation and coordination, areas where Indonesia has traditionally not been strong. Experience with the privatization program suggests that securing the needed cultural changes will be a slow and difficult process in the absence o f concerted efforts to anticipate and deal with problems. * Closely linked with this, involving the private sector in traditional public sector domains through transparent processes will likely threaten vested interests by squeezing opportunities for supplementing personal incomes or diverting funds for political ends. * The public's perception o f private infrastructure delivery has been colored by vigorous--but often poorly-informed--debate on the failings o f the power, toll-road, water supply, and telecoms deals concluded during the Suharto era. This is reflected in the negative stance of many civil society organizations, which in turn is open to exploitation by those with vested interests in maintaining the status quo.” p7 “**Electric Power:** The DPR has also adopted a new Electricity Law in September 2002 that would enable bulk and retail competition and permit the vertical and horizontal unbundling of PLN in line with the policies mapped out in the Government’s August 1998 White Paper. The law also provides for the establishment o f an independent regulatory agency, and of a mechanism for channeling targeted subsidies and supports, although not yet implemented. **Water:** The Bank-financed WATSAL sector policy reform initiative is supporting the amendment of water resources legislation that would, inter alia, enable private participation in water resources development. In September 2001 DKI Jakarta established Indonesia’s first urban water supply regulatory body and a number o f municipalities, including Pekan Baru, are also now exploring such arrangements.”

Water Resources Sector Adjustment Loan Project (WATSAL), 1999-2004, $300m	Along with supporting water resources management reform, there is the specific aim of "amending water resources legislation to provide for regional autonomy and private sector involvement in water resources development…" (p4) "Lessons Learned from Past Operations in the Sector Piecemeal reforms as part of loan conditionality are ineffective. Accordingly, GOI ownership has been sought for an overall reform planned by all affected ministries and agencies with appropriate inputs from civil society derived by public consultation." [sought?] p6
Java Bali Power Sector Restructuring and Strengthening Project 2003-8, $141m	The new Electricity Law was finally passed in September 2002, aiming to "encourage competition and private investment in the sector… lead to the establishment of a regulatory body within a year to monitor the market and enforce the market rules… [and establish] a competitive market for generation … within 5 years."[82] In support of these policies, the Bank and ADB agreed to focus on complementary areas of restructuring activities. ADB provided the Government with a program loan of US$380 million and a technical assistance loan o f US$20 million (with co-financing from JBIC of US$400 million). The World Bank worked closely with ADB in "providing feedback on the initial drafts of the Electricity Law", [83] and helped PLN to prepare the detailed design of its restructuring implementation plan. (It was also a condition that PGH, the state gas company, would prepare framework and implementation plans for: (i) unbundling its transmission and distribution functions to create an appropriate corporate structure; (ii) preparing for an IPO or some other form of private equity participation of part of its distribution operations; (iii) and attracting a strategic partner for its transmission operations." [84])
Indonesia Power Sector Thematic Overview, May 21, 2003[85]	As a later document (PSDE review) summarized, "In Indonesia, Bank staff were actively involved in drafting the power restructuring policy that was adopted by the post-Suharto government and that later paved the way for ADB's program loan and formed the basis for the new electric power policy. The reform process, however, lost momentum with the departure of the Minister of Energy who had championed the restructuring policy, and with the political instability that characterized the Wahid presidency. The Bank's influence in Indonesia's power sector reforms soon diminished." See this document for detailed overview of WB and ADB influence on Indonesia's power sector reforms.
Hisako Motoyama (Friends of the Earth-Japan), Nurina Widagdo (Bank Information Center (BIC), USA), Power Sector Restructuring in Indonesia: a preliminary study for Advocacy Purposes, November 1999[86]	World Bank ID-PE-3910: Sumatera and Kalimantan Power Project. US$ 260.5 million. Approved 21 June 1994. This loan financed the expansion of PLN's electricity-generation and transmission capacity and the establishment of PLN as a commercial entity.
AsDB	
Power Transmission Improvement Sector, 2002, $125.9m[87]	Includes component to set up the ICT necessary for a competitive electricity market.
Capacity Building for Establishment of a Competitive Electricity Market (Technical Assistance Loan), 1999, $20m[88]	"(R) The objective of the proposed TA Loan is to assist the Government in its urgent and substantial capacity building needs in the context of establishing a competitive electricity market. The components of the TA Loan are as follows: (a) Developing a Competitive Electricity Market - Market Rules, (b) Developing a Competitive Electricity Market - Financial Settlement, (c) Developing a Competitive Electricity Market - Software Specifications, (d) Developing Computer Software for Operation of a Competitive Bulk Electricity Market, (e) Providing Support for Development of Power Sector Regulatory Capabilities, (f) Providing Support for the Power Sector Restructuring Secretariat, (g) Assisting in Building

	Acceptance of Electricity Tariff Increases, and (h) Strengthening Consumer Participation in a Competitive Electricity Market."
Power Sector Restructuring Program, 1999, $380m[89]	"R) The objective of the Program is to establish a competitive market for electricity in Java-Bali which will increase economic efficiency of the power sector in that region. The Program identifies five key areas of activities that will be necessary to achieve its restructuring objectives, (i) restructuring the power sector and creating an enabling environment for a competitive electricity market, (ii) establishing competition in the supply of bulk electricity in Java-Bali, initially with a single buyer and by 2003 with multiple buyers and multiple sellers, (iii) setting tariff and ensuring financial viability of PLN and newly-created subsidiaries during the transition period, (iv) increasing private sector participation, (v) strengthening the regulatory environment, including protecting the interest of the end consumers." "The Program supports the Power Sector Restructuring Policy announced by the Government of Indonesia on 25 August 1998." [Policy worked out with IMF and WB]
Regional Power Transmission and Competitive Market Development, 2001, $0.5m[90]	"The TA will have two parts. Part A will be the design and engineering of the transmission line components in Java-Bali and Kalimantan. Part B will help prepare a new framework for private sector participation in power projects outside Java-Bali."
Private Sector Participation (PSP) Development Facility for Urban Infrastructure, 2001, $0.6m[91]	"The PPTA will prepare a project including a loan facility for local governments and local government enterprises to finance consultancy services for project preparatory and bidding assistance for urban infrastructure projects. Further components such as capacity building would be identified by the consultants. The goal of the PSP Development Facility for Urban Infrastructure (the Facility) is to promote good governance, facilitate private sector development, and enhance the capacity of local governments and local enterprises to prepare and bid infrastructure projects for private sector participation."
Asian Development Bank, Impact Evaluation Study of Asian Development Bank Assistance to the Power Sector in Indonesia, July 2003 [92]	"Presidential Decree No. 37 in 1992 encouraged the participation of private sector investments in electricity generation, transmission, and distribution. However, it opened the door to unsolicited proposals for the private production of electricity. The majority of the 27 agreements signed with IPPs were based on unsolicited bidding processes and resulted in overpriced, dollar denominated, take-or-pay conditions. Many project developers had close connections to the then first family and associates." "Both the World Bank and ADB had helped fund studies during 1996 and 1997 to examine strategic options for the power sector, and the recommendations of those studies—calling for a shift to a competitive market approach—led to the emergence of the multiple buyer-multiple seller market structure proposed for Java-Bali in the Government's policy paper of 1998. By virtue of an informal division of labor in the Indonesian power sector between ADB and World Bank at the time, ADB took the lead on sector restructuring issues while the World Bank focused on PLN's corporate and financial restructuring." "The program loan formed a part of the initial assistance package put together by IMF after the Asian financial crisis. A special evaluation study on ADB's crisis support loans in Indonesia was carried out by Operations Evaluation Department in 2001 and highlighted the possible temptation of aid agencies to leverage crisis assistance with the initiation of wide-ranging reforms even if some of them had little direct relationship with the crisis. It further noted that crises are characterized by uncertainties, data constraints, and urgently needed action. Such conditions are unsuitable for negotiating reform programs with longer term perspectives, which need to be preceded by in-depth policy research and dialogue, careful consideration of alternatives, assessment of implementation capabilities, and by stakeholder participation and nurturing of their ownership. According to some government officials interviewed, many components of the program loan and TA loan were not clearly understood at the time of its formulation." "Significant delay in implementing the policy and structural changes outlined in the

	program loan suggests overoptimistic time schedule for reform. Further, the Government's Power Sector Restructuring Policy Paper of 1998 overlooked the absence in Indonesia of several of the enabling ingredients for the operation of sophisticated market mechanisms such as those foreseen in the policy paper. These features included an inadequate legal jurisdiction, weaknesses in the banking sector and in corporate governance practices, a lack of financial strength in the power sector, a lack of interest on the part of private investors to invest in Indonesia at the present time, and, so far, inadequate transparency and predictability in the power sector reform process. Sophisticated market structures introducing competition in the supply of bulk electricity are developed in other countries with very different circumstances from Indonesia and remain largely untested in the developing world. Since Indonesia undertook power sector reform against the backdrop of the Asian financial crisis and the Government was in urgent need of quick-disbursing assistance, it was very likely that many important issues in terms of the technical, institutional, and human resource capabilities in Indonesia could not be adequately addressed during the design of the program loan. These issues and difficulties associated with structural changes have been recognized by ADB as evidenced in its agreement to a longer time period for establishment of the market and various evaluation reports, but have not yet been fully integrated into its policy approach. Overall, while ADB's time schedule for reform proved optimistic, ADB assistance to the power sector restructuring has been instrumental in initiating important policy changes in the right direction." "When ADB was unable to secure the Government's compliance of tariff-related obligations, it wisely refrained from further lending to PLN after 1995. Lending resumed only in 1999 in the policy-based program lending modality mainly to restructure the sector. Further lending is considered in the context of corrective action by the Government in relation to power tariffs. This highlights the importance of a clear focus on implementation of agreed policies."[93]
Special Evaluation Study on the Privatization of Public Sector Enterprises: Lessons for Developing Member Countries, December 2001[94]	
Impact Evaluation Study of Bank Assistance in the Water Supply and Sanitation Sector in Indonesia, September 1999 [95]	"The Bank-financed TAs[96] on promoting PSP and on water tariff policy and reform have also made important contributions to the regulatory reform necessary for greater private sector involvement in the sector." "Over a span of four REPELITAs (from REPELITA III [1979-1984]) to REPELITA VI [1994-1999]), the three major external sources for the sector have been the World Bank (about 34 percent of total cumulative external assistance), the Japanese Government (28 percent) through its Overseas Economic Cooperation Fund, and the Bank (20.5 percent). Other significant bilateral sources include the United States (about 10 percent), Netherlands (about 3 percent), and Australia (2 percent)." "Increased PSP is essential for the sector if it is to improve its financial, administrative and operating efficiency, and attract the levels of investment required to expand services to those currently unserved. PSP could take place through (i) service contracts (e.g., meter reading and billing and leakage reduction); (ii) operating concessions (e.g., transferring full responsibility for all service obligations formerly carried out by the local government to the private sector); (iii) build-operate-own/build-operate-transfer contracts; and (iv) PDAMs working with the private sector as an equity partner. Private sector interest in the sector to date has targeted the larger urban PDAMs, where the large consumer base is seen as offering good investment potential. The key regulatory changes that are required for the sector to become more attracted to PSP have been identified."[97] (identified by WB[98])
	TECHNICAL ASSISTANCE (Financed from the Asian Currency Crisis Support Facility) TO THE REPUBLIC OF INDONESIA FOR THE REGULATORY

	FRAMEWORK FOR PRIVATE AND PUBLIC WATER SUPPLY AND WASTEWATER ENTERPRISES, October 2001[99]
	"Beginning around 1984, the Asian Development Bank (ADB) integrated privatization as a goal into its operational strategies and assistance plans for its developing member countries (DMCs)." "In the case of Indonesia, ADB documentation avoids reference to privatization, even though there exists long support for the concepts of privatization through improved autonomy measures, better management information systems, removal of price controls, introduction of more responsive pricing systems, and promotion of deregulation and competition." "The early directional role of ADB privatization assistance was evident in the form of TA advisory studies attached to loans to various DMCs such as Fiji, India, Lao PDR, Nepal, Pakistan, Philippines, Samoa, Sri Lanka, Thailand, and Tonga. These studies were mostly enterprise or sector specific, and helped increase awareness of the potential for privatization as well as the need for accompanying reforms in legislation, governance, financial regulation, and capital market development to enhance the effectiveness of privatization."[100] "Ownership of ADTAs was found to be limited or intermittent in most cases, except for Bhutan, over the last few years. Overall reasons for such low ownership varies—in Bhutan, for example, in the initial years, there was limited exposure to reforms taking place in other parts of the world and hence, the implementation process had limited ownership. In Sri Lanka, the Ceylon Electricity Board does not own the implementation process since the ADTAs are seen largely as donor-driven initiatives."[101]
Hisako Motoyama (Friends of the Earth-Japan), Nurina Widagdo (Bank Information Center (BIC), USA), Power Sector Restructuring in Indonesia: a preliminary study for Advocacy Purposes, November 1999[102]	ADB TA INO 3083: Development of Power Sector Restructuring Policy. US$ 150,000. Approved October 1998. ADB TA INO 3027: Reevaluation of Operating Assets of PLN. US$ 932,000. Approved June 1998. ADB TA Loan: Electricity Tariff Rationalization Study. US$ 353,000. Approved 1996. ADB Loan INO016: Power Development and Efficiency Enhancement. US$290 million. Approved 1995. Piggybacked to this loan are two technical assistance packages, namely: (i) Strategic Planning for Power Sector; and (ii) Geothermal Power Development Study. ADB TA INO 2429: Strategic Planning Study for the Indonesian Power Sector. US$ 590,000. Approved in October 1995. This TA complemented the World Bank-funded study entitled Power Sector Regulatory Reform and Development of Private Sector.
IFC	
£8.3m A loan, $3.6m quasi-equity, to private healthcare facility in Jakarta[103]	

EXTERNAL ASSISTANCE TO THE POWER SECTOR
($ million)

Source	FY1970–FY1974	FY1975–FY1979	FY1980–FY1984	FY1985–FY1989	FY1990–FY1994	FY1995–FY1999	Total
A. Multilateral	91.0	–	549.0	521.0	2,344.0	1,745.0	5,250.0
Asian Development Bank	5.0	–	–	93.0	913.0	717.0	1,728.0
World Bank	86.0	–	549.0	428.0	1,431.0	1,008.0	3,501.0
Others	–	–	–	8.0	–	21.0	29.0
B. Bilateral	160.0	660.0	1,117.0	389.0	818.0	1,064.0	4,208.0
Finland	–	–	–	–	2.80	–	2.0
Austria	–	–	–	–	90.0	75.0	164.0
Belgium	–	–	–	–	11.0	2.0	13.0
Canada	–	10.0	–	–	–	–	10.0
France	–	–	86.0	13.0	39.0	19.0	159.0
Germany	33.0	4.0	33.0	123.0	186.0	71.0	451.0
Italy	–	–	–	–	79.0	–	79.0
Japan	–	615.0	998.0	189.0	390.0	867.0	3,080.0
Netherlands	–	–	–	16.0	11.0	–	27.0
Rep. of Korea	–	–	–	–	–	–	–
Switzerland	–	–	–	34.0	–	–	34.0
United Kingdom	–	–	–	13.0	9.0	30.0	51.0
United States	127.0	30.0	750.0	–	–	–	158.0
C. Export Credit	–	–	466.0	55.0	3,694.0	2,044.0	6,260.0
Australia	–	–	–	–	–	173.0	173.0
Austria	–	–	–	55.0	114.0	20.0	188.0
Belgium	–	–	–	–	71.0	27.0	98.0
Canada	–	–	–	–	245.0	–	245.0
China	–	–	–	–	7.0	–	7.0
Denmark	–	–	–	–	32.0	–	32.0
Germany	–	–	–	–	365.0	201.0	586.0
France	–	–	–	–	505.0	69.0	574.0
Italy	–	–	–	–	5.0	32.0	37.0
Japan	–	–	–	–	1,569.0	880.0	2,450.0
Netherlands	–	–	–	–	207.0	–	207.0
Rep. of Korea	–	–	–	–	10.0	–	56.0
Sweden	–	–	171.0	–	–	–	171.0
Switzerland	–	–	–	–	242.0	232.0	474.0
United Kingdom	–	–	195.0	–	95.0	145.0	435.0
United States	–	–	99.0	–	207.0	219.0	524.0
One Bank Credit	–	–	–	–	20.0	–	20.0
D. Leasing	–	–	–	28.0	121.0	308.0	457.0
Japan	–	–	–	28.0	121.0	308.0	457.0
Total	**251.2**	**659.6**	**2,132.0**	**993.1**	**6,978.0**	**5,181.0**	**16,175.0**

http://www.adb.org/Documents/IES/Power_INO/IES_INO_2003_13.pdf, p32

DFID

"Among the poorest quintile of households, less than 20% had access to safe water and fewer to sanitation." [c. 1997][104]

1.3 Mozambique

Source	Summary
IMF	
Press release 21/6/96: 3-year ESAF[105] loan,	several "Key Structural Reforms Under IDA and IMF-Supported Programs, 1998-99" are "Privatize the management of five major water companies [by] end-1998"; "Complete

$110m[106]	privatization of large enterprises under UTRE [by] mid-1998"; "Complete privatization of small and medium enterprises [by] mid-1999"
	"The management of the five major water companies is being privatized. … A law was passed in 1997 allowing private sector participation in the electricity sector." (p16)
HIPC Mozambique Decision Point Document 31/3/98[107]	"The National Water Policy seeks to increase the population's access to safe water beyond the current coverage of about 30 percent nationally. The policy calls for privatization of the management of the five major urban water companies by end-1998. To ensure the future sustainability of these urban water systems, tariffs have been increased sharply in real terms over the past 18 months and are to be increased even further prior to the signing of management contracts. The government is concurrently implementing a program of reform in the provision of water to rural areas and small towns. That program emphasizes decentralization of management and improved sustainability of these systems." (p18)
Enhanced Structural Adjustment Facility Policy Framework Paper for 1998–2000, Appendix[108]	"Strategies and measures" for water supply and sanitation includes "Award contracts for the private management of the five major water supply systems (Água de Maputo, Beira, Nampula, Pemba, and Quelimane)." and "Increase water tariffs in real terms." Both due by June 30, 1999
Enhanced Structural Adjustment Facility Policy Framework Paper for 1999–2002[109]	"43. Under its National Water Policy approved in 1995, the Government is undertaking a broad reform of water supply provision aimed at moving toward delegated management, and improving its regulation and financial planning. In December 1998, the legal framework for private sector participation, a regulatory board for water, and a water tariff policy were all approved. With respect to urban water provision, the government will complete the contracting out to full private sector management the water supply services in five major cities (Maputo, Beira, Quelimane, Nampula, and Pemba) in 1999. The government has commenced tariff adjustments to ensure the improvement and sustainability of water provision. An integrated water sanitation and hygiene strategy is under preparation and will be completed by mid-2001. With regard to rural water supply, the government has begun implementation of a Rural Water Transition Plan. The plan, which will be extended to all provinces by 2002, aims at transforming the planning and delivery of rural water and sanitation services from a supply-driven model to a sustained demand responsive approach, characterized by community management, cost recovery, and the involvement of the private sector. The government will also develop a national water resource management strategy and a strategy for internationally-shared river basins, and it will develop and implement riparian cooperative legal and institutional frameworks at the regional level."
Enhanced Structural Adjustment Facility Policy Framework Paper for 1999–2002[110]	"By December 1999, the government will adopt regulations to implement the Electricity Law promulgated in 1997. The law sets a framework for the expanding and improving the provision of electricity services through competition in the generation and distribution of electricity. The law and its regulations will establish, inter alia, a tariff framework, with (i) separate tariffs for the generation, transmission, and distribution of electricity; (ii) an autonomous regulatory body responsible for setting these tariff rates; (iii) procedures for application for private producer and distribution concessions; and (iv) guidelines for the sale of electricity from the national grid to the private sector. The government is taking steps to improve the financial management of the state-owned electricity company (EDM) with the approval in 1999 of a performance contract that focuses on increasing revenue collection and reducing line losses. The generation, transmission, and distribution accounts of the EDM are being divided, with a view to separating these functions."
PRSP[111] April 2001[112]	Energy programme "main objectives": "Expand the population's access to energy sources, reducing the environmental impact of using of non-renewable sources; contribute to the supply of dependable energy in the main regions of the country, strengthening their economic growth and reducing regional imbalances; promote the use of new and renewable energy sources in the electrification of remote areas; electrification of districts with economic potential; promote the participation of the private sector in the field of energy." (p59)
	Water programme's principal measures to be undertaken includes two remarks for water resources management: "Other key actions include: promote the building of infrastructure for irrigation and the support of animal husbandry (see section on agriculture); pursue measures to implement and adjust the tariff policy in order to mobilise the private sector in the building of waterway management infrastructure."

	and water supply and sanitation: "Other key measures include: initiate implementation of the plan for providing rural water based on demand (Rural Water Transition Plan) in all provinces; ensure the rehabilitation and conservation of urban sanitation infrastructure for both waste and rain water in the largest cities, encouraging the participation of the private sector in the provision of these services; update the legislative framework and strengthen the strategy for involving the private sector in the management of water supply and sanitation in urban areas." (p63)
Letter of Intent 4/6/03[113]	
World Bank	
(Summary)	The country assistance strategy (from 2000) includes very broad 'trigger' conditions which require continued commitment to privatisation and, explicitly, trade liberalisation, as conditions for high level lending. prevent policy changes: "Significant progress toward" liberalisation of energy, transport, and telecommunications is a key condition for higher case lending (para 71); and "Significant reversals in economic reform policies, especially related to …. privatization and trade policy, leading to a more closed and centrally-controlled economic environment." (para 73) The performance indicators include targets for improvement of services , such as increasing access to safe water in cities from 44% to 50%, but also include specific privatisation and restructuring elements: "Design and implement framework for electricity access, including regionally differentiated tariffs and separation of generation, transmission and distribution tariffs" (app B9). The IFC's investments, with their inbuilt 100% conditionality for the private sector, "are expected to increase substantially over the CAS period, so that Mozambique will remain one of the Corporation's largest portfolios in Africa" (para 11). In respect of public services the IFC role, as usual, consists entirely of financing private provision: '….private participation with IFC support in the key cross-cutting sectors of energy and telecommunications…' (para 35); '…IFC will support the expansion of private medical services…' (para 62); and the same for schools: '….IFC support for private education will be expanded…' (para 64).
CAS FOR THE REPUBLIC OF MOZAMBIQUE June 14, 2000[114] and latest review MOZAMBIQUE: CAS CHAIRMAN'S CONCLUDING REMARKS Meeting of Executive Directors November 20,2003[115] Mozambique Public Expenditure Review Phase 2: Sectoral Expenditures September 22, 2003 Report No. 25969-MZ[116]	Table 2 (p.11) Outcomes under the last CAS **Performance Indicators – A. Promote broad-based private-sector led growth**. - Comprehensive restructuring plan for CFM, the national railway, including private concessioning of all three ports and railway lines by end-1998. (In progress: CFM will concession main ports and railway systems; five main port terninal, including private concessioning of all three railway systems; five main port terminal concessions already operational and several small concessions/leases have been awarded. * Liberalization of telecommunications sector ***** Cellphone market to be liberalized in north and commencing in 1998. center; TDM seeking 30% strategic equity partner. * Private management contracts in place for five major urban water compamies by 1999. ***** Water companies serving the five major cities were leased to the private sector in September 1999. 41 '…regulations in the energy, transportation, and telecommunications sectors are being revised to encourage entry, private participation and competition….' 45 '….the Government is undertaking structural and pricing reforms to encourage expanded private sector provision of electricity… To improve the quality, reliability and sustainability of urban water services, in September 1999 the Government placed water services in five major cities under private management supervised by a new regulatory agency.' 46 'An **Energy Reform** project will provide TA for structural and pricing reforms; test financing and delivery options for electrification in small towns; … and establishing a market-based regulatory framework for the gas and power subsectors. IFC, together with IDA and MIGA, will selectively review megaprojects for their viability and potential

	support from the Bank Group; …. The national water program will be supported in three ways: …. NWD II will continue to support concessioning of urban water services; and a new **Municipal Development** project will help to strengthen the ability of Mozambique's 33 new municipalities to provide basic urban services, including sanitation and drainage. IFC is also seeking opportunities to finance private infrastructure projects across sectors, ... IFC will also sponsor a workshop on best practice in private participation in infrastructure at the request of the government.' 62 '…IFC will support the expansion of private medical services…' 64 '….IFC support for private education will be expanded…' *71* Triggers for the high case would include all indicators for the base case plus: * Formulation by end 2000, as well as satisfactory and accelerated implementation thereafter, of a comprehensive public sector reform and governance program, including progress specifically in actions to improve public sector capacity and fiscal management. * A full PRSP endorsed by the Bank's Executive Directors, together with a record of timely and substantial implementation, achieving or exceeding key targets on or ahead of schedule. * Significant progress toward demonopolization of the energy, transport, and telecommunications sectors. 73 Triggers for the low case include: Significant reversals in economic reform policies, especially related to overall macroeconomic management, the financial sector, privatization and trade policy, leading to a more closed and centrally-controlled economic environment. ______________________________ Latest review Nov 2003 just notes with approval 'the positive results that the Government has achieved to date in implementing its Action Plan for the Reduction of, Absolute Poverty (PARPA), including through expanding private-sector participation in infrastructure'. ______________________________ Public expenditure review in Sept 2003-12-22 Bank performance indicators include "Design and implement framework for expansion of electricity access including regionally differentiated tariffs and separation of generation, transmission, and distribution tariffs". In addition to Energy Reform project, "IFC [will provide] Financing for private providers [and] Advisory assistance on privatization" "Water Resources Management:: National Water Policy and Water Law updated. National Water Resources Management Strategy formulated with strong stakeholder participation, by 2004." Supported by NWDP I and II and same IFC involvement as above. For both water and energy, "other donors" includes USAID and ADB, but not UK. Water includes EC and France (AFD). UK is listed for rural development, hiv/aids, health, education, and public sector reform [decentralization etc] (also EC and USAID). For health, IFC has "Investments in private medical services".
CAS 2003[117]	"IDA project support to private-sector participation in service delivery (in urban water supply …." "As noted in the CAS Completion Report (CASCR, see Annex 2), the June 2002 CAS pillars were identical to the pillars o f the Five Year Program and CAS performance indicators and targets reflected the monitoring plan incorporated in the Program and the

PARPA. Progress made towards the CAS outcomes can therefore be assessed in conjunction with achievement of the overall poverty reduction objectives defined in the Government's strategy documents. Following preparation of the June 2000 CAS, the Government's strategy was further articulated in the PARPA 2001-2005, completed in April 2001 and endorsed by the Bank and Fund Boards in August 2001 as the country's first full PRSP."

"while Mozambique may achieve its 2005 target o f increasing overall access to safe water to 45%, with 1,500 rural standpipes rehabilitated or constructed over 2001-02 and a private urban water supply operator having substantially improved water reliability and quality in five cities (with support from IDA'S National Water Development credits), the MDG is likely to be missed."

"the Bank Group will continue to expand basic infrastructure, both through public investment in the roads sector and through increasing private participation in … electricity, and urban water supply and sanitation."

Intermediate indicator for electricity supply efficiency improvement is "Private partner brought into EdM", and for water "Urban water tariff raised to permit cost recovery and network extension"

"Since much of the PRSC agenda grows out of Bank analytical work, the Bank is better positioned to support this agenda than other donors."

National Water Supplemental ($15m): "To ensure future expansion of urban water supply and consolidation of gains in reliability and sustainability, NWDP2, which supports the introduction of private operators for the water supply systems in Mozambique's five largest cities, will be extended and supplemented (with a $15 million credit) to cover costs incurred by the need to rebid the concessions following the withdrawal of the original operator."

"Responding to private sector complaints about the quality of infrastructure services in Mozambique (see Figure 5), the portfolio for several years has been oriented to improving infrastructure service delivery by increasing private-sector participation and competition in infrastructure."

"IDA's ongoing Energy Reform project will introduce private participation into EdM with a view to improving its efficiency (the average client currently experiences 17 power outages a month) as well as its financial viability."

"Local elections will take place in November 2003 and national elections in late 2004. Uncertainty over their outcome could lead the Government to lose focus and fail to implement needed reforms; contention about the reported results may also lead to a period of instability, possibly marred by violence. Whatever party wins, the new Government will also need time to leam to govern, and there is always the risk that it will initiate an inappropriate shift in policy direction. … [T]he Bank will try to mitigate [the risks] by actively engaging the key political parties prior to elections on the main development challenges facing Mozambique; preparing a CAS Progress Report (late FY05) that will be discussed with the Government (and the Board); and preparing a CEM in FY06 on the challenge of sustainable broad-based growth." (p43)

2000 CAS included Bank performance indicator "Design and implement framework for expansion of electricity access, including differentiated tariffs and separation of generation, transmission and distribution". "While the CAS aimed to support the Government's poverty reduction strategy as articulated in the PARPA, it also helped the Government to reassess its priorities; develop a more focused and effective reform program, that i s led by the Government; articulate more exactly the appropriate roles for the public and private sectors, particularly in the provision of infrastructure services…"

Support for the CAS objectives included "energy sector reform study; IDA/IFC regulatory

	framework advice [including for electricity]…” “In urban water supply, the Bank’s second National Water Development project helped to introduce a private operator, Aguas de Mocambique (AdM), that, despite flood-related setbacks in 2000, has increased access by 20% in Beira and 40% in Nampula; brought 90% of water samples into compliance with Government requirements; and doubled tariffs to improve cost recovery, thereby helping to ensure sustainability and (ultimately) reinvestment and expansion. In addition, the Bank has supported the operations o f the asset holder (FIPAG) and an independent regulatory agency (CRA) that it has helped to create.” “Preparation of the Public Sector Reform and Decentralized Planning projects was delayed to allow sufficient time to build Government ownership of the proposed reforms and coordinate with other key stakeholders, including other donors. Approval of the first phase o f the Energy Reform APL was delayed to FY04, due to slow Government and donor agreement to the sector policy and legal and institutional arrangements for the project.” “Bank support has helped to expand rural infrastructure. In particular, the First National Water Development credit is helping to raise rural access to safe water close to the PARPA goal of 40% by 2005, as access rose sharply between 1998 and 2003.” 1997 CAS included “Private management contracts in place for five major city water companies by 1999” as a benchmark.
Economic Management and Private Sector Adjustment Credit Project, 2002-4, $120m[118]	“The problem was in the design: the reform was reversible at no or low cost. Hence this operation will seek out reforms which are near-irreversible. (c) Long, complex lists of actions to be done by the second tranche are not credible and induce the Bank staff to seek waivers. Hence this operation will have a small number of conditions which will be carefully selected and clearly enunciated.”[119] p3
Energy Reform and Access 2003-7, $40.3m[120]	“The power sector reform component consists of the (a) separation of Electricite de Mozambique (EdM) into several business units; (b) participation of the private sector in EdM's distribution and supply business, through strategic private investments; and, (c) creation of a separate corporate public entity to provide transmission assets, and perform system operation.”
Public Sector Reform study, 2003-2006, $25.6m[121]	
National Water Development Project I, 1998-2005, $36m[122]	“The National Water Development I Project seeks to increase the capacities of the organizations and people of the sector, and prepare for the private sector management of the urban water supply systems of five cities (Maputo, Beira, Quelimane, Nampula and Pemba), so that sector organizations can provide sustainable water supply and sanitation services to an increasing proportion of the community and manage water resources sustainably. There are five components in this project. First, institution building and policy development will develop a regulatory and monitoring framework and capacity, and undertake studies for development of water sector policy. Second, preparation for private sector management of urban water supply will support the bidding process for the private sector management of the water supply systems of the five cities, design and construct emergency works, prepare plans for the provision of sanitation services in the five cities. …” A key performance indicator is “Bids invited for private sector management of five urban water supply companies, and evaluated by November 1998.”
NWDP II, 1999-2005, $75m[123]	“The Second National Water Development Project aims to improve the quality, reliability, and sustainability of water services for the cities of Maputo, Beira, Quelimane, Nampula, and Pemba through promoting greater private sector participation in the provision of water services. Specifically the project seeks to: a) commence institutional and regulatory reform within the urban water sector with the introduction of commercial principles in the operation and management of water services through the use of a private sector operator; b) accelerate capacity building and human resource development for the sector through training and demonstration effects within the context of the private operator contract; and c) provide an institutional framework that improves the quality and sustainability of user services and acts as an operational model for water services, as these begin to be

	decentralized to municipal based management. The project consists of three components. 1) Private sector management of water supply systems for five cities will support the lease contracts and management contracts for water supply systems of Maputo, Beira, Quelimane, Nampula, and Pemba. 2) Water supply works will support water supply works, design, and supervision. 3) Urban water supply policy and strategy will finance consulting services, technical assistance, and purchase of equipment for Council for the Regulation of Water Supply.“ “… NWDP II will help assure that the process of policy reform started under NWDP I is supported and strengthened.” “The introduction of a substantial reform program in the water sector must have full stakeholder ownership, both government and consumers. This is particularly important with the introduction of the international private sector as a key partner in the sector. A program of information and consensus building with all stakeholders is a critical part of the project design.” “IDA has been active in the development of the water sector in Mozambique since the mid 1990s and has been a keen supporter of the GOM's National Water Policy[124] which was promulgated in 1995. … A number of bilateral and multilateral development agencies and a number of NGOs have been providing Mozambique with assistance for many years in the sector, with European bilateral agencies dominant in urban water supply. … The World Bank group however has added value by supporting the private sector approach to urban water supply reform as designed under NWDP II.”
EC	
	EC funded/ing Beira Urban Water Supply and Sanitation project (EUR16m), part of 8th EDF.[125] Apparently part of the 5 city priv programme. EC withdrawing from water in Moz from 9th EDF as part of increasing sector focus.[126]
DFID	
Mozambique CSP	“18. The PARPA also has a strong focus on government, which is not really complemented by a recognition of the role of civil society and the private sector in key areas. Work is currently underway, in the context of the public service reform process, to examine the role of government in Mozambique, and this should assist in defining those areas where GoM should provide an enabling, rather than direct service provision role. “ (p9) “35. In the run up to the elections, the relatively narrow and shallow ownership of the PARPA means that there is already apprehensiveness about the commitment to its objectives of those within Government responsible for actually implementing policy and expenditure decisions. DFID’s view is that commitment is sufficient in critical parts of Government, but we need to be conscious that a Government facing an election in a year has less incentive to take difficult decisions or tackle vested interests. Maintaining even the already slow rate of progress on key “second-generation” reforms, including of the public service, will require active dialogue.” (p12) “51. Some commentators argue that donors have contributed to the growth of corruption in Mozambique by focusing their accounting and auditing concerns on their own separately managed funds, and not on the health of the government system. Over half of aid to Mozambique is off-budget, including traditional projects and funds channelled directly to sector ministries both at the centre and in the provinces. This undermines government systems by by-passing them, it reinforces a pattern of accountability to donors rather than to the centre of government and to the public, and it allows donors to dictate the composition, distribution and pace of expansion of government services.” (p16) “59. DFID Mozambique will seek to maximise aid effectiveness by channelling aid increasingly through the central system in the form of untied direct budgetary support, in support of the PARPA.” (p18)[127] “Effective government is essential for faster development. Mozambique has made some

	progress in some areas of Public Service Reform, for example through the privatisation process and has taken radical measures such as customs reform." [128] *DFID* DFID reveals an inclination towards private sector participation in public service delivery in its draft Country Assistance Plan. It describes PARPA, Mozambique's national development and poverty reduction strategy, as having "a strong focus on government, which is not really complemented by a recognition of the role of civil society and the private sector in key areas." DFID expresses the hope that an examination of the role of government in the context of the public sector reform process (which has already led to water privatization, and preparation for electricity privatization), will help define those areas where the government should "provide an enabling, rather than direct service provision role."[129] However, DFID does plan to "maximise aid effectiveness by channelling aid increasingly through the central system in the form of untied direct budgetary support, in support of the PARPA." [130] This places more control in the hands of the Mozambique government – although some of that control has already been given away through privatization processes demanded by donors. The G11 is a group of 11 European donors active in Mozambique, including the UK and the EC.[131] Four other European donors are expected to join soon, making a G15.[132]

1.4 South Africa

Annex 2b - Total ODA to South Africa
CUMULATED 1994 – 1999 (million Rand)

Donors	Amount	En %
1. EC + EIB	7 216	40.81
2. US (USAID)	2 498	14.13
3. Sweden (SIDA)	1 102	6.23
4. UK (DFID)	1 015	5.74

Source: EC CSP[133] p56

Source	Summary
IMF	
Article IV Consultation press release 9/5/01[134]	"Directors considered that investment and economic growth would need to rise significantly if substantive progress is to be made in lowering unemployment. They stressed that reforms to make the labor market more competitive would help ensure that investment increases employment, and that **privatization and continued trade liberalization would help raise productivity growth and labor demand over time.**" [emphasis added]
	"Directors considered that the public enterprise-restructuring program would enhance productive efficiency and help attract foreign investment, the benefits of which would outweigh possible short-term costs. They welcomed the recently announced policy framework for accelerating the program, which appropriately focused on the four major public enterprises, and encouraged the authorities to transfer majority control of corporatized enterprises to private hands, particularly in those cases where strategic investors are not being considered."
Article IV Consultation press release 19/7/02[135]	"delays in the privatization program" is given as the second of three factors that "appear to have contributed to the weakness of the rand in late 2001".
World Bank	
(Summary)	South Africa does not require WB lending, but nevertheless has a dialogue with the WB. This is politically controversial, because of fears of conditionalities, and so in discussions about the CAS were restricted to government-departments. The WB has engaged in joint financing of ventures in neighbouring countries, however, such as the

	Lesotho Highlands Water Project, now notorious for the prosecution of a string of major multinational construction companies for paying bribes. The lack of formal aid however highlights other aspects of the impact of WB activities. Firstly, the IFC operates in S Africa, investing in private sector activity, which has included 'financial support for private provision of infrastructure in townships and former homelands' (para 63), and in future IFC main areas of focus will include 'services such as health care,…. municipal infrastructure, privatization….' (para 72). Secondly, the bank describes its non-lending activities as bringing benefits by *facilitating partnerships with other donors and the private sector, and by placing S Afrivcans as internees at the Bank (para 85). T*his includes the WBI programme to continue running seminars and training programmes, including raising awareness on 'private sector participation in the water and sanitation sector' in 1996 (para 65).
1999 CAS[136]	*18* 'an absence of strong progress on privatization of South African public enterprises has curtailed extemal FDI and limited the potential benefits that such inflows could bring.' *63 IFC* has been expanding its investments in South Africa, …. Targeted projects emphasize: * …… providing financial support for *private provision of infrastructure* in townships and former homelands; 69 'political sensitivities over the Bank's role still persist among some groups. In preparing the CAS, we have responded to Government concerns that the broad consultation was not appropriate at this time by limiting our *formal* consultations to forums and meetings with Government departments, rather than pursuing a more broad-based consultative approach'. 72 '*IFC's* strategy specifically targets projects…Its main areas of focus over the next several years will be on manufacturing (both Greenfield and expansion), services such as health care, small business support, municipal infrastructure, privatization, and restructuring situations.' "IFC will also seek to play an active role in the further development of infrastructure in South Africa, and promote the increased participation of the private sector in this area." (p24) Annex B9 (South Africa Country Assistance Strategy Program Matrix): one of the progress indicators for 'structural reforms' is "More rapid implementation of privatization agenda"; one for 'delivery of social services and infrastructure' is "Innovative efforts on public-private partnerships and broader financing financing issues". WBI will provide capacity building in the area of private sector finance of infrastructure.
	"Since the 1994 elections, South Africa has provided the Bank with a unique opportunity to pilot our evolving role as a "knowledge bank"." describes the emerging partnership between South Africa and the World Bank as "a partnership that is being built primarily on the exchange of knowledge." "Since elections in 1994, the Bank's role has changed somewhat. While ESW and other public activity has continued, the Bank was also asked to provide more detailed *policy advice* to the government in areas such as intergovernmental fiscal relations, urban infrastructure finance, housing policy, health expenditure, water pricing and a medium-term framework for public expenditure. Bank staff members also participated with others in providing advice on the design of the government's current macroeconomic strategy (GEAR) announced in 1996." WBI activities in South Africa have included programs targeting regional participants, on subjects including health finance (1996) and private sector participation in the water and sanitation sector (1996).
Municipal Financial	Municipal capacity-building in various financial management aspects, including

Management Technical Assistance Project, $15m, 2002[137]	"capacity building to improve the creditworthiness of municipalities to encourage private sector participation."
IFC	
Small (<$1m) loan/investment for private hospital, 1997[138]	
Small (<$1m) loan/investment for private hospital , 1998[139]	
MIGA	
$69.4m[140]	"**Transmission line in SOUTHERN AFRICA** MIGA issued two guarantees totaling $69 million to Eskom, the South African electricity utility, to cover loans for investments in Motraco-Mozambique Transmission Company SARL. The investments are for the construction and operation of two 300-kilometer, 400-kilovolt overhead transmission lines and substations that will interconnect South Africa, Swaziland, and Mozambique. The project, a joint venture between the three countries' national power companies, will supply power to an aluminum smelter, increase the availability and quality of electricity for local residents, and provide the electricity infrastructure needed for the development of other large industrial projects in the region. The MIGA guarantees cover the investment against the risks of expropriation, and war and civil disturbance."
EC	
CSP and Multi-annual Indicative Programme 2003-2005[141]	"The biggest challenge of the Government is to address the capacity limitations of provincial and local governments in project management. The public private partnership ("PPP") has been recognised as an effective mechanism for the provision of required infrastructure in local government and municipalities."
	"Sustainability problems may emerge at the local level, where capacity constraints may affect the maintenance of infrastructure and endanger in the medium term the delivery of services. In order to strengthen the capacity of delivery of services at local level, the Private Public Partnership initiative has been introduced. This is a contractual arrangement between private and public entities to ensure that delivery is effective and mentorship for maintenance is enhanced."
	"Participation and partnership are key to policy implementation in SA. Participation by communities and civil society is necessary to ensure that policies respond to the needs of beneficiary populations. Public-private partnership encourages the mobilisation of private resources for developmental objectives. Specific mechanisms to ensure participation and partnership at the local government level are crucial."
	"Enhancing co-operative governance and consultation in policy-making of the private sector and local actors" (p38)
Health	
	"The EC support will benefit public primary health care services and first referral systems (including HIV/AIDS) and public/private (NGOs and CBOs) partnership in delivery of primary health care services in targeted areas. This intervention will be co-funded with national and provincial governments and will benefit from parallel but co-ordinated support from other donors, in particular B, F, UK and USAID." (p24)
	"Health: increased access and use of primary health care services and first referral system including HIV / AIDS at local level through - Capacity building of provincial and local actors (public and private non profit)"
	a performance indicator is "EC funded programmes promoting public/private partnerships aiming at improved primary health care including STDs,/TB/HIV/AIDS care."[142]
Water	

	"The response strategy in Water and Sanitation is framed by the policy set by the Government and is based in particular on the National Water Services Act (no 108 of 1997), the National Water Act of 1998 and Municipal Structures and Municipal Systems Acts (1998 and 2000) as well as in the Free Basic Water Policy adopted in 2001. Within this framework, priorities are outlined in Annex 0/3." (p32)
	Outputs: "Water and Sanitation: improved access and use of water and sanitation services in rural areas through: - Capacity building at national, provincial and local government level - Partnership between public authorities and NGOS, CBOS and private sector" Indicators includes: "Number of water schemes transferred to local governments" (p36)
	"In 1994 it was estimated that 12 million rural people did not have access to water. Since then approximately 7 million people were provided with basic water supply, at an average per capita cost of R607. The proportion of households having access to clean water rose from 78,5% in 1995 to 83.4% in 1999." "On 1 July 2001 it was estimated that more than 50% of the South African population received 6.000 litres of free basic water per household each month. This result was mainly achieved through cross-subsidisation in urban distribution systems; appropriate solutions for rural areas are being sought and tested." (p66)
	a performance indicator is "effectiveness of public/private partnership for service delivery improved"
DFID	
South Africa CSP[143]	Notes South Africa's achievements: "Government has … made substantial improvements in the delivery of basic services to previously disadvantaged areas. Between 1994 and 2001, some 7 million people were provided with access to water services, [and] 3.5 million new electricity grid connections were made…"[144] Rationalization – DFID planning to reduce the number of "interventions" from 150 in 2000 to 40 in 2003.[145] notes (claims?) without comment that "There is increasing interest in public-private partnership for improved service delivery." [146] "We are supporting the design of most of the EU's major new initiatives. We are already providing technical co-operation funds to support sector programmes in water [and] health…"[147] aims to support "effective public service reform in the national, provincial and local spheres of government" (p15). This can of course mean anything.
	Health "The government is currently reviewing facilities around the country in order to decide on renewal and upgrading of hospitals and clinics. Finding funding for such activity is crucial and initiatives such as PPP's and WHO funding are essential for these projects."[148] **Water** "Amendments to the Water Services Act concerning private sector involvement in water delivery and the regulatory framework have recently been implemented. However, some concerns remain about the powers invested in the Minister through the Water Services Act, and reiterated in the Municipal Systems Act, which allow Ministerial control over tariffs and revenue. These issues are currently being addressed by the Minister of Provincial and Local Government. The Municipal Infrastructure Investment Unit (MIIU) was set up in 1998 with a 5 year mandate to promote and optimise private sector investment in local authority services through the provision of grant funding and technical assistance to councils.

	Disbursements to councils has increased this financial year from R7million to R9.3million, and the unit claims 18 successful Municipal Service Partnerships (MSPs) since its inception, 4 of which have been in water services."[149]

1.5 Sri Lanka

Source	Summary
IMF	
Article IV Consultation press release 22/10/99[150]	"Directors supported the authorities' recent and prospective privatization initiatives and hoped that privatization would proceed rapidly. They strongly supported the Government's goal to restructure, privatize, or liquidate a number of enterprises over the next few years."
Article IV Consultation press release 1/4/02[151]	"The government is committed to improve the finances of public enterprise, and where applicable, corporatize them and bring in private sector expertise. As part of the 2002 Budget, we have initiated a major privatization program while accelerating private sector participation in other state-owned enterprises, which is in line with the new government's policies of encouraging market-based reforms."
	"The CEB is facing a financial crisis, linked to the continuing drought and past failures to invest sufficiently to meet domestic power demand. To address the immediate losses, the government has announced increases in electricity tariffs averaging about 35 percent, effective April 1, which is sufficient for cost recovery under normal operating conditions. Meanwhile, under the auspices of a new Board and its new Financial Restructuring Plan, steps are being taken to separate out and corporatize the distribution and generation business. Private sector participation is planned for all future power generation."
Letter of Intent 28/3/03[152]	"*Public enterprises and privatization*. The electricity reform bill was enacted in December 2002 to pave the way for restructuring the state electricity monopoly (CEB)."
	"Regulatory. A multi-sector regulatory bill was enacted in September to establish a single regulatory authority for all public utilities."
	"On the restructuring of loss-making enterprises, we have already initiated the unbundling of CEB, consistent with the timetable agreed with AsDB. The power sector is intended to be unbundled into areas of generation, transmission and distribution by October 2003."
	"We will initiate a poverty and social impact analysis (PSIA) of our key policy reforms in 2003, in collaboration with the World Bank. We recognize that some of the proposed policies that are committed to in this MEFP, such as public sector restructuring, may have short-term costs for the poor. The government is committed to taking countervailing measures, such as voluntary retirement schemes and a possible unemployment protection plan, to ameliorate the impact of policies on the poor. Moreover, working closely with donors, we will update our poverty reduction strategy, after analyzing the household income and expenditure survey, completed by the Department of the Census and Statistics in February 2003."
PRSP, December 2002[153]	"The Government will accelerate the process of privatization and address the inefficient operations of SOEs. The goal is to completely remove the government from all commercial activities that can be more efficiently undertaken by the private sector. • In many areas services now provided by the government can be more efficiently provided through public private partnerships or private contractors. Not doing so results in less than fully effective utilization of public resources and often results in providing poor quality services. For example, the provision of agricultural extension services to farmers could be significantly enhanced in a cost effective way through the commercial participation of the private sector. These essential services will be greatly improved through the adoption of a public private partnership approach." (p11)
	"Privatization receipts of more than US$450 million during 1995–99 were insufficient to counter the underlying weaknesses."

	"All SOEs will be provided with independent boards having private sector representation" … "Government will also streamline processes and approval procedures for private sector participation in BOO, BOT and similar arrangements for infrastructure and public utility investments." (p42)
	Public Sector Reforms Action Plans includes "Establish independent regulatory framework for water supply, power and port sectors to provide frameworks for both public and private initiative in these sectors" and "Streamline processes and approval procedures for BOO, BOT and similar arrangements for infrastructure and utility projects"
	also includes for CEB "Furnish Financial Restructuring Plan (FRP), showing actions for loss reduction; Increase tariffs; Reduce overall receivables from current level of 2.8 months billing to ? months; Restructure CEB board to introduce commercially oriented members; Appoint Finance Manager and introduce financial management system; Reduction of technical and non-technical system losses"
	"The private sector will be encouraged to develop secondary and tertiary care hospitals" "Introduction of Private Medical Institutions Bill and establishment regulatory authority to certify quality and harmonies public and private care provision"
	"Township and urban water supply delivery to be expanded with public- private partnership. Introduce a new policy to rationalize water tariffs to reflect economic costs and phase-out heavy cross-subsidies"
Sri Lanka: Joint Staff Assessment of the PRSP, April 2003[154]	"The main tenet of the PRSP is to 'regain Sri Lanka' by accelerating growth and reducing poverty through private-sector led development. This marks a clear departure from the previous unsustainable policies of 'redistribution and transfers' to alleviate poverty." p6 notes that power sector reform is supported by AsDB and Japan Bank for International Cooperation (JBIC). p8
$253m Stand-by Arrangement, April 2001[155]	Includes support for structural reforms. "Structural reforms will be focused on improving the performance of the state sector through privatization and restructuring of public enterprises, enhancement of tax administration and improving the performance of GST for government revenue over the medium term." No structural benchmarks in the relevant sectors.

World Bank

(Summary)	In Sri Lanka, the CAS notes with approval that the administration is 'a private sector-oriented Government' , and records without comment its policy to continue the privatisation programme, including breaking up the electricity board. The need to privatise energy, ports, water supply and transport is emphasised repeatedly, and in education and health 'a growing private sector role is envisaged'. The introduction of the private sector into is an explicit trigger for higher level lending, and then the IDA will provide loans and guarantees to support that private involvement. The IFC is already involved, having invested in a private hospital in Colombo, and in the only private energy company in the country: the IFC wants to invest more in private healthcare, energy, ports, water supply and telecoms. It quite fails to note that Sri Lanka has had an excellent record in the past for developing its education and health services, and that in the 1990s it improved water supply and sanitation services. It also fails to note that 2 months earlier WB energy week had discussed failures and problems of energy priv; 1 month earlier WB staff had been telling the World Water Forum in Kyoto that they had become neutral on the question of privatisation of water; and this was to lead to a strategy paper in June which renounced dogmatic commitment to PSP in either sector.
CAS Sri Lanka April 2003 Report No. 25413-CE[156]	Esii Refs to Wickrem as 'a private sector-oriented Government' ESviii 'The *high case* scenario would have a lending volume approximately 25 percent above the base case. In addition to maintaining performance as envisioned under the base case, additional improvements would be expected in the areas of fiscal management, private participation in infrastructure, public sector management and decentralization.' 17 'A growth-focused program is being implemented to ….increase private sector participation in infrastructure…'

	26 '…Consequently, the PRS proposes to continue the privatization program……In power, legislation is proposed to: (i) unbundle generation, transmission and distribution; (ii) break-up Ceylon Electricity Board (CEB); and (iii) establish an independent regulatory body with responsibility for implementing economically sound tariff policy, regulating the sector and issuing licenses….' 29. 'Another priority of the PRS is to effectively connect poor regions to rapidly growing domestic and international markets …..The strategy in this area is to introduce public-private partnerships to expand the scope for investment and provide a wider range of services—especially in areas such as energy, ports, water supply and transport— to the public.' 30. 'Improving access to quality education and basic health services is central to the PRS and the strategy promotes a growing private sector role in their provision….the main focus will be on preventive health care programs and encouraging the private sector to develop secondary and tertiary care private hospitals.' 53. 'In the base case, IDA would not finance infrastructure. The two largest external providers of financing—the Japan Bank for International Cooperation (JBIC) and ADB—are willing to continue to finance the key programs in roads, energy and water supply. In the spirit of selectivity, IDA will participate only with respect to supporting key reforms and potentially private participation in infrastructure. If the Government does proceed with advanced reforms in areas such as urban water, railways, roads financing and ports, and succeeds in attracting private participation, in a high case scenario—in which these reforms are explicit triggers—IDA would consider participating through lending and/or guarantees….' 58 '…Furthermore, IFC has already invested in a private hospital in Colombo and would continue to look for opportunities to support the private provision of health services.' 78. As discussed above, the International Finance Corporation (IFC) will support the growth agenda through investments that contribute to the CAS outcomes related to establishing and fostering private sector participation. IFC will focus on investments which: • …Expand the private provision of infrastructure services, especially in power, ports, water and telecommunications;' One of the benchmarks for the base case scenario in the 1996 CAS was "Continued privatization–including the plantations and insurance companies–and progress on BOO/BOT schemes.", with the 2003 CAS's 'CAS Completion Report' noting some BOO private power schemes and the passing of the Electricity Law which foresees unbundling of the CEB. One of the benchmarks for the high case in the 2003 CAS is "Accelerated implementation of the economic reform program, especially with regards to: [i] Securing private participation in infrastructure"
CAS Progress Report, Dec 1998[157]	High case required "significant improvements in cost-recovery (e.g. in irrigation, urban water, electricity and railways)." But virtually no inc in CR in water etc, and not sufficient in power. Also "progress on privatization beyond base case – including the Bank of Ceylon and the Ceylon Electricity Board (CEB) – and BOO/BOT schemes, supported by an adequate regulatory framework." Progress: "CEB has until now resisted restructuring of its operations and private power generation, but government recently reached understanding with Bank and ADB on framework for unbundling CEB functions. Some BOO private power projects underway."
Private Sector Infrastructure Development Project, 1996, $77m[158]	"Government policy since 1992 has been oriented towards enhancing the efficiency of infrastructure provision, improving managerial expertise and securing more modern technology through private sector participation." (footnote 2: This policy initiative for private sector participation in infrastructure was strongly supported by a USS10 million United States Agency for International Development (USAID) technical assistance project (ongoing) which includes institutional building, training, market outreach and a comprehensive public education program. Similar USAID initiatives have contributed to successful private sector infrastructure investment programs in Pakistan. the Philippines, and Indonesia.") "The proposed project seeks to develop a modern and efficient infrastructure system in Sri Lanka by promoting significant participation of the private sector in the investment, operation, ownership, and maintenance of infrastructure facilities. The project will enable potential investors to access long-term financing (the lack of which presently hinders infrastructure project development) through a single purpose government owned company, the Private Sector Infrastructure Development

	Company (PSIDC). PSIDC will provide long-term subordinated debt at rates based on prevailing market conditions for infrastructure projects in tandem with additional private sector debt and equity." "GOSL adopted a policy in 1992 to promote private sector participation in infrastructure provision. The policy had three main objectives: (a) to complement public investment; (b) to provide additional capacity in critical areas through privately-led investments; and (c) to mobilize private sector management resources to improve efficiency. Despite the shift in government policy in favor of private participation, translation into real transactions has been a difficult and contentious process." "In 1992, the Government established the Secretariat for Infrastructure Development and Investment (SIDI), now the Bureau for Infrastructure Development (BID), as the institutional instrument to interface with the private sector and promote their participation in line with the policy objectives. BID, with technical assistance from USAID, has carried out a series of initiatives aimed towards awareness-building, education and training and capacity-creation in government agencies for identifying, developing and evaluating private sector projects. The policy has been successful in raising awareness among line ministries and public utilities to the possibilities of private sector financing. The Ceylon Electricity Board (CEB), the National Water Supply and Drainage Board (NWSDB) and the Sri Lanka Ports Authority (SLPA) are exploring project processing through Build-Own-Transfer (BOT)/Build-Own-Operate (BOO) mechanisms directly; in so doing, they are building up their own capabilities. Currently all the major government agencies with responsibilities for infrastructure development have explicit private sector development programs that involve at least one project that is suitable for private sector financing." "a major objective of the World Bank Group is to influence and accelerate the transitional process from public dominated infrastructure to private operation and ownership. The Bank Group's proactive role in Sri Lanka is seen as an innovative one for the promotion of private sector opportunities, given the main emphasis on public sector lending for infrastructure by the other major donors - Overseas Economic Cooperation Fund (OECF) and ADB. Furthermore, in countries eligible for International Bank for Reconstruction and Development (IBRD) lending partial risk guarantees are suitable instruments for Bank support of private infrastructure projects. However, in "IDA only" countries other types of operations must be used. The limited credit-worthiness of these countries means that a greater degree of direct donor support is needed to encourage private infrastructure investments."
Economic Reform Technical Assistance Project 2002, $15m[159]	Performance indicators include "the un-bundling of Ceylon Electricity Board (CEB) with the establishment of separate generation, distribution, transmission and bulk power companies with a transparent framework for procuring future power generation capacity from the private sector, … [and] the signing of lease agreements for private sector participation in urban water supply and sanitation in selected secondary towns and significant progress towards concessioning greater Colombo water and sewerage services" Government's objective for reforming the water sector is to introduce private sector management where feasible. The govermnent has shown keen interest in moving ahead with two pilot secondary towns (Galle-Kalutara and Greater Negamob) through private sector participation (PSP) initiatives currently supported by IDA through the Private Sector Infrastructure Development Project (PSIDC Cr. 2880-CE). The government has established the Water Sector Reform Unit at Ministry of Housing and Plantation Infrastructure which is making significant progress in defining the transaction structure for PSP in the two pilot projects. There has been progress on the legislative front as well where the government has drafted the Water Services Reform Bill consisting of proposed amendments to the NWSDB Act to enable NWSDB to enter into concession and lease contracts with PSP operators as well as the statutory provisions for Water Sector Regulations through the PUC. The government has also expressed interest to concession the Greater Colombo water and sewerageservices to the private sector. The proposed credit is expected to take over from PSIDP, the funding of consultants working on two pilot secondary town PSP transactions after the closure of PSIDP in June 2003. The preparatory work for the Greater Colombo PSP transaction, as well as the implementation support depending on the govermment commitment to move forward with the transaction, would also be provided through the proposed credit.

Poverty Reduction Support Credit, 2003, $125m[160]	"This PRSC will help the Government in moving forward with the structural reforms, create conditions for accelerating economic growth, and send a strong signal to the private sector."
Colombo Environmental Improvement Project, 1995-2001, $39m	One of the four aims was "To assist mobilizing private participation in development and operation of infrastructure services", but a 2003 OED evaluation concluded "As far as private sector service provision was concerned, the results were disappointing. … A build, operate, and transfer (BOT) contract for a major wastewater treatment plant failed, owing to lack of private sector interest," in part because of uncertainties over security and environmental regulation.[161]
IFC	
Around $6m investment in private hospital, 1998[162]	
private power generation, 1997[163]	Asia Private Power (APPL). IFC will provide an equity investment of up to US$2.5 million for 11.4% of the common stock of APPL, an A Loan of US$10 million, a subordinated loan of up to US$2.5 million, and a B Loan of up to US$20 million.
MIGA	
$1.7m power project[164]	Nissho Iwai Corporation. Sector not entirely certain; listed by MIGA under "power, transportation and water"; Nissho's activities suggest power sector.
ADB	
Power Sector Restructuring PPTA, 1998, $1m[165]	"The proposed technical assistance will finance management and technical consultants to assist with detailed planning and implementation of power sector restructuring in Sri Lanka. The goals of power sector restructuring in Sri Lanka are to: (i) unbundle Ceylon Electricity Board into separate generation, transmission and distribution companies; (ii) prepare a new electricity act to support establishment of new power sector companies; and (iii) establish an independent regulatory agency to regulate the activities of the new power sector companies and the power sector."
Power Sector Development Program (Project Loan), 2002, $60m[166]	"The objectives of the Program are to (i) establish independent regulation and tariff setting mechanism, (ii) enhance efficiencies in the sector by introducing competition and commercialization through change in management practices, (iii) encourage private sector participation in the sector through the development of an enabling transparent business environment, and (iv) improve the quality and quantity of supply by expansion, modernization, and rehabilitation of the distribution system, and additional rural electrification participation."
Secondary Towns and Rural Community-Based Water Supply and Sanitation PPTA, 2000, $1m[167]	
Secondary Towns and Rural Community-Based Water Supply and Sanitation, 2003, $60.3m[168]	one of the three goals is "to continue supporting the sector reforms identified in previous interventions, including achievement of full cost recovery, independent regulation of the water sector, and increase in the participation of the private sector."
Strengthening the Regulatory Framework for Water Supply and Sanitation TA,	"The National Policy on Private Sector Participation in Water Supply and Sanitation of 4 October 1999 stated that eight urban water supply schemes, including Greater Negombo and the Kalutara-Galle Coastal Area, had been selected as pilot projects for PSP. The World Bank under its Private Sector Infrastructure Development Project, which started in 1996, funded two studies for Greater Negombo and the Kalutara-Galle Coastal Area to assess the PSP potential. The studies were completed in June 2002. Recently, the World Bank and the Government agreed on an indicative

December 2002, $1m[169]	processing timetable for privatizing Negombo and Kalutara-Galle. Transaction processing is expected to begin in July 2003 and the effective transfer of service in 2005. Because the WSR Act will regulate both private and public water providers, the World Bank has been supporting the WSR Unit on issues related to the participation of the private sector, and the World Bank and ADB have been coordinating to ensure that the proposed regulatory framework is conducive to PSP."
Restructuring the Power Sector TA, 2002, $1m[170]	"In 1998, the Government of Sri Lanka decided to unbundle the Ceylon Electricity Board (CEB) into independent generation, transmission, and distribution companies, and also to establish an energy regulatory commission. This restructuring program was developed under ADB-funded technical assistance (TA)1 (the phase I TA). To assist in the implementation of the restructuring program, the Government has now requested additional TA (the phase II TA). This TA is included in the 2002 Country Assistance Program for Sri Lanka."
DFID	
(Summary)	"The UK is a comparatively small bilateral donor to Sri Lanka. The current UK programme of approximately £7 million per year represents about 1% of total aid flows. Half of the programme is spent on relief and rehabilitation." [171] However, "Development assistance is dominated by Japan, the World Bank and Asian Development Bank (ADB), who account for 85% of concessional flows to Sri Lanka. Such flows to Sri Lanka are considerable (US$860 million in 1996/97), especially for a country of Sri Lanka's size and wealth. Together with our bilateral programme, UK membership of these banks (and of the United Nations system) means we are a substantial contributor to Sri Lanka's development." [172] In 1999 DFID provided £1m to support Jaffna Power, a 1996-2000 project aiming to "restore power to the Jaffna area in a sustained manner".[173] Also 1997-2000 project, *Greater Colombo Sewerage Project* , "To provide background information relating to technical and policy issues required to enable a major World bank project to proceed". [174]
CSP Sept 1999	B19 …Constraints to private sector involvement in education could also be relaxed….. (although C2 notes 'high past investments in education and health' , and B2 notes 'social indicators have improved steadily during the 1990s, in particular the maternal mortality rate and access to safe water and sanitation'.) (D1 uncondit water and san, commun health, but as part of conflict-displaced emergency aid) (zero re energy, electricity)

1.2. General

World Bank Group, "Power for Development: A Review of the World Bank Group's Experience with Private Participation in the Electricity Sector", 2003[175]	The Bank's "business-as-usual" lending to public power utilities proved untenable, and in 1993 it announced an Electric Power Lending Policy, supported by IFC and MIGA. The policy linked the WBG's support with country commitment to reforms, specifically in the three areas of commercialization, corporatization, and arm's-length regulation. IFC's first investment with independent power producers (IPPs) was made as early as 1989, but it was not until 1996 that the Bank's "Statement of Good Practices in the Electric Power Sector" (GP4.45) added private sector involvement as a clear goal. By then, the Bank had adopted a *de facto* reform approach that, in addition to commercialization, corporatization, and regulation, also included unbundling, private investments in generation, private participation in transmission and distribution, and market competition. In the Bank's operational usage, this full package of seven reform components had evolved into "steps" and a "scorecard." The 1993 policy enunciated what to do, but because of the limited experience worldwide in implementing such policies it was not accompanied by a strategy on how to do it. This shortcoming was acknowledged, the Bank anticipating that the necessary experience would be obtained through "learning-bydoing." Following the 1993 policy, 75–93 percent of the Bank's annual lending volume for the electric power sector supported PSDE, either in the form of freestanding projects or as a

	component of regular power projects. (This understates the Bank's PSDE involvement, which is also present in adjustment and nonpower lending.) IFC helped promote the WBG's PSDE agenda by supporting private investments in response to the urgent need for additional generating capacity, especially in Latin America and Asia. In particular, IFC was a pioneer in financing private generation projects in the late 1980s and early 1990s, mostly in the context of foreign-sponsored IPPs. Poor governance and state ownership in the power sectors of most Bank client countries meant there was no real basis from which to achieve commercial standards, however. Subsequent to the 1993 policy and without explicitly enunciating it as a major strategic change, the Bank thus mostly advocated privatization and private participation through management contracts as the means to achieving commercialization. … the 15 or so major private power investors tended to concentrate their interest on only about 10 middle- to high-income countries. The global picture shows that while the World Bank is pursuing the creation of a PSDE-enabling environment in 68 countries, private foreign interest itself is dwindling. … Reigniting private sector interest in developing country power sectors will be difficult. This issue is of special importance to IFC and MIGA, which mobilize transactions with mostly foreign private partners. The 1993 policy was predicated on "commitment lending," which meant that assistance would be given only when a country's institutional and structural reform policies were satisfactory. During the 1990s, lending predicated on government commitment was tested in India, historically a recipient of large volumes of Bank power lending. In 1993, precipitated by India's economic crisis of the early 1990s and the poor performance of the State Electricity Boards (SEBs), the Bank decided to lend only to states that agreed to unbundle their SEBs, establish an independent regulatory authority, and privatize all new generation and distribution investments. From 1990 to 1996 the Bank adopted a strategy of not lending, and this led to progress by several states in reforming their power sector.
World Bank, 1997. Toolkit for Private Participation in Water and Sanitation.	
AsDB: Special Evaluation Study on Sustainability of Policy Reforms through Selected Advisory Technical Assistance, January 2001[176]	
Development Objectives and Strategy of AfDB Private Sector Operations, May 2003[177]	"The Bank promotes infrastructure projects and gives special attention to Public-Private Partnership investments. It provides: (i) financial support through direct equity investment and loans; (ii) advice to enterprises on the structuring of such projects; and, (iii) advice to governments in order to introduce a conducive legal and regulatory framework, as well as technical assistance to enhance their capacity to adequately structure and handle PPP programs. The key objective of the Bank is to provide confidence and comfort to other lenders and investors who may hesitate to participate otherwise due to perceived risks or lack of familiarity with conditions in the host countries. When participating in a project, the Bank will ensure that the interests of the host RMCs and the other parties to these ventures are protected." "The Bank encourages the process of privatization and provides assistance in two ways: (i) technical assistance and advisory services to governments to structure privatization schemes and to establish the necessary legal, institutional and procedural frameworks for such operations; and (ii) financial assistance in the form of loans, equity participation and underwriting."
AfDB Strategic Plan 2003-2007[178]	"3.6.2 The Bank plans to give greater emphasis to advisory support and technical assistance in order to streamline legal and regulatory environments, promote private infrastructure provision and public-private partnerships, encourage domestic entrepreneurship and facilitate

	joint ventures." "Bank will aspire to play leadership role in improving business and investment climate for public-private partnerships (PPP) in infrastructure and social services"
AfDB Integrated Water Policy, April 2000[179]	"To facilitate increased private participation and implementation of cost recovery measures, without jeopardizing access by the poor." "3.4.21 The promotion of private sector participation however requires an enabling environment, including a favorable framework of incentives and regulations. In many RMCs there is also a need for well-targeted support programmes for building entrepreneurial capacity. The Bank will support RMCs in establishing these conditions to promote private sector participation in the water sector. It will also work in direct partnership with private players to promote ways – including joint ventures with foreign investors and expertise – of financing water resources development on a commercial basis." "The transition from public to private provision of water and sanitation services, therefore, will take time, considerable imagination, flexibility, and policy dialogue among all concerned stakeholders."
DFID: Addressing the Water Crisis healthier and more productive lives for poor people[180]	

[1] Letter of Intent "describes the policies that Colombia intends to implement in the context of its request for financial support from the IMF." http://www.imf.org/external/np/loi/1999/120399.htm
[2] http://www.imf.org/external/np/loi/1999/120399.htm
[3] "Macroeconomic indicators such as monetary and budgetary targets that must be met, typically on a quarterly or semi-annual basis, for the member to qualify for purchases under the phasing schedule for Stand-By Arrangements, Extended Fund Facility (EFF) Arrangements, and Poverty Reduction and Growth Facility Arrangements. Some performance criteria are those necessary to implement specific provisions of the Articles of Agreement." http://www.imf.org/external/np/exr/glossary/showTerm.asp?term_id=55
[4] "Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board." http://www.imf.org/external/np/sec/pn/1999/pn99114.htm
[5] http://www.imf.org/external/np/sec/pn/1999/pn99114.htm
[6] http://www.imf.org/external/pubs/ft/scr/1999/cr99149.pdf
[7] http://www.imf.org/external/np/loi/2000/col/01/index.htm
[8] http://www.imf.org/external/np/sec/nb/2000/nb0082.htm
[9] http://www.imf.org/external/np/loi/2001/col/01/index.htm
[10] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2003/01/11/000094946_0212280400340/Rendered/PDF/multi0page.pdf
[11] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2003/08/19/000090341_20030819133347/Rendered/PDF/265120CO0PGD.pdf

[12] http://www.iadb.org/EXR/doc98/apr/co927e.htm

[13] http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P040102

[14] http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P006836

[15] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1995/10/20/000009265_3961019100042/Rendered/PDF/multi0page.pdf

[16] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1995/10/20/000009265_3961019100042/Rendered/PDF/multi0page.pdf

[17] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1999/10/21/000094946_99072307394180/Rendered/PDF/multi_page.pdf

[18] http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P065937

[19] http://www-wds.worldbank.org/servlet/WDSServlet?pcont=details&eid=000009265_3961007162612

[20] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1994/11/17/000009265_3961007162612/Rendered/PDF/multi0page.pdf

[21] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1994/11/17/000009265_3961007162612/Rendered/PDF/multi0page.pdf

[22] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1994/11/17/000009265_3961007162612/Rendered/PDF/multi0page.pdf

[23] http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P006799

[24] http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P006887

[25] http://www-wds.worldbank.org/servlet/WDSServlet?pcont=details&eid=000090341_20030819133347

[26] http://www.iadb.org/pri/english/dbase/projectSummary.cfm?ProjectNumber=CO0208

[27] http://www.iadb.org/EXR/doc98/apr/co1089e.pdf

[28] Demands a management contract and a BOT wastewater plant. One of the IDB objectives supported by the project is "promoting private sector participation in the sector". http://www.iadb.org/exr/doc98/apr/CO1199E.pdf

[29] http://www.iadb.org/pri/projDocs/CO0231_A_E.pdf

[30] http://www.iadb.org/exr/doc98/apr/CO1159E.pdf

[31] http://www.iadb.org/exr/doc98/apr/co910e.htm

[32] http://www.iadb.org/mif/v2/projectview.asp?ID=1145&C=8

[33] http://ifcln001.worldbank.org/ifcext/spiwebsite1.nsf/6a97c0d6b3f97df185256e3f0053599f/04aec0808b4b59d985256bc300690cfa?OpenDocument

[34] http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1999/10/21/000094946_99072307394180/Rendered/PDF/multi_page.pdf

[35] http://www.imf.org/external/np/sec/pr/1995/pr9541.htm

[36] http://www.imf.org/external/np/sec/pr/1997/pr9711.htm

[37] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of directors, and this summary is transmitted to the country's authorities. In this PIN, the main features of the Board's discussion are described. http://www.imf.org/external/np/sec/pn/1998/pn9826.htm

[38] http://www.imf.org/external/np/sec/pn/1998/pn9826.htm

[39] http://www.imf.org/external/np/sec/pr/1998/pr9843.htm
[40] http://www.imf.org/external/np/sec/pn/1999/pn99104.htm
[41] http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000094946_01110804162761
[42] http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20015845~menuPK:34466~pagePK:64003015~piPK:64003012~theSitePK:4607,00.html
[43] http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20015845~menuPK:34466~pagePK:64003015~piPK:64003012~theSitePK:4607,00.html
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