2023 CLA CASE COMPETITION

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Case Title:

Amnesty Campaign: A Novel Solution to Electricity Theft in PNG

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Organization:

RTI International / USAID-PEP Activity

Summary:

PNG Power Ltd. (PPL) is Papua New Guinea's (PNG) state-owned power utility that oversees the country's three main power grids, providing access to approximately 15% of the population. One of PPL's core challenges is combating electricity theft and non-payment. About 30% of energy generated is lost to power theft, undermining PPL's capacity to invest in growth and reach unconnected populations. Underlying reasons include lack of a consumer payment culture, lack of eduation on proper use of electricity, poor energy theft control mechanisms, and widespread poverty.

The USAID – PNG Electrification Partnership (USAID-PEP) Activity works directly with PPL to enhance its financial viability and operational performance. As such, combating electricity theft is a shared goal for both of these stakeholders. Based on Collaborating, Learning and Adapting (CLA) principles, USAID-PEP worked with PPL to analyze the source of losses, co-design an innovative solution (the Amnesty Campaign) based on the local context and understanding of consumer payment culture, and support its implementation. The Amnesty Campaign is the first-of-its-kind approach in PNG that has converted previously non-paying electricity consumers into paying customers.

In terms of organization-wide impacts, the Amnesty Campaign has united several internal units within PPL, enabling them to work more cohesively to reach common goals through CLA. PPL has also implemented a more systematic approach to community engagement, based on a five-step plan focused on building relationships first and ultimately leading to monitoring energy consumption. Overall, the Amnesty Campaign has resulted in more than 45,000 new individuals registered in PPL's billing system as of June 2023. These results have exceeded expectations from PPL management, instilling confidence in this novel approach and likelihood of wider adoption.

1. **WHAT: What is the general context in which the case takes place? What organizational or development challenge(s) or opportunities prompted you to collaborate, learn, and/or adapt?**

PPL is PNG's state-owned, vertically integrated power company with about 15% of the population connected to the national grid in 2020. According to PPL, about 30% of energy generated is lost to power theft; many households resort to meter tampering, bypassing, and damaging techniques to avoid paying electricity bills. Unregistered consumers connect their wires to the distribution lines, which presents significant safety risks. Underlying reasons for high illegal consumption rates include lacking consumer awareness, widespread poverty, and poor energy theft control systems. Ultimately, power theft weakens PPL's financial standing, and erodes its ability to invest in expansion and connect new households.

Despite awareness of the issue, PPL's lacking resources make it challenging to investigate theft and implement follow-up procedures, such as disconnection and fines. Although PPL has a dedicated Revenue Protection Unit (RPU), the threat of disconnection can quickly escalate to conflict with communities. Cultural barriers and lack of consumer payment culture mean that fines are neither paid nor effective as a deterrent. The RPU is responsible for checking its customers, not unregistered power consumers.

Through intensive collaboration with PPL to understand its context, challenges, and consumer behavior, the USAID-PEP team decided that a punitive approach was not the best course of action to deter theft. Instead, we reached consensus with PPL to try something unconventional; starting with an understanding of consumer behavior, we adapted a strategy that incentivizes illegal consumers to come forward voluntarily. This led to USAID-PEP's Amnesty Campaign, which allows individuals to avoid fines and for prior illegal connections in exchange for formally registering with PPL as paying customers. This offered a win-win scenario for PPL; – 'regularizing' illegal consumers and increasing revenues; and for the public – avoiding fines and prosecution for prior transgressions, while reducing injury risks and repair costs.

2. **What two CLA Sub-Components are most clearly reflected in your case?**

Adaptive Management

External Collaboration

3. **HOW: What steps did you take to apply CLA approaches to address the challenge or opportunity described above?**

USAID-PEP's design includes the following CLA principles which we put into action, resulting in productive collaboration, critical learning, and adaptation of technical assistance leading to a positive outcome for local stakeholders

(Collaboration). The Amnesty Campaign encourages all customers illegally connected to the grid to come forward and register themselves free of charge during the amnesty period. The concept was first developed by USAID-PEP in late 2021 based on analysis of collections losses and consumer behavior. USAID-PEP introduced the concept to PPL's senior management and facilitated their acceptance and buy-in by emphasizing the immediate and concrete benefits to both PPL and communities.

Since campaign launch in February 2022, the USAID-PEP team worked closely with PPL's Public Relations Unit to identify strategic channels that would maximize public awareness. The team suggested using all available media resources, releasing SMS blasts and partnering with public influencers, to attract as much attention as possible. One notable Amnesty Campaign ambassador is the PNG National Rugby team, with key messages delivered to thousands of fans during rugby matches. In conjunction, the USAID-PEP team recommended PPL to operate physical registration stalls in community gathering spaces, making registration easy and convenient.

To boost employee interest in contributing to a successful campaign, the USAID-PEP team advised PPL's Retail Unit management to introduce a bonus system, rewarding each Retail employee with a 5-Kina bonus per registered customer. The possibility of earning extra income through the bonus scheme was a novel innovation for PPL; this was the first time that PPL management implemented such a performance incentive for employees.

(Learning & Adaptation). The Amnesty Campaign has been evolving ever since its conception. Initially, the team constructed registration stalls in public places and waited for consumers to approach. After poor results, the team learned that driving through the neighborhoods while delivering messages over loudspeaker is a more effective strategy. Meanwhile the USAID-PEP team, together with the campaign managers, started collaborating with community leaders and church officials. The community leaders are eager support community development initiatives, and many are familiar with the locations of illegal connections.

(Collaboration). Amnesty Campaign activities in Gereka Village are an excellent example of collaboration between PPL and the community. USAID-PEP, PPL, and community leaders jointly organized a two-day weekend event with activities such as raffles, entertainment, and music. More than 400 people attended the gathering. In the following days, the teams collaborated with the local 'law and peace' officers and went door-to-door to register the remaining consumers. The teams observed that approximately 10% of the settlement population either had solar power or did not have any power at all. This data allowed the teams to set targets for subsequent settlements more precisely.

(Adaptation). Based on these experiences, PPL changed the way that it engages communities. PPL now follows a five-step plan for field operations: (1) Build relationships with community leaders, (2) Tailor approaches for engagement and registration, (3) Door-to-door registrations, (4) Engage the community in registration, (5) Monitor energy consumption

USAID-PEP and PPL continue raising awareness of power theft and legalizing new consumers. Due to the diverse and unique culture of Papua New Guinea, the team became flexible and adaptable to different scenarios, which will contribute to PPL's independent campaign operation and sustainability of the approach.

4. RESULTS: Choose one of the following questions to answer.

We know you may have answers in mind for both questions; However please choose one to highlight as part of this case story

A. DEVELOPM ENT RESULTS

In terms of tangible development impacts, our CLA approach, implemented as the Amnesty Campaign, has resulted in more than 45,000 new individuals registered in PPL's billing system as of June 2023, converting these former non-paying consumers into paying customers. This figure is expected to grow as the campaign expands to new settlement areas throughout 2023. As part of the amnesty agreement, new customers have promised to receive and pay their bills on time in exchange for amnesty from fines and penalties. This is expected to reduce collections losses for PPL and enhance its financial performance over time.

More broadly, the Amnesty Campaign has strengthened PPL as an institution, uniting several internal units and teaching them to work more cohesively in teams to reach their common goals. To date, the Amnesty Campaign represents the first major project wherein several PPL units collaborated daily instead of working in silos. The USAID-PEP team held several seminars and training sessions to ensure the readiness of the staff for this new paradigm. Apart from focusing on the process flows, application forms, and customer registration in the billing database, the seminars also explained the essence of the losses and how they affect the development of PPL's financial performance and the overall growth of the country's the power sector. Throughout the Amnesty Campaign period, the overarching objective of the USAID-PEP team has been to ensure the ultimate ownership of the task by PPL, with each unit fully aware of its roles and responsibilities.

5. **ENABLING CONDITIONS: How have enabling conditions - resources (time/money/staff), organizational culture, or business/work processes - influenced your results? How would you advise others to navigate any challenges you may have faced?**

The key enabling factor for the success of the Amnesty Campaign has been achieving PPL management acceptance to adopt this novel approach. This was the result of a carefully planned process of engagement:

1. Build awareness on extent of challenge. Previously, PPL did not monitor and measure electricity theft. With assistance from USAID-PEP, PPL began to produce detailed loss reports for the first time.
2. Narrow down the scope. After several months of analysis, USAID-PEP and PPL together learned about the extent of electricity theft taking place. It became clear that the problem was billing inefficiency – consumers not registered with PPL illegally accessing and using electricity.
3. Introduce a novel approach. USAID-PEP proposed the idea of an Amnesty Campaign while emphasizing the immediate and concrete benefits to PPL's finances.
4. Promote partner adoption through trust, persistence, and proven expertise. Enabled by USAID-PEP team's proven industry knowhow and nuanced understanding of the PNG context.

Some of the key obstacles include: lack of existing data on losses from power theft; unexpectedly long time from inception of Amnesty concept to approval; and lack of adequate human resources allocated by PPL for implementation. Based on these experiences, USAID-PEP offers the following key points of learning:•Frame novel approaches in a way that resonates with local partners' existing priorities, offering a greater likelihood of long-term adoption; •Understand that large organizations are not a monolith. To achieve acceptance and ownership, ensure all levels – from senior management to field staff – are fully on board; •Consider cultural barriers and sensitivities, and how an approach may need to adapt from community to community even within the same region; •Manage expectations - timing and outcomes often do not follow linear or predictable paths. Consider follow-up surveys to understand where activities have been most/least effective.