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INSTITUTION BUILDING IN CHALLENGING CONTEXTS

Energy for development in Tanzania

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ABSTRACT

The Sustainable Development Goal 7 includes achieving universal electricity access, which will require the deployment of renewable energy sources for small-scale and decentralized electricity provision. However, rural electrification (RE) projects – as well as development projects more generally – often fail to maintain service delivery over time. In this paper, we approach the overarching question of challenges to development projects in contexts characterized by poverty, low trust and corruption. Previous work clearly demonstrates that development projects in general, and not least decentralized electrification projects, tend to face significant obstacles, and even fail, in such contexts. However, there is a knowledge gap regarding the mechanisms through which a "difficult" institutional context challenges institution building within development projects. More importantly, knowledge is also lacking regarding viable strategies for institution building in these contexts. In this paper, we study the process whereby an international non-governmental organization (NGO) implements a rural electrification project and establishes a small-scale hydropower station and a local utility to own and operate it. Through analyzing a development project with a relatively successful institution building process, this paper makes a contribution to the literature on institution building in challenging contexts. We investigate first how trust in an organization can be built in a context characterized by low levels of generalized trust, high levels of corruption and poor institutions, to the extent that people are prepared to invest in these organizations for long-term gain. Second, we study how free-riding problems can be handled in a local development project in a way that is both effective and legitimate. The analysis is based on an extensive empirical material from a qualitative case study, including 119 semi-structured interviews with project staff, villagers, and local and district government. Our study points to the importance of (a) a positive history of play and efforts to build trust that are sustained over a substantial period of time, (b) keeping distance from existing political institutions, (c) strict enforcement of the rules of the institution, and (d) strict impartiality in enforcement.

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Introduction

The Sustainable Development Goal 7: to "ensure access to affordable, reliable, sustainable and modern energy for all" highlights the importance of modern energy services for development. Goal 7 includes achieving universal electricity access, which will require the deployment of renewable energy sources for small-scale and decentralized ("off-grid") electricity provision. Electricity is considered to work as a catalyst for social and economic development (Barnes 2011; Mulder and Tembe 2008; Peters et al. 2009). However, rural electrification (RE) projects often have less positive economic impact than anticipated (Bazilian et al. 2012; Bernard 2012; Ilskog and Kjellström 2008; Kankam and Boon 2009; Kemausuor et al. 2011; Millinger et al. 2012; Peters et al. 2009; Ranganathan 1993; WB 2008). Evaluations of decentralized RE programs also indicate problems with technical functioning, economic viability and failures to maintain service delivery over time (Bångens et al. 2013; Millinger et al. 2012; Palit et al. 2013).

Importantly, failure of planned development interventions characterizes not only electricity projects, but is a general trait of the post-colonial era of "aid" to sub-Saharan African countries (Doucouliagos and Paldam 2010; Sjöstedt 2013). For example, Ferguson (2006) argues that failure has been the rule rather than the exception in the African "development" sector.

In this paper, we approach the overarching question of challenges to development projects in contexts characterized by poverty, low trust and corruption. Previous work clearly demonstrates that development projects in general, and not least decentralized electrification projects, tend to face significant obstacles, and even fail, in such contexts (Gullberg et al. 2005; Karekezi and Majoro 2002; Louw et al. 2008; Madubansi and Shackleton 2006; Mulder and Tembe 2008). However, there is a knowledge gap regarding the mechanisms through which a "difficult" institutional context challenges institution building within development projects. More importantly, knowledge is also lacking regarding viable *strategies* for institution building in these contexts. Despite the vast amount of studies in the "good governance" field, this literature does little in explaining instances of good governance within contexts of poor governance. While "poor governance" clearly is a very sticky problem, there are nevertheless examples of organizations that – against what would be expected from the surrounding institutional environment – manage to bring corruption under control (see for example Drápalová 2016). More research on such cases is needed. Moreover, existing studies have mainly focused on government at various levels. Very little, if any, prior work has sought to understand how some non-governmental development projects succeed despite unfavorable preconditions.

In this paper, we study the process whereby an international non-governmental organization (NGO) implements a rural electrification project and establishes a small-scale hydropower station and a local utility to own and operate it. Through analyzing a development project with a relatively successful institution building process, this paper seeks to make a contribution to the literature on institution building in challenging contexts. We investigate first how trust in an organization can be built in a context characterized by low levels of generalized trust, high levels of corruption and poor institutions, to the extent that people are prepared to invest in these organizations for long-term gain. Second, we study how free-riding problems can be handled in a local development project in a way that is both effective and legitimate. We are especially interested in how the institutional context, in terms of trust levels, levels of corruption etc., impact on the processes of institution building, and which strategies are adopted to meet those challenges. The case study contributes to advancing the theoretical understanding of these issues, as well as some new insights to the shared empirical knowledge base on institution-building in development projects (Yin 2008).

In the next section, we discuss the context in which the development project is set and introduce the case. This is followed by a theoretical section, where we review some of the comparative politics literature relevant to understand the challenges that the implementing organization faced. After a section on methodology, we report the results from the case study. The first part of the empirical section engages with the research question on trust building, and the second part deals with the question on enforcement. The final section concludes.

The context and the case

The project that we study was implemented in Tanzania, which indeed provides a challenging institutional context in terms of poor institutions, corruption and low trust. In Tanzania, there is an uncertain legal environment for organizations to operate in. According to the World Bank's Worldwide Governance Indicators, Tanzania scores low on both Rule of law, Regulatory quality, and Control of corruption (World Bank 2015). The lack of control of corruption is reflected in perceptions about corruption. According to the East African Bribery Index 2014, 68% of the respondents in Tanzania described the level of corruption in their respective country as high and felt it had increased in the past 12 months (Transparency International 2014). Moreover, levels of generalized trust are relatively low in Tanzania. According to the 2005 Global Barometer Survey, 87 % of the respondents agreed with the statement that "You must be very careful in dealing with people" (Global Barometer 2009).

The Mawengi hydropower scheme

Mawengi village is located in Ludewa District in the Southern highlands in Tanzania. Since 2010, Mawengi and neighboring villages in the area are supplied with electricity from a 300 kW hydropower station in the Kisongo river. The power station is owned and operated by the local utility organization LUMAMA. The process of initiating, constructing and operating the electricity system has been described in detail elsewhere (author citation to be added). In short, the local Catholic church took initiative and contacted the international development cooperation organization ACRA (Cooperazione Rurale in Africa e America Latina). ACRA carried out a feasibility study in 2005, successfully applied for project funding, and started the construction process in 2006. The project was named the "Mawengi Integrated Rural Development Program". ACRA worked with a local committee that oversaw and participated in the process. Towards the end of the construction phase, informal collaboration was formalized through the establishment of a local utility organization named LUMAMA as a legal entity to own and operate the system once service delivery started. The hydropower plant became operational and started delivering services to the first customers in 2010. During 2010-2014, ACRA continued infrastructural investments in the plant and electric grid in order to reach more communities and customers. ACRA exited the project in 2014, by which time LUMAMA was able to handle daily operation and customer service delivery as well as maintenance and repair of infrastructure. In 2015 the utility delivered high-quality electricity services to around 1500 customers, with very few blackouts and at a reasonable cost. The electricity services were widely appreciated by the users and included public goods, such as outdoor lights and improvement of public services through electrification of schools and medical centers.[1] Electricity facilitated economic development, for example by making milling significantly cheaper (compared to diesel generators) or less time-consuming than milling by hand. Local enterprises, such as tailoring, barbers, furniture and mechanical workshops, were able to improve their services and offer new ones, like phone charging.

[1] These public service providers also obtained the connection to electricity for free and had to pay only for consumption.

Governmental stakeholders as well as donors consider the Mawengi project as a very successful example of rural electrification. In the following we will investigate the challenges related to institution-building that the project met during the process, and how those challenges were met in order to realize the goals of the project. The next section outlines these challenges and relates them to the theoretical propositions in previous literature.

Theoretical Framework

The existing literature on institution-building is broad and concerns many different sectors, organizational levels and phenomena. In order to relate more general theoretical propositions to the specific context and the type of processes we study, we will exemplify and specify the challenges faced by actors in our case, and how we approach these theoretically.

The donor-funded and NGO-driven electrification project in Mawengi gave rise to two related problems: (1) how to become a trustworthy organization in the eyes of people in the area, and (2) how to make the local utility become a credible enforcer (see D'Arcy & Nistotskaya 2016) to avoid the project failing due to free-riding.

First, ACRA asked for substantive contributions from people in the area - both in terms of land and labor - in order to get distant returns. This is common development practice in Tanzania (Green 2014). Land was needed for transformers, lines, and other parts of the infrastructure. Labor was needed to dig trenches for cables, erecting poles, etc. Moreover, private economic investments by future customers were required: they needed to pay for internal wiring before service delivery could start. Many of the contributions had to be made years before the (uncertain) benefits would come. Thus, in the first phase of the project the challenge for ACRA was to make people trust the organization to the extent that they were willing to invest for the future.

Second, when electricity service provision started in Mawengi, new challenges arose. It became necessary to handle the collective action problem (CAP) of free-riding. Although there are important differences between the electricity system and what we think of as public goods – personal access (but not indirect access) to electricity was in principle both excludable and rivalrous as the system could suffer from overload – there were ways in which it was possible to free-ride on the system. Thus, it became necessary to make sure that the enforcement system functioned as to avoid free-riding by some on the contributions of others. In phase 2, the challenge (for LUMAMA) was therefore to become a credible and legitimate enforcer.

In the remainder of this section, we will review theories from the literatures on state building, corruption and clientelism which we argue are relevant to understand the challenges posed by the institutional context, and mechanisms behind the processes of successful institution building, starting with the issue of trust (subsection 3.1) and then questions of enforcement (subsection 3.2).

Building trust in a low-trust environment

As discussed above, ACRA asked for substantive contributions from people in the area, both in terms of land and labor, in order to get uncertain, distant returns. ACRA therefore had to make a credible commitment to the community, to convince individuals that investing in the project would actually be worth the prize.

For individuals to be willing to invest, they must be convinced that they will, at some point, be able to reap the benefit of their efforts. Some level of trust in the actor that is to deliver the benefits in the end is therefore necessary. Trust can be defined as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al. 1995: 712). The importance of trust for reducing transaction costs is often highlighted, as it increases individuals' willingness to enter collaboration and risk-taking for future gain (Murphy 2006).

Two commitment mechanisms are commonly discussed in the institutionalist literature. The first is to give a credible commitment by introducing some kind of mechanism through which the dominant actor can be held accountable, which limits its ability to renege on the commitment (North and Weingast 1989). This strategy was not an option for ACRA. As an external NGO, it could not be held accountable by the people in the area by any formal means, even if failure of the project meant that all the efforts would be for nothing. Instead, it had to go for the second strategy discussed in the literature, namely to go for a *reputational* solution to the commitment problem (Bardhan 2005: 59). This entails building a credible commitment by signaling the organizations trustworthiness through repeated, positive interaction – a positive history of play (Bardhan 2005, see also (Acemoglu and Robinson 2006).

This approach is in the literature often discussed in relation to how a government's actions can promote or undermine trust. If a government has a good track record in terms of delivering on its promises, citizens are more likely to trust the government also in situations with limited monitoring possibilities (Levi 1998). In other words, when citizens "can articulate a return for their compliance they are likely to perceive government as reciprocating their trust" (Levi 1998: 93). The perception that a government is untrustworthy is instead related to its failure to keep promises.

Importantly, we should expect that attempts to convince people to invest in an organization for long-term gain through strategies of building trust in the organization face specific challenges in a context where people are relatively poor, promises tend to be non-credible, corruption is widespread, and generalized trust is low.

First, a common claim in the clientelism literature is that poverty tends to increase risk aversion and shorten individuals' time-horizons, making "uncertain and distant rewards" less appealing (Kitschelt 2000: 857, see also Stokes 2009; Wantchekon 2003). Widespread poverty creates a group-level pattern of undermining long-term investments because people with small or no economic margins find it harder to prioritize uncertain long-term gains above immediate needs.

Second, when it comes to the credibility of promises, we argue that in contexts where people have bad experiences with political actors as well as organizations, a *promise* from an organization is not worth much. As we will see below, people in this area had a lot of experiences with actors – politicians as well as development actors – that made big promises but delivered very little. This is likely to have negative consequences for future actors to secure confidence in their operations. Keefer and Vlaicu (2007) discuss the problem of "credibility deficit" – i.e., that the promises made by political candidates lack credibility – in the context of young democracies. In a low-credibility-situation, political actors can pursue different strategies for reducing their credibility deficit: they can either *invest* in their credibility by building reputations; or they can rely on intermediaries, i.e. making use of already existing channels of patronage. Building a credible commitment requires repeated interaction, sufficiently low discount rates for the future, and the possibility to observe actions taken. Since building a good reputation is costly and time-consuming, especially in a context where poverty is relatively widespread (and thus the future may be heavily discounted), reliance on patrons is often a tempting alternative (Keefer & Vlaicu 2007).

While these arguments are discussed in the context of political actors in new democracies; they are nevertheless relevant also for development projects since NGOs initiating development projects often face a credibility deficit that needs to be handled somehow. In many cases, this is done – intentionally or not – by making use of existing channels of patronage, for example by collaboration with local elites (Green 2014). The problem with such a "clientelism shortcut", however, is that it may undermine efforts to build trust in the organization itself. Where actors prefer to rely on patrons, they do not invest in their own credibility (Keefer and Vlaicu 2007). It is, in our view, relevant to ask if this mechanism applies also to development projects led by NGOs.

Third, it has been pointed out in the literature that for a reputational solution to the problem of credible commitment to work, it is crucial that the actor giving a commitment never reneges on that promise. If the actor defects at any point, people are likely to disregard future promises from that actor (Bardhan 2005: 59). We believe this to be particularly relevant in contexts characterized by corruption and low trust. Although there is a clear relationship between institutional quality and trust in institutions, we suggest that we cannot expect trust levels to rise swiftly after institutions have improved. Low – or fragile – trust is likely to persist for long, and be an ongoing challenge that needs to be handled.

Solving collective action problems: credible enforcement as a key aspect of institution building

As discussed above, in the implementation phase of the project a new challenge emerged in the form of free-riding behavior. Free riding is commonly discussed in the context of public and semi-public goods production as these require collective action, and brings forth the common problems associated with such action (Heckathorn 1989) Olson 1965). In the production of public goods cooperation is obviously preferred to defection. Nevertheless, this regulatory interest – shared by all – tend to coexist with an individual interest in defection: the temptation to free ride on the efforts of others, which creates a CAP of the first order (Heckathorn 1989).

CAPs are likely to be especially severe where generalized trust is low, as in the Tanzanian context. Even if people are sympathetic to the goals of an organization, the suspicion that others will not contribute may prevent them from doing their part (Rawls 1971). In this situation, institutional arrangements that enforce the rules are crucial, since "in absence of the authoritative interpretation and enforcement of the rules, it is particularly easy to find excuses for breaking them" (Rawls 1971: 240).

CAPs have gained increased attention in the political science literature, and legitimate coercion in order to solve free-riding problems has been called "the fundamental problem of governance" (Mansbridge 2014: 9). Despite its relevance for international development cooperation, it is more rarely discussed in that context (for an exception, see Rothstein and Tannenberg 2015). Two kinds of free-riding are relevant in electrification projects. One type is illegal access: that people connect to the system without paying, or – which is possible in systems with flat tariffs – connect to the system at the lowest tariff level and then, through re-wiring inside the house, make it possible to use more electricity than what is being paid for.

Not paying the bills is another type of free-riding. In cases where the system lacks prepaid meters – quite a common situation in small-scale off-grid systems – difficulty in collecting payments (monthly bills paid afterwards) is a real problem. How can this be a collective action problem? After all, the organization has the capacity to be a credible enforcer (D'Arcy and Nistotskaya 2016) since it can monitor who pays and who does not (it has "eyes") and it has the authority to disconnect people (it has "teeth"). In theory, the problem of free-riding should be solved.

In reality, however, development projects sometimes refrain from using their enforcement power – turning the enforcement problem of paying into a collective action problem where people have a real possibility to free-ride without being punished. There are at least two reasons why development actors may fail to use its enforcement capacities: *First*, since the *raison d'être* for development projects is to help the poor, the actors with the capacity to enforce rules may be very hesitant to do so, if it means making poor people pay. *Second*, the social cost – especially for locally employed staff – may be seen as too high. The problem that enforcing agents meet strong social disapproval has been called the "friendship dilemma" (De la Torre-Castro 2006) and it should be highly relevant for locally based organizations. It could therefore be expected that development organizations have strong incentives to be responsive to individuals' preferences rather than to override them.

Responsiveness, however, is a democratic ideal that may bring new challenges. In their account of state capacity development, D'Arcy & Nistotskaya (2016) make the argument that if democratic responsiveness is introduced before an actor (the state) has established itself as a credible enforcer, its capacity to override welfare-undermining preferences of individuals will be reduced. This logic could in many cases be applied to the governance of development projects that need cooperation and contributions from individuals who have incentives and possibilities to defect. Still, an important difference between enforcement in this context and how enforcement commonly is discussed in the literature on state capacity is that we study not mainly the *existence* of enforcement capacity, but rather the *choice* to use or not to use this capacity.[2]

The paradox is that despite being particularly sensitive in a development cooperation context, enforcement may in fact be particularly important to sanction free-riding in such situations. If there is no sanction against people who do not pay their bills, willingness to pay tends to decrease quickly. In order for electricity services to contribute towards social and economic development – and in the longer time perspective a reduction in poverty – reliability and quality of service is equally important as affordability. A well working system for payment, together with tariff levels above cost-recovery, is necessary in order to achieve economic viability of local utilities. Hence, electricity provision for free or at subsidized rates is criticized by scholars as being counterproductive, as it drains utilities of resources needed to maintain and extend service delivery (Ilskog and Kjellström 2008; Kankam and Boon 2009).

Apart from its obvious function in limiting free-riding, we argue that credible enforcement can also serve an important function during institution-building in contexts characterized by corruption and poor leadership. Where corruption is widespread, enforcement of rules becomes arbitrary, as rules can be ignored upon the payment of bribes, and leaders tend to bend the rules to their favor. In such a situation, effective and non-arbitrary enforcement of rules sends a strong signal to the community that the enforcing organization stands apart from the surrounding institutional environment. This signal should be especially strong if it becomes clear that old leaders cannot bend the rules of the organization in their favor. Credible enforcement can thus help establishing an organization's reputation as trustworthy.

This is related to the argument made by Margaret Levi about how a government can both build and undermine trust depending on its actions in relation to enforcement. To show its capability to secure the compliance of the otherwise non-compliant is a way to build trust, since "citizens are more

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[2] As will be shown in the case study section, a similar project as the one in Mawengi failed because of free-riding – some people stopped paying, and the project eventually became financially unsustainable. The individuals who stopped paying were not disconnected as a consequence; the project management did not use its teeth towards free-riders. As a result, all customers lost access in the end – everybody's welfare was undermined.

likely to trust a government that ensures that others do their part" (Levi 1998: 90). If citizens instead doubt that the commitment of the government to enforce laws is not credible, the ability of the government to generate trust will decrease.

It could be expected that the extent to which enforcement is seen as *legitimate* could impact on its ability to serve an institution-building function. Given that "the best coercion is legitimate coercion" (Mansbridge 2014: 11), how can legitimacy in enforcement be achieved? Rothstein and Teorell (2008) stress impartiality: more specifically, implementing institutions should be impartial when exercising public authority; meaning that enforcing agents "shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law" (2008: 170, see also Rothstein 2009). This means that implementing actors should not only be non-corrupt, but also refrain from giving special treatment due to friendship, kinship, and personal likes and dislikes when enforcing the rules. Impartiality in enforcement does not however contradict the possibility to transparently set rules that differentiate between groups in order to make services available also to the poor.

Methods

The Mawengi case was identified in 2011 as a promising case study. It displayed dimensions seen in literature as important constraints – dependence on donor funding and implemented in a poor and relatively remote area – as well as opportunities – a strong emphasis on local ownership, organizational capacity building and complementary investments in parallel development activities (Peters et al. 2009; Sovacool 2013).

The analysis is based on empirical work conducted by the authors in 2013. A first visit took place in 2012, followed by an in-depth qualitative case study in 2013. Together, the authors collected data during 3.5 months in Tanzania, with about nine weeks living in the electrified villages, and five weeks in the nearby town of Njombe. The following analysis is based primarily on semi-structured interviews – often undertaken with the help of a Tanzanian interpreter – with people involved in the project. We have 119 interviews about the project (27 with project staff, 81 with villagers, and 11 interviews and meetings with local and district government).[3]

[3] There are also two other sets of interviews, in total 55, which provide data on the project, but on topics of less value for the analysis undertaken in this paper.

The material also includes notes from observation, informal interaction with villagers and project staff, and project documentation. The second author has returned to the villages for shorter follow-up visits on the project - including meetings and interviews – in 2014 and 2015. Thus, our analysis is informed by knowledge of how things have developed over time.

The analysis is structured according to a coding scheme, which we specified prior to analysis based on the research questions and theoretical perspectives, and developed during the course of coding material. Most material has been coded using coding software, and all interviews have been checked for concordance and divergence (Nightingale 2009).[4] The work here builds on a significant analytical work already undertaken for previous publications (see *author citations to be added*).

Case Study

This case study section is organized into two parts, starting with the question of how to build trust in a context characterized by low levels of generalized trust, high levels of corruption and poor institutions (subsection 5.1). Thereafter, we address the question of how free-riding problems can be handled (subsection 5.2).

Phase 1: Building trust for long-term investment

As mentioned, ACRA needed significant contributions in terms of voluntary labor in the construction, and economic investments by customers who needed to do internal wiring before service delivery could start. Initially, ACRA found it difficult to convince people that the project was actually going to happen and that it would benefit the community at large. There was a general lack of trust in development projects and promises made by outsiders.[5] Many people said that when they first learned about the project they thought it was an empty promise. As one of the villagers, who came to be much involved in the project, explained:

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[4] This means that we analyze and compared between interviews to identify points of disagreement and contradiction, examining whether respondents have similar views, concerns and explanations. It is a step in the analysis that helps assess the credibility of inference.

[5] As should be clear from the theoretical section, we were interested in the role of trust in making people willing to cooperate, take risks and invest in the future. Given this purpose, verbal statements such as the level of confidence respondents have in an organization are likely to be of limited value. What we wanted to know was whether their perceptions of ACRA – as trustworthy or not – were consequential for their willingness to engage with the project. We therefore did not ask the respondents explicitly about trust levels. Instead, the interviews were as much as possible based on open questions, asking the respondents to describe what it was like when ACRA came, how they perceived the preparations and the implementation process, in what role they participated themselves, etc. This was combined with more detailed follow-up questions.

Local staff member: For the first time when they introduced this project, I thought that it will not be possible (…) because we are in a very remote area, so I thought that it was just politics. But later, when they started construction, I started to believe that it is going to happen because I saw some materials coming like the poles and wires. (…) Finally I believed [it was true] after seeing the light turned on.

Interviewer: What do you mean by politics?

Local staff member: The issue of bringing electricity in our area was first mentioned by politicians (…) during their campaign. So when this issue came again people thought it was the same issue, which was mentioned every time by politicians without any implementation.

This relates to what was discussed in the theoretical section about challenges organizations face when promises tend to be non-credible. It became clear that this was a context where broken promises by outsiders are the norm rather than the exception, and that this had a profound impact on how people interpret promises.

Many of the interviewees mentioned broken promises by politicians, government officials and NGOs as a reason for not believing in ACRA from the start.

Customer: At the time I did not believe it, because we were often being promised things but we did not get them.

Interviewer: Who promised these things that did not happen?

Customer: The government, for example, was promising us many things. For example, they promised to put tarmac on the road but they have not yet done it.

Apart from the lack of trust in politicians, there was a clear credibility deficit also for NGOs:

Customer: At the beginning, I thought it was just a lie. Because a lot of Europeans [other than ACRA] were coming and did a survey of the [water] intake and said that it was ok [but did not do anything].

Interviewer: When did you start to believe it would come true?

Customer: When they came and started to work. Because before other people came and just surveyed and then left.

Interviewer: Do you remember what it was like when ACRA first came, and said they wanted to bring electricity here? What did you think then?

Customer: I did not believe it was true.

Interviewer: Why not?

Customer: Because many organizations [from outside of Tanzania] were coming and said they would bring electricity, but they never came back again.

This credibility deficit for foreign NGOs is something that ACRA was well aware about.

ACRA staff: [T]here are so many associations led by European persons, and maybe they failed or maybe they just promise something and it never happens; and here in Tanzania, the associations from Europe or from … let's call it first world countries; they were hundreds! In the beginning they said: "This is one of the hundreds (…) we can't believe this."

Facing this credibility deficit, ACRA chose to invest in its own credibility. One of the first things ACRA did was to hold public meetings in the three larger villages that were to be connected and to establish a small working committee of elected men and women from each village. This committee was involved in the work throughout the entire construction.

What eventually led people to believe in the project – and be willing to invest their time and labor in the construction, as well as their own money in buying materials and doing internal wiring of the house in order to be connected – was the way ACRA slowly built trust by being very careful to not make any promises that they could not hold. Instead, they promised small things that they were absolutely certain that they could deliver – seedlings, paint, cement, etc. The importance of keeping every little promise that was made was highlighted by several people in the organization. As one staff member put it: "You have to say what you do and do what you say". The rule was to never promise anything that they were not 100 percent sure to deliver – 99 percent were not enough to make a promise.

The strategy of limited – and fulfilled – promises reoccurs in the interviews as one of the reasons people began to trust ACRA.

Customer: When they [ACRA] promise something, they do it. There is no instance when they have made a mistake.

Customer: The community has a primary school not far from here. So ACRA said that "if you build we will bring iron roof, paint, nails". And they did. So when they promise something, they do it.

Moreover, ACRA added *detail* to the very limited promises they made. For example, not only did they say that they would bring certain goods, or hold a meeting; they also said exactly *when* they would bring the goods or hold the meeting. Again, this is noticed by people in the area and becomes, to them, a reason to trust ACRA.

Customer: If they [ACRA] promise anything, they fulfill.

Interviewer: How do you know? What makes you sure?

Customer: They promised that tomorrow we bring poles, and then they brought them the next day.

The visibility of the things that ACRA brought to the community is important. What really made an impression on many people was that they saw trucks coming with materials that were stocked at the office in Mawengi, and with the construction of the grid, poles and electric lines were erected and reaching into the villages and people's homes. Many respondents give examples of starting to believe in the project because of specific activities, such as "when they started digging the trenches".

Notably, people perceived a difference between ACRA and LUMAMA in how well they kept their promises.

Customer: At a very high percentage, everything ACRA is promising, they are also doing.

Interviewer: What if LUMAMA gives a promise?

Customer: I can't say, because there are a lot of promises, but some of them they fulfil and some of them they don't fulfill.

When we asked follow up questions, it became clear that LUMAMA had in fact delivered on the promise, only a bit later than promised. The dramatic consequences of such limited failures can be better understood if we take into account the specific challenges of the context.

As suggested in the theoretical section, where people have a lot of experience with corruption and broken promises from leaders, trust in a new organization can be expected to build slowly and stay fragile over a long period of time. People's perceptions and expectations about institutions could thus hold back trust in an institution, even if it is largely credible. This proposition is supported by our data: as our interviews show, even small deviations from a positive track record can have consequences far beyond what we would expect in contexts with generally better institutions. The failure to deliver *exactly* as promised is interpreted against a background of broken promises and has consequences for trust in the organization.

In sum, ACRA built a positive reputation over an extended period of time. There are two important lessons from this experience. The first is that it is, in fact, possible to make a credible commitment based on reputational credibility also in a context as difficult as the one in this case – but it takes time. The second, however, is that when pursuing such a strategy, there is no room for mistakes. Any deviation from a positive track record may instantly undermine the hard-won trust.

Given the efforts that are needed in order to strengthen the organization's own credibility, it is easy to understand why some actors – not least within international development projects – wish to find "credibility short-cuts". As discussed in the theoretical section, a common strategy is to rely on existing patron-client relationships. In many instances, it is necessary to establish collaborations with the political elite in order to formally "enter" the community and gain permission to carry out projects. The local church acted as host for ACRA, helping to establish relationships with all local political leaders who gave their support for the project. Over time, the NGO distanced itself from local political institutions and in many instances chose not to rely on local leaders. For example, ACRA soon decided to directly employ and pay people to work on construction rather than to rely on local politicians for mobilizing the villagers to do voluntary work.

ACRA also used institutional strategies in order to delimit the influence by politicians on the project. First of all, politicians are not allowed to have any positions of leadership in LUMAMA. This choice is motivated in this interview with one of ACRAs (Tanzanian) staff members:

Local staff: Politicians - they should not be candidates for election [to the board of LUMAMA]. […] It's something which we should be very careful with because these people they do things to make sure that their party is getting support. Let's say, you have the elections and somebody is a leader; a *mwenyekiti*, I mean, the chairman of the board, and you are doing a party election. What do you think, if they don't have enough funds? They could take funds from LUMAMA and begin to use it to do the elections.

Second, the organizational structure has three levels of decision-making and these do not correspond to existing geographical borders of local government. The lowest organizational level in the membership based utility is the level of transformer (each transformer supplies electricity to a specific area). The transformer groups select their representatives for the higher level of zone, at which the members in turn elect representative for the General Assembly. The transformer groups' geographical borders do not align with the local administrative borders. This makes it hard for individual local leaders to say that the transformer is under his/her area of influence, and to use it for own purposes.

5.2 Phase 2: Institution building through credible enforcement

In the second phase of the project, when the power plant had started functioning, new challenges appeared, this time related to enforcement. This section illustrates the dilemmas involved in making enforcement both credible and legitimate and at the same time being responsive to poor peoples' situation.

The first years, the majority of households and public institutions paid flat tariffs, based on the number of power points in the premises. Public institutions, households with higher consumption, many businesses and all milling machine owners had meters and paid a unit cost per kWh, differentiated according to activity.[6]

In the area of Mawengi, people had no previous experience of paying monthly bills or reading customer contracts. In 2013, the accountant explained that LUMAMA was facing a challenge because many customers did not pay their bills on time, which led to a budget deficit for the utility. In the interviews, various reasons why people did not pay their bills on time were identified: lack of expe-

[6] During 2014, the system with flat tariffs has been replaced by a pre-paid system with meters for all customers.

rience, distance to the office and lack of money due to seasonal cash flow – but also that customers were not expecting enforcement, and that some held attitudes that one can free ride. A collective action problem was clearly present – the individual incentive to delay payment was working against the common interest in a financially sustainable electricity utility.

Facing this challenge, the decision was taken that customers who did not pay on time would be disconnected after only one month, rather than after two or three months, which was the initial rule. In order to be reconnected again the customer also had to pay a fine of 25 000 TZS, which is a substantial amount in this context.

At first, people did not expect LUMAMA to enforce the new rule. This was not an unreasonable expectation. As discussed above, development projects sometimes refrain from using their enforcement power – since they have strong incentives to be responsive to individuals' preferences rather than to override them – which gives people a real possibility to free-ride without being punished. LUMAMA, however, chose a different route. The first month the new regulation was in force, LUMAMA disconnected *all* households that had not paid the bill on time. This was clearly against the preferences of the customers, and something that was criticized by many in the interviews: while most say that it is legitimate to disconnect those who do not pay their bills, very few felt it justified to do so after only one month of delay. They argued that LUMAMA should show consideration for how poor people are. However, despite the negative reactions to this enforcement, it had the intended effect: after the customers had realized that the rules were being strictly enforced, the number of delayed payments was drastically reduced, and in the coming months, much fewer households had to be disconnected.

As discussed in the theoretical section, one reason why locally based development actors fail to use its enforcement capacities has been called the friendship dilemma, meaning that the social cost of enforcement – especially for locally employed staff – may be seen as too high. The friendship dilemma was clearly present also in Mawengi. For example, one of the employed local technicians explained how he felt very bad when they went to disconnect customers who were late with payments.

Interviewer: When you go disconnecting people, how do they react?

Technician: "I don't like it (he shakes his head). I feel bad about it. Even for the customer it is the same.

Not all staff felt that using the sanction of disconnection was problematic. The manager and accountant saw it as a necessary and positive action. They were also strongly supported by ACRA staff to enforce the customer regulation, and they saw it as being their responsibility in exercising good governance the way they had been trained. In the encounter with customers about to be disconnected, the manager refers to the contract which stipulates the rules:

Interviewer: Did you meet any of the people who you disconnected?

Manager: Yes

Interviewer: And how did they react?

Manager: Because we already announced so they knew that today we are going to disconnect, so while we were disconnecting few of them came to apologize and they paid so we didn't disconnect them and the rest came to pay for their bills and fines today.

Interviewer: Was anyone upset?

Manager: Yes, there are two people who were upset but they came to pay for their bills and we gave them clarifications and because what we did is stated in our contract then they understood.

To illustrate the mechanisms through which free-riding problems, if not dealt with, over time can threaten the survival of projects, we will briefly consider a contrasting case of rural electrification studied by the second author (author citation to be added). A Tanzanian NGO, TaTEDO, implemented a small "Energy Service Platform" providing multiple services to the village Leguruki in Arusha region in 2008. The system included a diesel-powered engine, a milling machine, an oil press, an alternator and a micro-grid that supplied 49 customers with electricity in the evenings. The NGO owned the system but it was managed by a local village energy team and operated by a local technician employed in the project. The milling machine and oil press were operated as a commercial service for all villagers. For grid customers, individual monthly tariffs were based on planned consumption and individual ability to pay. The decision was taken jointly by the energy team and grid customers in a meeting. The procedure was thus democratic and implemented a partial principle for setting of tariffs. The incomes from milling, the oil press and grid customers were used to buy new fuel to the diesel engine powering the machinery and grid.

However, the collection of monthly tariffs became a problem after a few months. Some grid customers delayed payments or refused to pay, either because they were not happy with the service provided, because they felt their tariff was too high – or because they had heard rumors that the NGO would pay for fuel, and they therefore expected that they would not have to pay. The people on the energy team who were responsible for collecting payments found it socially challenging to convince their neighbors and relatives to pay, i.e. they experienced the friendship dilemma. They could have used the sanction of disconnection but chose not to. Instead, the lack of income made it difficult to buy new fuel and the committee had to reduce the hours of service delivery. There were also recurrent technical problems incurring temporary stops in service. The reduced quality of service and the free-riding quickly eroded the willingness to pay also among the other customers. Technical and institutional weaknesses combined to aggravate the economic situation. As the NGO did not have funding to do necessary repair and extend the system to more customers, local actors took the decision to stop the grid service after about a year and half, and all customers lost access to electricity. This brief example, when contrasted to the Mawengi case, shows that the choices regarding enforcement that are made within development projects can have profound consequences for project success or failure.

Enforcement is also related to questions of legitimacy and social status. "Treat all customers alike" was a guiding principle for LUMAMA, and one of its implications is that local leaders have to follow the same rules as everybody else. On more than one occasion, LUMAMA disconnected local people with high social status. This clearly involved high social costs for the staff:

Manager: In our project we don't look at people's positions, we treat all customers equally, that is why we disconnected the [specifies a local politician] because he is not paying the tariff. (…) So we just follow what is in the constitution and our rules, I can even be disconnected, even the parish priest [the local church partner] could be disconnected.

Interviewer: For how long was [the politician] disconnected?

Manager: For almost six month know. I even reported him to [higher level of government], he was called by the disciplinary committee and he was instructed in writing to pay the tariff.

Interviewer: Why is he not paying?

Manager: It is just politics. That is why for me, I see that it is better for the people to hate me, just to make sure that the project continues through enforcement of law.

This quote illustrates the high stakes involved in enforcing rules against the local elite, but also, that the local utility managed to gain the support of higher levels of government in doing so.

Recalling the theoretical discussion, impartiality in implementation could have a legitimizing function (Rothstein & Teorell 2008). The fact that sanctions were used also against local leaders won the support of ordinary villagers – it had a legitimizing effect. In such instance, it served an important function of making LUMAMA a credible and non-corrupt organization in the eyes of villagers. From the interviews, it is clear that the fact that also powerful people are being disconnected is considered a very good thing by many:

Customer: If you delay the payment, all people are disconnected. It does not matter who you are.

Interviewer: Do you think that this is a good thing or a bad thing?

Customer: It is a good thing. It is not choosing people

Customer: It is the same for all people.

Interviewer: Even a very powerful person?

Customer: [laughs] Yes, they disconnect for all.

Interviewer: What do you think about that?

Customer: They are putting all the people in equal position. No rich and no poor. […] This is perfect because all people are equal.

Through the act of disconnecting people who normally are "above the law", LUMAMA has established its authority and the importance of rules.[7] This may be part of the reason why generally, villagers in our study consider LUMAMA to be non-corrupt and doing a good job.

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[7] One interview was made with a government official at the Ward Executive Office (WEO), which is the administrative level above village and below district. Towards the end of the interview, we learned that the office had been disconnect-

Many perceived the use of disconnection, also of ordinary people, to be a fair sanction when bills were not paid. In many instances, the fact that enforcement was "following the rules" makes it predictable and thus acceptable.[8]

Interviewer: Have you been disconnected?

Customer: Yes.

Interviewer: What did you think about that?

Customer: It was just OK, they disconnected me because I was not around; I was travelling. I came home and found that they had disconnected. It was according to the contract so it was just OK. (…) All the people know that if you can't pay your bill, they disconnect.

Interviewer: Have you been disconnected?

Customer: Yes.

Interviewer: What did you think about that?

Customer: It was ok because I already got the information that they were coming to disconnect.

In sum, the procedural fairness in enforcement – manifested not least in a strong impartiality norm – had a legitimizing effect. One indicator that enforcement over time became regarded as legitimate is that when it comes to illegal access people contributed to the enforcement by reporting on people who did re-wiring inside their homes.

However, while disconnecting local leaders is seen as legitimate, and reflects positively on LUMAMA, disconnecting a poor family is not considered equally legitimate. This indicates that effective regulation based on a 'treat all customers alike' principle is not necessarily perceived as *fair*.

ed because they were late with paying. When asked what he thought about the office having been disconnected, the government official laughed and replied: "It is fair. Because we broke the rules."

[8] During one period, a type of enforcement was being used which was clearly illegitimate in the eyes of the customers: a list of all customers who had not paid the bill was made public, for example it was read out loud in church after mass. It was not intended as a punishment – it was seen by LUMAMA as an efficient way of reminding people – but people thought it was very embarrassing to be on the list. The list met with so strong reactions that LUMAMA stopped using this method.

Customer: My opinion is that LUMAMA should put the customers in two categories: those who can afford to pay and old people that are taking care of orphan children. They should consider them more.

It is also with the purpose of being fair that the management of LUMAMA makes its only deviation from the impartiality norm: in situations where customers failed to pay the bills because they had some kind of crisis in the family – sickness or temporary economic difficulties – the staff sometimes lowered the level of the fine that had to be paid for reconnecting. For example, in a group discussion with the staff we learned that a woman who cried and was very polite when coming to pay the fine had paid only 10 000 TZS instead of the stipulated 25 000 TZS. The staff felt they had to consider the family situation and told of multiple occasions when they, in this way, compromised and deviated from the principle "treat all customers alike".

Manager: We are dealing with the community and people in this community have low income and not the same, they have different incomes. So now some pay less and some pay a lot. The person comes and you see this person has no means to pay the full fine, then you charge less.

Interviewer: Why not have a lower fine for everybody?

Manager: That is not good because we need to make them pay on time [so the fine must be heavy].

Interviewer: What do you think the customers think of this, that they pay different amounts?

Manager: They do not know, it is a secret of the office. Also, perhaps someone has a funeral and was supposed to pay that day. Then you don't go and disconnect, you just leave it. This is also a secret of the office.

However, this information did not remain a secret of the office. Some customers were aware that the enforcement of fines was not strict, and drew the conclusion that a bribe had been paid:

Customer: The fine is ok but the leaders are using segregation. Because some people they can pay 20 000 and some they can pay 10 000. But all of them are disconnected.

Interviewer: Why do you think they do it differently?

Customer: These leaders in the office, they know; and maybe they are getting something from these people that are paying less. It must be that they are getting something. But I am not sure.

Interviewer: How do you know that people pay different fines?

Customer: People talk to the community. […] So maybe those who pay 10 000 tell their fellow customers they only paid 10 000. So they make other customers jealous, to not feel good.

Again, this illustrates how in contexts characterized by corruption and low trust, small deviations from an otherwise good track record can have large consequences for an organization's credibility. It is not surprising that special treatment – even when it is done in order to be fair – is interpreted as corruption, when this is how special treatment tends to be achieved.

To some extent, the staff was aware of rumors of corruption but felt the trust in LUMAMA was growing. The problem was attributed to low levels of trust in the community, rather than the deviation from rules.

Manager: This is something that is happening also with the technicians of LUMAMA. People are saying they are getting bribes but you find they are not. You find maybe someone has a very large house, and then you take more than one technician there to do the work quickly. And then they think that people may have given them bribes to do that.

Interviewer: Do you think rumors like this could undermine trust in LUMAMA?

Manager: These rumors are not affecting us; we just continue to do our work. Instead of listening to the rumors we just continue to do our work.

Interviewer: Do you think there are more rumors now than before, or less?

Manager: At the beginning there were more rumors, but now it is less.

Interviewer: Why do you think there is less now?

Manager: Because the result is good.

Survey data has showed that many Tanzanian respondents do not report instances of corruption because they feel that no action would be taken to resolve their complaint (Transparency International 2014). This problem is illustrated in these quotes about a typical kind of corruption incident in the area:

Customer: Maybe two persons are having a quarrel. Then you go to the local government. Then, you think that you have a case, but they tell you the argument is over.

Local staff: But if let's say somebody does something and takes to the village authority […] somebody gives the village chairman, or whoever, some kind of bribe, then it ends up like that. Somebody is not getting what is right. […] In that situation [as the one above] who can they call? With the leaders, let's say government leaders; there is not much they can do.

Within LUMAMA, a complaint mechanism has been introduced. A telephone number is posted everywhere, and on flyers brought to the meetings it says "in case you have a problem or you want to communicate, this is the number you should use for communication". It is also ensured that action is taken every time there is a complaint.

ACRA staff: Everybody is to report or refer about cases of customers that are complaining […]. It is their [LUMAMA management and the LUMAMA board] duty to try to investigate immediately and not wait until these rumors become something big. So that is also why there was this reaction from LUMAMA to the [local leader who spread rumors about LUMAMA]. Maybe it [rumors] is something that will never end. What is important is to stop it, or to investigate, or to show to the people that you are present – you, the Board of LUMAMA – that you are consistent and you investigate it immediately.

The challenges associated with building up a new local organization and establishing it as trustworthy, non-corrupt and credible as an enforcer are significant, context-specific and dynamic. As we hope that these examples show, there is a constant interplay between wider institutional and contextual factors and the people involved in the project. The process in Mawengi is unique, but we think it contributes some insights of more general theoretical importance.

Conclusions

Through analyzing a development project with a relatively successful institution building process this paper has aimed at making a contribution to the literature on institution building in challenging contexts. The study shows that it is indeed possible to build a credible commitment through a positive track record also in a context characterized by low levels of generalized trust and high levels of corruption. However, one needs to be aware of how the context impacts on this process. Keefer and Vlaicu (2007) discuss how building a reputational credibility in a low credibility context takes time and is costly. To that, from the experiences in this study, we could add that you cannot afford to make any mistakes. Unlike a more stable institutional context where trust is reasonably high, in this context *any* mistake could erase trust. In that sense, this study indicates that the link between high quality institutions and trust might be less straightforward than sometimes is acknowledged. Whereas we should expect that trust is likely to diminish in a context of poor institutions, we should be aware that the building of good institutions is unlikely to give an immediate payoff in the form of high and stable trust levels. Rather, we should expect that good institutions and low levels of trust could co-exist for quite some time, which has to be taken into account by all actors trying to build institutions in difficult contexts. Moreover, as trust does rise, it is likely to stay fragile over an extended period of time.

Consequently, it is essential to set the expectations right. The people from ACRA whom we interviewed underlined the importance of never increasing expectation beyond what is realistic; and thus never promising anything that you are not completely sure to be able to deliver. Importantly, ACRA also had a long-term perspective and could devote time to increasing trust during a substantial period before the plant started operating. This is not always (or usually) the case in development projects, where arrangements can be insecure or temporary. Part of the successful strategy was also to create distance from existing institutions by keeping local leaders at arm's length instead of taking a "clientelist shortcut" which again is something that development projects sometimes do.

This study also shows that impartial enforcement can serve an important function in the institution building process. An emerging free-riding problem was solved through strict enforcement of a new rule regarding disconnections. The enforcement came as a surprise to many people, indicating that it was only with the new rule that LUMAMA established itself as a credible enforcer. Moreover, by enforcing the rule also on powerful persons, LUMAMA was able to show that it had "teeth", and it appears to have contributed to a widely shared view of LUMAMA as both strong and legitimate (although contested by some people).

This study also contributes to our understanding of legitimacy in terms of *being seen as non-corrupt*. Institution builders in contexts with high levels of corruption and low trust are facing two herculean tasks with regard to corruption: First, there is of course the challenge to build an organization with a management that upholds high standards in terms of good governance. The other challenge is to actually convince people that the organization is non-corrupt. Even in the absence of corruption, *rumors* about corruption might flourish which may be enough to undermine confidence in the institution. As we saw, very small deviations from the impartiality norm in enforcement led to rumors of corruption.

In the theory section, impartiality as a legitimacy-enhancing mechanism was discussed, meaning that not only should implementing actors be non-corrupt, but also refrain from giving special treatment due to friendship, kinship, and personal likes and dislikes when enforcing the rules (Rothstein & Teorell 2008). In this case, the management sometimes accepted a lower payment from people who were poor, upset, and genuinely worried about the fine. According to the interviews, this way of handling the issue by the management fit well with popular demand – although tough enforcement was accepted in principle (and easily accepted when applied to powerful people) many respondents argued for a softer approach towards poor families.

However, D´Arcy and Nistotskaya (2016) suggest that if a ruler caves in to popular demand, that actor's credibility as an enforcer will be undermined. Although their argument is about state capacity and government, a similar mechanism could be observed in this case: when rules were *not* strictly enforced towards the non-privileged, rumors of corruption started to flourish. In other words: in order to increase legitimacy by abiding by a norm of fairness, LUMAMA deviated from the impartiality norm, with the consequence that the organization's legitimacy was weakened in another respect – some people now thought that the management was corrupt. One way to handle this dilemma could be to add more "partiality" when formulating the rule, but to implement it impartially. For example, one could differentiate the fines based on a principle of rich and poor having unequal ability to pay. It would still be challenging to agree on clear criteria for such a principle, but partiality of the rule is likely more legitimate than partiality in enforcement of the rule.

Finally, one lesson learned from this study is that building trust and enforcing rules in challenging contexts takes time and comes with substantial costs while the benefits of doing so are long-term, and this needs to be taken into account by development actors.

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