

# Contracting structures in public procurement: Evidence from donor-funded electrification in Kenya

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## Abstract

This paper studies how contracting and monitoring structures in public procurement affect large-scale infrastructure construction. Between 2016–2022, Kenya’s public electric utility ran competitive auctions and then awarded and administered dozens of donor-funded procurement contracts to connect millions to electricity. The causal analyses leverage natural and experimental policy variation along with granular, independently-collected construction quality data. Despite largely harmonized procedures, Kenya Power contracts funded by the World Bank featured unbundled contract components—known as ‘design-bid-build’—and enhanced monitoring compared to contracts funded by the African Development Bank. This delayed construction progress but improved quality, while randomized inspections improved quality without large delays. The results suggest a combination of bundled contracting with additional independent monitoring could achieve similar quality improvements without incurring significant delays.

**JEL codes:** F35, H57, L94, O19

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# 1 Introduction

Government agencies often rely on private firms to supply goods and services: public procurement spending amounts to 12% of global GDP (Bosio et al., 2022). In low- and middle-income countries (LMICs), contracts between governments and private firms often receive financing from multilateral institutions. Between 2000 and 2022 the World Bank financed more than 311,000 government contracts for the procurement of more than \$185 billion in goods and services for over 21,000 projects across more than 170 countries.

But procuring public goods from private firms may misalign incentives, complicating a government’s ability to provide high-quality infrastructure projects at reasonable cost. Regulations can improve project outcomes but may also introduce bureaucratic inefficiencies or inhibit useful contractor discretion (Liscow, Nober, and Slattery, 2023; Williamson, 1999; Hart, Shleifer, and Vishny, 1997; Bosio et al., 2022).

Despite the importance of this problem, causal empirical evidence on the impacts of contracting practices is scarce. The large scale of infrastructure projects and the fact that government regulations often apply nationwide mean procurement procedures usually cannot be randomized. Existing sub-national variation in regulations may be endogenous to economic, geographic, or political factors that affect the selection and performance of contractors. Much of the empirical work studying contracting focuses on auctions and bid evaluation rather than on contracting structure.

This paper’s main contribution is empirically studying how contract bundling and monitoring affect the design, supply, and installation components of a major real-world infrastructure project in a high-stakes public procurement context. We independently collect granular construction quality data and use policy and experimental variation to generate causally identified evidence on this topic in the context of the Last Mile Connectivity Project (LMCP), one of Kenya’s largest recent public infrastructure projects. In 2016 the Government of Kenya (GoK) selected 7,492 villages where all unconnected households within 600 meters of the existing grid would be connected to electricity. The program was implemented by Kenya’s government-controlled electric utility, Kenya Power, which administered competitive auctions and awarded dozens of contracts to private firms to conduct construction activities.

LMCP construction was funded by the World Bank (WB) and the African Development Bank (AfDB). Multilateral financial institutions (MFIs) such as the WB and the AfDB typically do not carry out procurement themselves. Rather, public agencies in the borrower country implement projects largely independently, following the procurement procedures mandated by the funders. In the case of the LMCP, Kenya Power staff (representing the GoK) independently managed all aspects of contracting, including administering auctions, reviewing bids, awarding contracts, and monitoring construction. This structure is generally effective: in early 2025, the WB and the AfDB pledged another \$48 billion to connect 300 million Africans to electricity by 2030 (WB, 2025).

Most MFIs have largely harmonized procurement procedures to consensus best-practices. To quantify contracting differences and similarities, we use a large language model to review hundreds of pages of documentation, including procurement guidelines, bid documents, technical specifica-

tions, and procurement contracts. The analyses reveal that the bidding documentation, evaluation, and procurement regulations in use by Kenya Power for contracts funded by either donor were overwhelmingly either identically worded, or worded slightly differently but very close in spirit. More than two-thirds of sentences in AfDB procurement regulations can be matched to at least one almost identical sentence in a WB regulation document, and the six distinct sections of the regulations have a 94% overall similarity according to the algorithm. This partly results from the fact that donors’ institutional procedures have converged as a result of a decade-long targeted effort to simplify compliance. This resulted in the signing of the 2003 Rome Declaration on Harmonisation by 28 aid recipient countries and over 40 development institutions—including WB and AfDB—which aimed “*to harmonise the operational policies, procedures, and practices of our institutions... to improve the effectiveness of development assistance*” (OECD, 2003).

Despite these similarities, we identify two major differences in the procedures that Kenya Power used in implementing the LMCP. The first difference relates to ‘unbundling,’ or the assignment of project components across contracts. The question of how to bundle project components is central in contract structuring. Two of the most commonly used approaches for infrastructure projects worldwide are ‘design-bid-build’, which unbundles design and construction across separate contracts, and ‘design-build’ which bundles these components. For villages funded by the AfDB, Kenya Power awarded 10 bundled contracts that included network designs, materials, and installation. In contrast, Kenya Power awarded 29 unbundled contracts for villages funded by the WB.

The second difference relates to the intensity of monitoring for contract outputs. At villages funded by the WB, Kenya Power was required to conduct an additional round of inspections before the network was handed over from the contractor to the utility for operation. The issue of best practices in monitoring continues to be debated, with the World Bank’s Independent Evaluation Group noting that “[the] World Bank could have a more consistent process for monitoring whether procured goods, works, and services reach beneficiaries” (World Bank, 2024).

To identify the causal impacts of different donor financing processes on project outcomes, we leverage a useful program feature: LMCP sites were assigned to be funded by a donor in a way that appears arbitrary and can reasonably be thought of as quasi-random and without obvious regard to factors that would influence project outcomes. Two key features of the setting give us confidence that we can interpret differences between WB- and AfDB-funded sites as due to the contracting differences we highlight. First, 95% of WB-funded sites in our sample are within 10 km (6 mi) of an AfDB-funded site, suggesting there was no obvious geospatial selection. OLS and LASSO balance tests indicate sites are largely indistinguishable on observables, including demographic, geographic, satellite, road, census, electoral, and Kenya Power administrative data (still, the econometric analyses include constituency fixed effects to further account for local geographic and socioeconomic heterogeneity). Second, the AfDB and WB both use unbundled and bundled contracting structures in other contexts, and their decision to use two different approaches for the LMCP appears incidental.

The impacts of unbundling and additional monitoring were unclear *ex ante*. During in-person

interviews we conducted, WB representatives argued that they would improve construction outcomes, while Kenya Power representatives feared that they would lead to administrative costs and delays without delivering substantive project benefits. AfDB representatives in turn agreed with Kenya Power that the latter’s extensive experience meant that the more streamlined procedures (without unbundled contracting or additional monitoring) were sufficient to ensure high quality.

To evaluate the impact of strengthened monitoring among bundled contracts, we implemented a randomized auditing intervention (with the support of partners at Kenya Power, the WB, and the AfDB) designed to mimic Kenya Power’s additional inspections at WB-funded sites. Through in-person meetings, contractors were informed that key aspects of the completed construction at certain sites (randomly selected by the research team) would be measured and reported back to Kenya Power, the WB, and the AfDB.

An additional contribution of the paper is the collection of detailed and innovative engineering data across hundreds of villages which evaluate construction progress, low voltage grid quality, metering components, and electricity connection quality. Field teams tracked construction progress over multiple years for 380 LMCP villages through in-person visits and phone calls to village leaders, and then collected three types of on-the-ground data. First, they measured construction quality for key infrastructure components such as electrical transformers, poles, and wires, following Kenya Power engineering standards. Second, state-of-the-art sensors deployed with households measured minute-by-minute site-level power outages and voltage quality. Third, they conducted socioeconomic surveys to understand connection experiences and energy usage among a representative household sample. These activities build on existing work emphasizing the importance of detailed infrastructure measurement (for example Olken, 2007; Atkin, Khandelwal, and Osman, 2017).

The first main result is that, in terms of the costs of unbundling, construction at WB-funded sites is far slower and leads to fewer pole installations and household connections. By the end of tracking in May 2022, 70% of AfDB-funded sites had seen construction whereas only 62% of WB-funded sites had. Among sites where there had been construction, there are 12% fewer poles and 18% fewer customer connections per site at surveyed WB-funded sites. Unbundling and additional monitoring also caused significant delays: household meter activation at WB-funded sites is completed on average 16 months later than at AfDB-funded sites. These results do not appear driven by selection of construction firms into funder, which are largely similar on observables, suggesting the effects are driven more by contracting structure and monitoring.

Second, in terms of benefits, WB procedures improve on-the-ground construction quality by 0.6 standard deviations on average, and 77% of WB-funded sites have higher measured quality construction than the median AfDB-funded site. Specifically, poles at WB-funded sites are 23% more likely to have all key attributes of a high quality pole (namely, a pole cap, no cracks, and a correctly installed strut and stay, when required). There are no measured medium-run differences in electricity reliability and voltage quality, though, and the impacts of WB procedures on household installation quality, cost, and energy usage are positive but modest in size and generally not statistically significant. Overall, improvements in construction quality appear more likely to improve pole

longevity and reduce long-term maintenance costs than to improve service quality in the short-run.

Could quality improvements be achieved without adding delays by enhancing monitoring without unbundling contracts? To answer this, we turn to the randomized audit experiment. We show that the audits have no impact at WB-funded sites, in line with the fact that those sites already faced additional inspections as well as unbundled contracting. On the other hand, the audits significantly improve installation quality at AfDB-funded sites. Households at these sites experience higher power quality as a result: the audit treatment halves the average gap between experienced and nominal voltage. Contractors installed 18% more poles (and 4% more customer connections, though this latter effect is not significant), and treatment households further report higher household connectivity and energy usage. Importantly, the audits at AfDB-funded sites—which were low cost and led to minimal delays—increase the number of connections. In line with the framework, these results indicate that additional monitoring for projects carried out using bundled contracts can generate similar quality improvements as the combination of contract unbundling and additional monitoring, but with fewer delays and at lower cost.

To help interpret these results, the paper presents a simple framework to highlight key trade-offs of and interactions between these two features—unbundled contracting and strengthened monitoring—which may be relevant for a wide range of infrastructure projects. When a principal (here, Kenya Power) has imperfect information about realized project quality, contract unbundling can enforce minimum firm quality standards, improving project construction quality at the cost of possible delays and additional administrative burden, through changes in either firm selection or firm behavior. However, strengthened monitoring can potentially enforce similar standards at lower cost, as this structure enables bundled contractors to leverage their private information about subcontractor quality. In the presence of rigorous monitoring, additionally using unbundled contracts can under certain circumstances incur costs and delays with little gain in construction quality.

The final section of the paper assesses the trade-off in costs and benefits for contract unbundling and monitoring. The average cost per new household connection is \$563 at AfDB-funded sites and \$728 at WB-funded sites (so 30% higher), driven by lower per-site costs and more new connections at AfDB-funded sites. The net impact of the various contract features depends on observable project attributes (such as the delay caused by unbundling) as well as unobservable ones, such as the funder’s discount rate and time horizon, and the impact of improved construction quality on long-term maintenance and replacement costs. Under a plausible range of assumptions, the net benefits could range from 7% of project costs in favor of bundling and less-intensive monitoring to a net benefit worth 4% of project costs in favor of unbundling and more intensive monitoring.

These empirical results point to a meaningful intertemporal trade-off (visualize in [Figure A3](#)). Policymakers may need to evaluate the long-term benefits of unbundled contracting and monitoring against the apparent short-term costs. Planners with a higher time discount rate (or a shorter time horizon), or those implementing projects with compounding benefits, might prefer the timelier construction enabled by a streamlined bundled contracting approach. Conversely, in situations where maintenance costs are expected to rise quickly with poor quality, a delayed start might be worth the

improved long-term outcomes. This perspective can also explain why some political agents, facing electoral or other domestic pressures, may prefer working with donors whose procurement approach enables greater expediency.<sup>1</sup> In our study context, combining contract bundling with enhanced audits delivers improved quality with little additional cost and delay, and might therefore be preferred to either the AfDB and WB approaches to LMCP funding.

Any relatively short- to medium-run analysis, like ours, has limitations. Procurement procedures may generate additional benefits that we cannot measure, such as enhanced institutional capacity. Like most other research projects, we are also unable to directly measure leakage of funds. However, to the extent that increased leakage at AfDB-funded sites (where there was less stringent monitoring) would have reduced construction quantity, we find limited evidence of this: if anything, AfDB-funded sites have more connections at lower average cost than equivalent WB-funded sites.

In addition to informing the literature on procurement regulations, these findings also contribute to a broader debate about donor conditionality that dates back at least to the ‘Washington Consensus’ era in the 1980s (e.g. Mosley, 1987; Hermes and Lensink, 2001; Easterly, 2002; Williamson, 2009; Temple, 2010; Archibong, Coulibaly, and Okonjo-Iweala, 2021). World Bank (2005) provides a thorough review of the evolution of donor conditions, which increasingly emphasize procedures (rather than policies), though the resulting costs and benefits have been subject to controversy. Recent research suggests procedural conditionality may cause politically motivated delays and incur costs that exceed benefits (Kersting and Kilby, 2016; Kilby, 2013).

Mass electrification programs are widespread in LMICs, but poor construction quality can harm power quality: Blimpo and Cosgrove-Davies (2019) find that in some countries, most connected households “reported receiving electricity less than 50% of the time,” potentially undermining the economic activity that household connections were intending to stimulate. To the extent that low quality infrastructure exacerbates poor power quality and reduces the economic benefits of electrification, identifying opportunities to improve construction quality—including through specific procurement contracting conditions—may lead to meaningful improvements in economic outcomes.

## 2 The Kenyan government’s rural electrification program

### 2.1 Electrification ambitions

Rural electrification in Kenya was spurred by domestic government objectives. In 2006 the Kenyan government passed the Energy Act (2006), creating the Rural Electrification Authority (REA) with a mandate to develop “the rural electrification master plan” and to “source additional funds for the rural electrification programme.” REA’s 2008–2012 Strategic Plan (2008) to connect thousands of rural villages to electricity was followed by Kenya’s Draft National Energy Policy (2014), which targeted universal household electricity access by seeking “funding from development partners.”

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<sup>1</sup>For example, the Chinese government’s approach to foreign aid includes “not interfering” in local politics (State Council, 2014), and streamlining procurement procedures. The resulting limited oversight has generated concerns about construction quality and rampant corruption (The Economist, 2017; Mihalyi et al., 2022; Dreher et al., 2021; Isaksson and Kotsadam, 2018; Ping, Wang, and Chang, 2022; Malik et al., 2021; The Africa Report, 2022).



By May 2015 the ministry of energy had secured funding from two multilateral institutions, and Kenya’s President launched the Last Mile Connectivity Project (LMCP) to achieve universal access by 2020, starting from 25% in 2009 (KNBS, 2009). The LMCP was rolled out as a single nationwide project, implemented entirely by Kenya Power under a uniform set of specifications. Kenya Power outsourced construction to private sector contractors. Contracts were awarded and wholly managed by Kenya Power: they issued, reviewed, and awarded contracts; managed contractors and consultants; and conducted inspections independently. While their ambitious goal was not met, nationwide household grid electricity access reached 50% by 2019 (KNBS, 2019).

## 2.2 LMCP program features

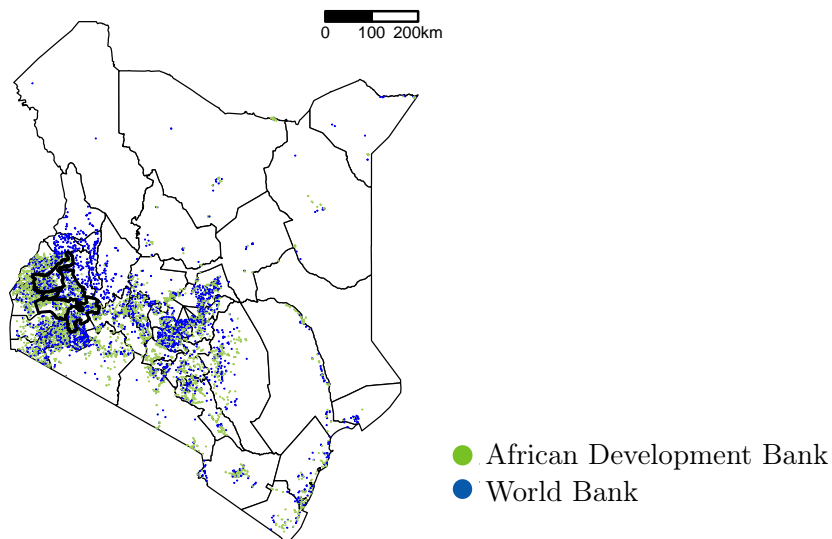
Around 60,000 electrical transformers across Kenya convert high- and medium voltage power to low voltage (LV) power suitable for use by households. Many transformers are located in rural villages where very few households were connected prior to the LMCP (Lee et al., 2016). Kenya Power, the Ministry of Energy, and members of parliament jointly selected 7,492 such transformers for the LMCP, targeting an equitable regional distribution across Kenya. The objective was to connect all unconnected households located within 600 meters of an LMCP transformer (typically between 20 and 100). This approach of connecting all unconnected households in a village at once—referred to as ‘maximization’—was intended to generate cost efficiencies by leveraging economies of scale.

Eligible households benefited from a reduced electricity connection price of \$150 (down from \$350), as well as the ability to pay in monthly installments with no upfront down-payment. Households also had to organize wiring for power sockets and light switches, which could be prohibitively expensive. Kenya Power therefore decided to provide low-income households with a ‘ready board’, a standard electrical panel that would satisfy basic wiring requirements (Figure A2). Yet the roll-out of ready boards was not perfect. Of the 160 households in our survey sample (described below) who were physically connected to the grid but where electricity had never actually flowed, 45% said it was because they had not yet completed their internal wiring. Informal or illegal electricity connections are rare in the lower population density rural areas where the LMCP was implemented (Appendix E provides additional background).

## 3 Similarities and differences between Kenya Power contracts funded by the WB and the AfDB

Kenya Power, on behalf of the government of Kenya, outsourced the construction of the LMCP to private sector contractors. They developed uniform tender documentation containing detailed technical specifications for the procurement and installation of poles, wire, conductors, fuses, and meters. They released their requests for proposals through standard channels, including to many contractors they had previously worked with. Kenya Power personnel then administered competitive auctions for construction contracts with domestic and international private-sector firms.

Figure 1: LMCP sites by funding source



Notes: Sites selected for the Last Mile Connectivity Project nationwide. The five counties where we conduct engineering and socioeconomic surveys are marked in bold (detail in [Figure 3](#)).

International financial institutions (IFIs) routinely finance projects that they do not implement themselves. Instead, funds flow to a recipient government, who is then in charge of implementation. Importantly for this paper’s empirical approach, in the case of the LMCP, the Government of Kenya obtained financing from multiple donors. The AfDB provided \$133 million in financing to maximize 4,184 LMCP transformers and the WB provided \$154 million in financing for 3,308 transformers (Kenya Power, [2017b](#); Kenya Power, [2016b](#)).<sup>2</sup> [Figure 1](#) shows that AfDB- and WB-funded sites were similarly distributed across the country. LMCP transformers were assigned to be funded by the WB or the AfDB in a seemingly arbitrary and ad hoc manner, with neighboring villages often being funded by different donors. [Section 4](#) discusses the assignment process in detail.

[Subsection 3.1](#) uses a large language model to quantify the similarity of Kenya Power contracts funded by the WB and the AfDB. Contract provisions were almost identical along many dimensions. We identify only two key differences between contracts funded by the two donors in the case of the LMCP: the degree of contract bundling, and the extent of monitoring. [Subsection 3.2](#) and [Subsection 3.3](#) discuss these in turn. These contracting differences could affect the incentives and performance of contractors directly, or by affecting the selection of firms into bidding or the selection of winning bids. [Subsection 3.4](#) discusses this in more detail. While it is possible that additional differences between AfDB and WB-funded installations exist, those differences did not come up in interviews with stakeholders or our review of technical documents as important and therefore seem unlikely to have major explanatory power.

<sup>2</sup>This paper focuses on activities funded by the WB and by Phase I of the AfDB, which we refer to jointly as Phase I of the LMCP. Phase II of the LMCP later received additional funding from the AfDB as well as the European Investment Bank, the Agence Française de Développement, and the European Union (Kenya Power, [2016b](#)). The publicized numbers differ slightly from the number of observations in the Kenya Power data we use.



### 3.1 Contracting procedure harmonization

To curtail corruption, IFIs often mandate extensive procurement regulations when financing public investment. Years of efforts by multilateral development banks to reduce the bureaucratic burden of compliance for recipient organizations culminated in the 2003 Rome Declaration on Harmonisation, endorsed by “28 aid recipient countries and more than 40 multilateral and bilateral development institutions” (OECD, 2003). WB and AfDB regulations now include harmonized master procurement documents and standard bidding documents (WB, 2014; AfDB, 2014):

“Model documents have been developed for bidding of goods, works (small and large contracts), and plants (design, build, install), for requesting consulting services proposals, and for prequalification of bidders.

“Country surveys found... a high level of harmonization among policies of the [WB] and those of the regional development banks and other major donors, including the [AfDB].

“Not only are the policies harmonized (as set out in the Guidelines), but those procedures reflected in standardized bidding documents are also largely harmonized.” — WB (2014)

To quantify the degree of contracting similarity in the context of the LMCP, we review more than 200 documents covering procurement guidelines, bidding documents, contracts, and technical specifications in use by Kenya Power (Table 7). Table 1 shows that more than two-thirds of sentences in the AfDB procurement regulations have a corresponding sentence in the WB document with which it has a Jaccard score greater than 0.8, meaning they are word-for-word almost identical (Subsection D.1 describes the methodology). The six individual sections have an overall Embedding similarity of 0.94. Most similar are sections describing procurement auctions and bidding documentation, which were used to select LMCP contractors and which were the target of much of the harmonization efforts in recent decades. Visual inspection of materials and specifications showed that these were almost indistinguishable (see for example the ready boards shown in Figure A2).

Our research also included dozens of qualitative interviews with staff at Kenya Power, the WB, and the AfDB, as well as independent construction contractors (Subsection E.1 provides a list of individuals consulted). The goal of these conversations was to identify the similarities and differences between contracting procedures across the two donors. The information provided across all these conversations was that the unbundling of contracts and presence of different monitoring activities were far and away the biggest difference between the donors, and that all other aspects of contracting were very similar as a result of the streamlining process described above. The key concern consistently raised by staff at Kenya Power was that—due to the person-hours that go into preparing a bid solicitation document, reviewing bids, and awarding contracts—the large number of WB-funded contracts would require significantly more work.

### 3.2 Key difference I: Contract bundling

For sites funded by the AfDB, Kenya Power used a bundled contracting approach often referred to in this context as ‘turn-key’ (sometimes referred to as ‘design-and-build’), which “provides for full

Table 1: Text Similarity Between World Bank and AfDB procurement regulations

Section	Number of sentences in AfDB (2012)	Number of sentences in WB (2014)	(1) Jaccard overlap	(2) Embedding similarity
I. Introduction	55	69	62%	0.90
II. International competitive bidding:				
- General	35	39	63%	0.87
- Bidding documents	108	110	71%	0.99
- Bid opening, evaluation, award of contract	66	67	76%	0.98
- Modified international competitive bidding	16	15	88%	0.98
III. Other methods of procurement	71	92	54%	0.91
Aggregate	351	392	67%	0.94

*Notes:* Results from a text analysis comparing sections of WB (2014) and AfDB (2012) procurement regulations. Column 1 reports the percentage of sentences in the AfDB procurement regulations that have at least one sentence in the WB regulations with Jaccard similarity greater than 0.8. Column 2 reports Embedding similarity scores, which allow differences in word choice and syntax. Subsection D.1 provides more detail on these methodologies.

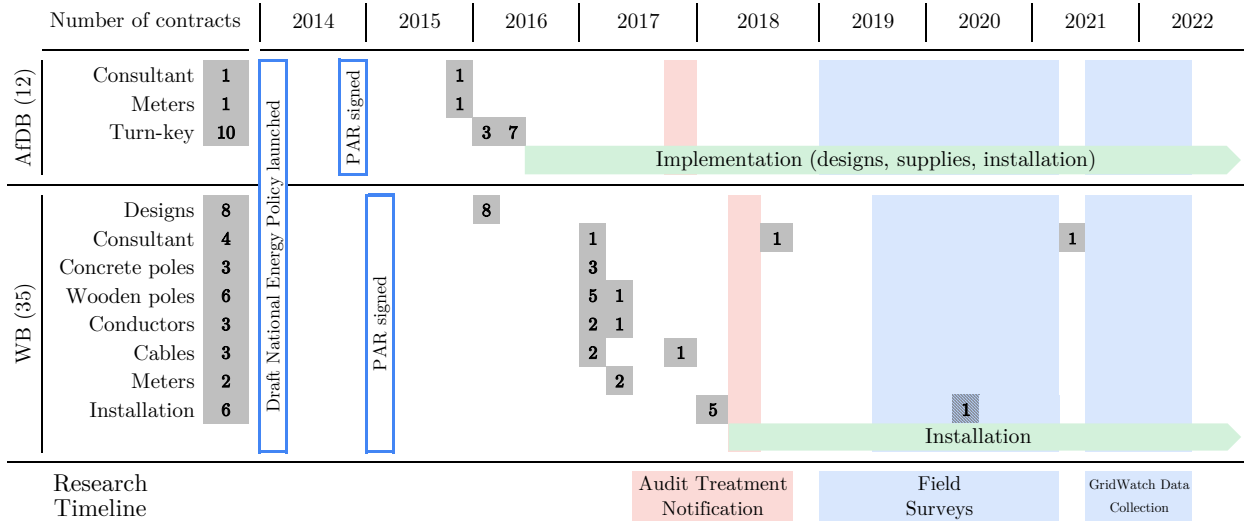
design, supply, erection and commissioning of the works by a single contractor at a fixed lump sum price” (AfDB, 2018). Kenya Power auctioned and awarded ten turn-key contracts, each of which comprised the entire construction process of all LMCP sites in one of ten geographical clusters of counties. This process included designing an extension of the LV network to reach unconnected households, procuring the necessary materials, and installing these materials. Along with a metering contract and a consulting contract, Kenya Power awarded 12 contracts funded by the AfDB.

For sites funded by the WB, Kenya Power used an unbundled contracting approach. Kenya Power first auctioned and awarded eight contracts for designs detailing the proposed LV network extensions across eight geographically clustered sets of sites. They then issued 15 contracts to procure materials: six for wooden poles, three for concrete poles, three for conductors, and three for cables. Finally, they issued six contracts for installation at all LMCP sites located in one of six geographic clusters of counties. Kenya Power also awarded two metering contracts and four consulting contracts, for a total of 35 contracts funded by the WB.

These procurement structures are not fixed by donor across all the projects or sectors they finance globally: the WB often finances bundled contracts, and vice versa. The AfDB and WB decisions to use bundled and unbundled contracting, respectively, for the LMCP were made independently ex ante at the task team level, informed by discussions with Kenya Power and the donors’ experiences in Kenya. WB (2020) states that the “selection of contract types and arrangements takes into account the nature, risk, and complexity of the procurement, and [Value for Money]”. AfDB (2018) similarly states that, “In complex cases, a ‘turnkey’ or ‘design-and-build’ approach may be more appropriate.” Neither funder specifies a strict rule on how this decision is to be taken, but in this case—fortunately for the analysis in this study—they reached different conclusions about the appropriateness of particular contracting approaches.

Figure 2 presents a timeline of contracting activities. The AfDB WB Project Appraisal Reports (PARs), which indicate the availability of financing, were signed within five months of each other—in

Figure 2: Dates of contract signing, construction, and research activities



Notes: Timeline of contracting and research activities. The Draft National Energy Policy (2014) spurred government discussions with the African Development Bank and the World Bank, which signed Project Appraisal Reports (PARs) in October 2014 and March 2015, respectively, signaling the official project launches. Sites that had been completed prior to the audit treatment notification in late 2017 were excluded from the RCT sample. Surveys were conducted after construction completion. The date of one consulting contract is unknown.

October 2014 and March 2015, respectively—and the projected end dates were within six months of each other—in December 2019 and June 2020, respectively (AfDB, 2014; WB, 2015). By mid-2016 Kenya Power had signed all 12 AfDB-funded contracts and the six WB-funded design contracts (Kenya Power, 2015b). However, the unbundled materials and installation contracts funded by the WB could only be processed once the designs had been completed, and as a result were only signed starting February and November 2017, respectively.

### 3.3 Key difference II: Monitoring and oversight

Oversight in the context of the LMCP can be split into four channels. While Kenya Power conducted similar monitoring across all sites for the first three channels, it conducted an additional round of inspections at sites funded by the WB as part of the fourth.

First, each donor required Kenya Power to conduct similar materials inspections. A team representing Kenya Power’s supply chain, operations, and LMCP departments visited contractors’ facilities to inspect materials.<sup>3</sup> The only difference here was that the WB required that each pole be physically marked such that they could be easily verified upon arrival at Kenya Power storage facilities. However, this does not appear to have had a large impact: according to Kenya Power staff, spot checks approved more than 99% of poles procured through both WB and AfDB contracts.

Second, Kenya Power directly monitored each contractor’s activities. Contractors submitted monthly progress reports to Kenya Power, and Kenya Power would combine and summarize these to share with funders. At least twice per year, each funder conducted a similar week-long ‘supervision

<sup>3</sup>These were conducted over Zoom during the COVID-19 pandemic period.

mission’ consisting of meetings with senior Kenya Power and Ministry of Energy officials in Nairobi and site visits in nearby regions, resulting in a ‘supervision mission report’.

Third, the AfDB and WB both required ‘no objection’ approvals at key stages to make sure Kenya Power processes matched the procedures set forth in the funders’ guidelines. Interviews with Kenya Power staff suggest that the WB’s checks were slightly more intensive, but that WB and AfDB checks largely achieved the same compliance goals.

While inspection procedures were largely similar along these first three aspects, procedures differed along the fourth aspect. Specifically, once construction at a site was complete, the consultant, the contractor, and a Kenya Power representative would conduct a joint, on-the-ground inspection of the site and sign a “Joint Measurement Certificate” (JMC) to certify that construction was complete and that the site could be handed over to Kenya Power for activation. However, WB and AfDB inspection procedures contained one notable difference. Prior to the inspection that would produce the JMC, WB procedures required the consultant to conduct an additional on-site inspection with the contractor (but without a Kenya Power representative) to produce an “Inspection Report” (IR), listing any observed construction issues or deviations. Comments from the IRs include, for example, “pole caps are poorly installed” and “the strut pole bolt is not secured with nut and washers,” often accompanied by a photograph. IRs were usually conducted ahead of the JMC, allowing contractors to fix remaining issues before the JMC visit.

The WB and the AfDB use standardized definitions for what behaviors constitute fraud and corruption and thus warrant sanctions. Debarment agreements across donors have formalized the practice of agencies recognizing debarments by other agencies. Under-performance can therefore lead to disqualification from contracts by other donors, in other sectors, and even in other countries. Independent audits can therefore be a meaningful threat for contractors, which we exploit in the randomized audits treatment discussed in [Subsection 4.2](#).

### **3.4 Selection of contractors and subcontractors**

Contracting differences could induce firms with certain characteristics to select into bidding on certain types of contracts. Speculatively, projects with more stringent requirements could attract firms with more efficient operations or better compliance teams. We view this as a mechanism through which procurement regulations aim to improve project outcomes: part of the goal of more stringent regulations is to disincentivize firms who are unable to meet those regulations from submitting bids.

Kenya Power awarded the 47 contracts to 41 unique contractors (as six contractors won two contracts). Other than a single metering contractor for the purposes of easing integration with Kenya Power’s technological systems, there was no overlap between bundled and unbundled contractors.

As is common under bundled contracting, turn-key contractors often procured designs, materials, and installation from subcontractors. There was partial overlap between the contractors awarded WB-funded supplies contracts and the subcontractors from which AfDB-funded turn-key contractors procured goods or services ([Subsection 7.5](#) describes this in further detail). While this overlap could have affected the timing or quality of procured supplies, this does not appear to have been a

meaningful issue in practice.<sup>4</sup> Reflecting the similarities in procurement procedures, the contractors winning WB-funded contracts and the subcontractors being approved for AfDB-funded contracts are similar in terms of country of origin, with around two-thirds being Kenyan, 10% Indian, and 10% Chinese, and the remainder from other countries (Figure A1).

## 4 Research Design

To estimate the causal impact of contracting structure on project outcomes, we exploit the quasi-random assignment of sites to being constructed through contracts funded by either WB or AfDB. Subsection 4.1 evaluates this assumption using balance tests, machine learning methods, and qualitative assessments. Subsection 4.2 presents a randomized audits scheme designed to estimate the impact of monitoring. Subsection 4.3 discusses how these two treatments might interact.

### 4.1 Quasi-random assignment of sites to donors

Each LMCP site was assigned to be constructed through contracts that were financed by either the WB or the AfDB. 265 of Kenya’s 290 electoral constituencies contain at least one LMCP site, of which 210 contain at least one AfDB-funded site and one WB-funded site.<sup>5</sup> While geographic clustering might have generated economies of scale by saving on coordination and transportation costs, qualitative interviews suggest each donor wanted to avoid perceptions of political bias that might result from funding work in some parts of the country and not others (project documentation does not mention any justification for this decision).

Of the 7,492 LMCP sites shown in Figure 1, 1,099 are located in the counties of Kakamega, Kericho, Kisumu, Nandi, and Vihiga, magnified in Figure 3, where we collected detailed on-the-ground assessments. These five counties comprise 36 constituencies, of which 35 have at least one WB-funded site and one AfDB-funded site. There does not appear to be spatial clustering by donor: 95% of WB-funded sites in this sample are located within 10 km of an AfDB-funded site (and vice versa). We randomly select 380 of these 1,099 sites as the study sample, stratifying selection by constituency and funder to improve statistical power.

If Kenya Power employees allocated sites to WB or AfDB funding on the basis of site characteristics that influence the quality or timeliness of construction, this could be a threat to identification. For example, this would be the case if sites were allocated to a specific funder to achieve faster construction or better quality in certain areas for electoral or economic reasons or personal favor.

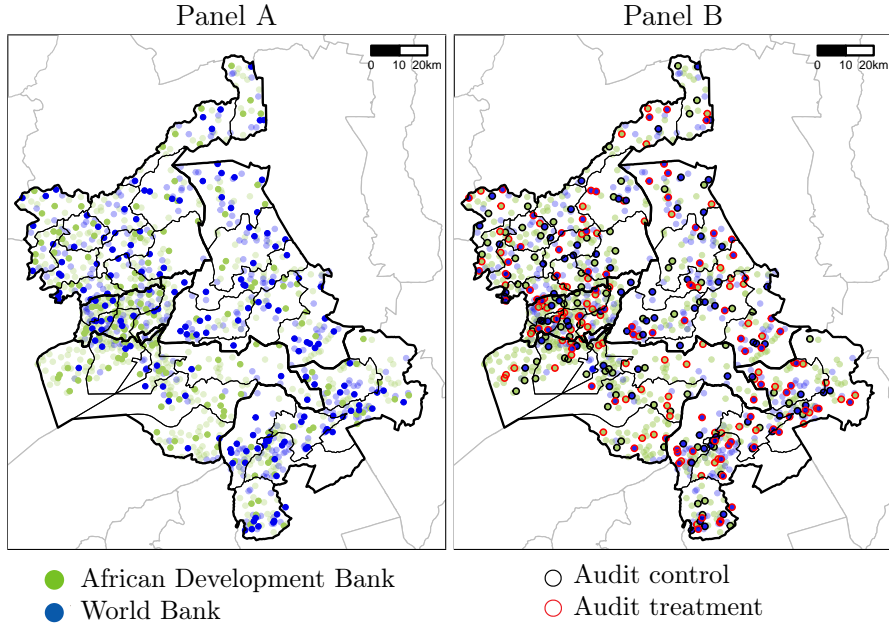
To address these concerns, we evaluate two related identification assumptions. First, we examine the assumption that the *nationwide* assignment of LMCP sites to construction contracts funded by either the WB or the AfDB was not systematically done in a way that correlates with site

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<sup>4</sup>For instance, if AfDB-funded contracts monopolized high-quality poles, this could in theory affect procurement for poles at WB-funded sites. However, securing supplies does not appear to have been a source of delay: if anything, in our conversations with contractors storage appears to have been more of a concern. Many of the plausible concerns here would go against our results.

<sup>5</sup>A constituency is a relatively small geographic unit with average population of approx. 185,000.

Figure 3: Sites by funding source and audit treatment status



Notes: Panel A enlarges the five counties bolded in Figure 1 and adds within-county constituency boundaries. There appears to be limited spatial clustering by donor. Dark (light) sites are (not) included in our sample. Panel B shows audit treatment and control sites circled in red and black, respectively. Uncircled sites are not in the RCT sample.

characteristics that influence the outcomes of interest. Second, we examine the assumption that sites *within the study sample* are balanced, such that any differences in the outcomes we measure can be attributed to the contracting structures rather than to any other underlying differences.

Across all methods, we find that the assignment of LMCP sites to be awarded contracts funded by either the WB or the AfDB was conducted in a way that appears arbitrary and uncorrelated with observable characteristics. The variables that would be most likely to have biased site selection by Kenya Power staff or members of parliament—such as electoral outcomes, ethnic composition, and economic activity—are not significantly different across sites. While some variables are statistically different across the two funders, these differences are economically small and we show below that these variables are weakly correlated with the outcomes of interest. Taken together, it seems unlikely that these differences meaningfully affected the main results.

#### 4.1.1 Site-level balance tests

Table 2 tests for site-level balance using three independent datasets. Columns (1) and (2) show that there is a 2–3% difference in road distance to the nearest town by financing source, but this difference is sufficiently small that it is unlikely to explain our results, and it does not persist within our study sample (Table A1). Any differences that we estimate therefore seem unlikely to result from this difference. Columns (3) and (4) of Table 2 show that sites are balanced by pre-LMCP nighttime radiance levels and by land gradient (see Figure 9 for pre-LMCP trends in nightlights).

There does not seem to be a consistent pattern in funder assignment by the transformer’s



Table 2: Geographic balance of World Bank- and African Development Bank-funded sites

	Road Distance		VIIRS Radiance	Land Gradient
	(1)	(2)	(3)	(4)
World Bank (=1)	1.58** (0.74)	0.63 (0.45)	-0.01 (0.02)	-0.00 (0.07)
Observations	6130	6130	337205	6131
Month FE	No	No	Yes	No
Constituency FE	Yes	Yes	Yes	Yes
AfDB Mean	54.07	34.58	.58	4.24
Outcome variable	Minutes	KM		

Notes: Balance across all sites (Table A1 shows only study sites). All regressions include constituency FE. Columns (1) and (2) estimate road distance from each site to the nearest ‘major town’ (WRI, 2007; HERE, 2022). Column (3) estimates monthly average site-level nighttime radiance from July 2012 through January 2017 measured using VIIRS averaged across the 600 meter radius with SE clustered by site (Elvidge et al., 2017). Figure 9 shows the time series at at study sites (Figure A4 shows the same nationwide). Column (4) estimates average site-level land gradient recorded using the 90-meter Shuttle Radar Topography Mission Global Digital Elevation Model. \*  $\leq 0.10$ , \*\*  $\leq .05$ , \*\*\*  $\leq .01$ .

nearby public facilities (Table A3). There is a correlation between land gradient and WB selection within our study sample (Table A1), but land gradient does not predict construction outcomes, and differences between WB- and AfDB-funded sites shown in the main results presented below are constant across the entire support of land gradient (Subsection 7.7). The magnitude of the correlation between land gradient and the outcomes of interest is sufficiently small that it would be unable to explain results of the magnitude that we find: an average difference of 0.6 of a degree is unlikely to strongly affect construction costs. Still, all site-level regressions include land gradient as a control.

#### 4.1.2 Ward-level balance tests

The fraction of sites in a ward that are funded by the WB is not correlated with most pre-LMCP ward-level socioeconomic characteristics, with electoral outcomes, or with ethnic composition (Table 8). Crucially, balance in electrification rates runs counter to the idea of initially targeting sites with higher economies of scale, while balance in presidential vote share runs counter to the targeting of politically favored regions. Some of the other coefficients are statistically significant but small in magnitude: for example, shifting from 0% of sites in a ward being WB-funded to 100% of sites in a ward being WB-funded is associated with 4% fewer people with high-quality roofs. A joint F-test cannot reject that the sites are the same along all these characteristics. The correlation between baseline socioeconomic and political characteristics and the assignment of sites to a specific funder appears modest and not related to the outcomes that we study.

Within the five study counties, there is some imbalance in 2009 electrification rates and ward land area (Table A4). The differences are small in magnitude—for example, going from 0% sites in a ward being WB funded to 100% of sites being WB funded is associated with 4 percentage points higher electrification rate in 2009. However, 2009 electrification rates do not appear to predict

construction outcomes or differences between WB-funded and AfDB-funded sites (Figure 10 and Figure A5).

### 4.1.3 Machine Learning assignment predictions

We supplement the standard site-level and ward-level balance tests with Least Absolute Shrinkage and Selection Operator (LASSO) and Decision Tree tests (Mullainathan and Spiess, 2017; Varian, 2014) to evaluate whether any of the variables we consider can predict assignment to WB or AfDB funding. We include a wide range of both ward and site level variables. Across all approaches, the out-of-sample  $R^2$  is consistently below 0.1, suggesting that a broad set of candidate variables cannot accurately predict assignment (Table A5). The classification accuracy rate of sites to funders is on average 63%: only slightly higher than 57%, which is what would result from simply assigning all sites to AfDB, since around 57% of sites in this sample are constructed through AfDB-funded contracts. The most predictive coefficients are baseline electricity access (in the LASSO method) and Kenyatta vote share in the 2013 presidential election (in both methods). However, the balance test discussed above detects no statistically significant differences along these dimensions (Table 8).

### 4.1.4 Qualitative descriptions

From June 2016 through July 2022, members of the research team met extensively with dozens of key Kenya Power personnel. This included the General Manager for Connectivity, who was responsible for all of Kenya Power’s new electricity connections, his key managing staff; two Project Managers who oversaw the nationwide LMCP; and senior managers responsible for the WB and AfDB contracting (Subsection E.1 describes a full list of qualitative interviews conducted). For both the WB and AfDB components, Kenya Power employed one full-time staff member to manage the contracting components and a handful of employees to oversee implementation. The staff who held these positions were all certified electrical engineers with similar skill and education levels, all holding at least a bachelor’s degree in electrical engineering. We also read direct correspondence between Kenya Power and dozens of members of parliament, consisting of hundreds of letters deciding which transformers each phase of the LMCP would include.

Throughout these activities, our explicit goal was to identify a methodology, reason, or process that Kenya Power had used to assign specific sites to be covered by either the WB contracts or the AfDB sites. We were consistently informed that the assignment process among the donors was ad hoc and did not follow any particular allocation rule. Given the overall mandate (to connect all households within 600 meters of a transformer), Kenya Power and the GoK did not appear to see any obvious strategic benefit in having a particular transformer funded by one donor or the other.

## 4.2 Randomized audits

To disentangle the impacts of unbundling and additional inspections, in collaboration with Kenya Power and the two funders we implemented a randomized audit treatment that closely mirrored

the Inspection Reports that Kenya Power completed at sites whose contracts were financed by the WB (described in [Subsection 3.3](#)). Similar to those inspections, contractors were informed prior to construction that these audits would take place. During in-person meetings set up for this purpose, senior Kenyan research personnel notified contractors that an independent, international team of engineers would audit specific sites once construction was complete. They provided a written notice to this effect, signed by senior management at Kenya Power, the WB, and the AfDB ([Figure 11](#)), and attached a list of sites in their contract region that would be audited. Unbeknownst to the contractor, the list of sites that they were told would be audited was a randomly selected subset of the full set of sites where our research team conducted endline engineering surveys. Of the 380 study sites, we randomly assigned 190 to treatment and 190 to control, stratifying by constituency and funder. [Figure 2](#) displays the timeline for audit treatment notification and engineering surveys. Panel B of [Figure 3](#) maps treatment and funder assignments. After construction at a site was completed, enumerators hired by the research team visited each site to inspect the electricity network according to specifications we developed in collaboration with retired government engineers.

In communications with officials, the WB indicated they would take contractor-level outcomes at both WB- and AfDB-funded sites into account in future contracting. This setup can therefore be thought of as a repeated game environment where there are real consequences to contractor performance: many contractors depend on their ongoing relationships with international donors.

It is possible that some contractors (correctly) believed that control sites might also be audited. Such spillovers are likely small: on average, only 7.6% of a contractor’s sites were audited.<sup>6</sup>

### 4.3 Treatment interactions

The interaction of experimental and natural policy variation allows us to empirically investigate how unbundling and monitoring may interact. Comparing AfDB-funded sites in the audit control with AfDB-funded sites in the audit treatment allows us to directly estimate the effect of additional monitoring in a setting with low baseline monitoring and bundled contracting. Comparing WB-funded sites in the audit control with WB-funded sites in the audit treatment allows us to estimate the effect of enhanced monitoring in a setting with (already) high monitoring and unbundled contracting. To evaluate this, we use the following regression specification:

$$y_i = \beta_0 + \beta_1 \text{WB}_i + \beta_2 \text{Treat}_i \cdot \text{WB}_i + \beta_3 \text{Treat}_i \cdot \text{AfDB}_i + \mathbf{\Gamma}_i + \epsilon_i, \quad (1)$$

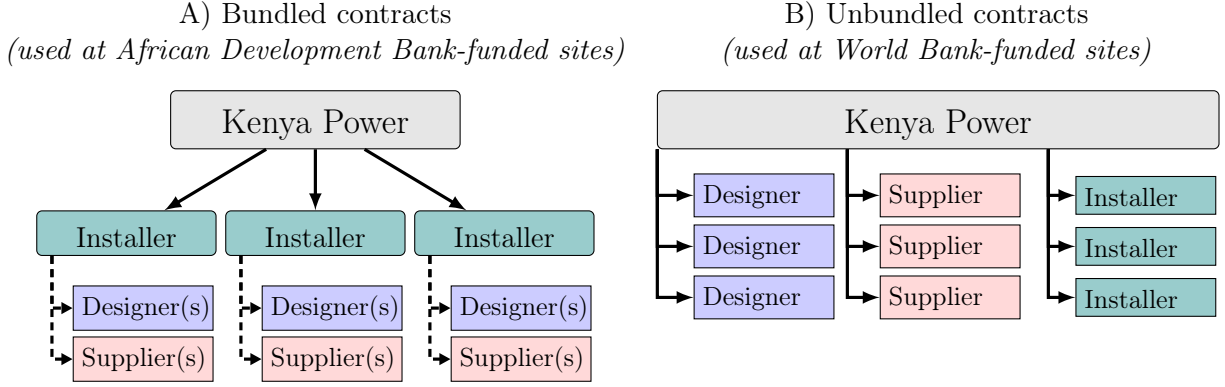
where  $\text{WB}_i$  and  $\text{AfDB}_i$  indicate whether site  $i$  is WB-funded or AfDB-funded.  $\beta_1$  measures the impact of WB procedures among audit control sites.  $\text{Treat}_i$  indicates whether the site is an audit treatment site, such that  $\beta_2$  and  $\beta_3$  allow us to estimate the impact of enhanced monitoring among WB- and AfDB-funded sites, respectively.  $\mathbf{\Gamma}_i$  is a vector of fixed effects (including constituency fixed effects) which vary somewhat across specifications as discussed below and in the table notes. Standard errors are clustered by site in all regressions except those run at the site level.

The interaction term approximates the impact of unbundling per se. If the monitoring at WB-

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<sup>6</sup>Treatment effects do not vary meaningfully by what share of a contractor’s sites were audited ([Table A23](#)).

Figure 4: Bundled and unbundled contracting structures



Notes: Schematic of the two types of contracting methods used for the Last Mile Connectivity Project. In the bundled method (Panel A), the principal contracts with installers who procure designs and supplies. In the unbundled method (Panel B), the principal procures components directly. Solid lines represent contracts issued by the principal. Dashed lines represent subcontracts issued by an installer. In the study setting, the principal (Kenya Power) used a bundled structure at African Development Bank sites (awarding 10 bundled contracts plus 2 for consulting and meters) and an unbundled structure at World Bank sites (awarding 29 unbundled contracts for designs, supplies, and installation, plus 6 for consulting and meters).

funded sites had the same impacts as our experimental monitoring, the effect of the WB’s unbundled contracting can be recovered by subtracting the audit treatment effect among AfDB-funded sites from the aggregate WB versus AfDB difference among audit control sites (i.e.,  $\beta_1 - \beta_3$  in the regression below). However, we interpret this calculation with some caution, as there are modest differences between the inspections Kenya Power implemented at WB-funded sites and the audits our research team conducted (Subsection 7.4 discusses this more).

## 5 Framework for contract (un)bundling and monitoring

We lay out a framework that highlights the key conceptual issues and potential trade-offs inherent in the LMCP setting, where contracts can be either bundled or unbundled, and where a principal can choose to exert either low or high levels of monitoring (results are derived formally in Appendix C). Consider a principal who has a project that it wants to contract out to one or more firms. The project consists of three components: design, obtaining supplies, and installation. Figure 4 shows this framework in our context. ‘Bundling’ is the case where the principal only awards installation contracts, and installers are responsible for procuring designs and supplies through subcontracts (Panel A). ‘Unbundling’ is the case where each contract contains only one component (Panel B).

Unbundling could affect outcomes in numerous ways. For example, under unbundling, designs must be fully specified to enable procurement of appropriate supplies. Such full specification may be inefficient, as contractors may benefit from having some discretion: under bundling, installers can adjust designs and supplies if unforeseen issues arise. Bundling also avoids the double mark-up problem, though at the same time it may reduce competition if entry requirements are set higher for larger contracts (such as those under the bundling approach). In some contexts, the contractor operates the infrastructure for a fixed period prior to transferring ownership back to the principal,

which brings additional considerations (not relevant here since all sites were handed over to Kenya Power for operation upon completion). In other cases a principal can choose to conduct activities in-house rather than contracting them out.

The framework provides two intuitive implications. The first is that, compared with bundled contracts that receive low monitoring, unbundled contracts that receive high monitoring unambiguously result in higher type firms and higher effort, which generate higher project quality, incur more delays, and increase the cost of the minimum bid.<sup>7</sup>

A second implication is that, conditional on being accompanied by high monitoring, bundled contracting will unambiguously incur fewer delays than unbundled contracting while still attaining similar quality. The intuition for this is straightforward. In the absence of high monitoring, bundled contractors choose cost-minimizing design and materials firms. However, when faced with high monitoring, bundled contractors have an incentive to select design and materials firms of minimal quality to minimize costs (and use their private information and discretion to do so). Meanwhile, under high monitoring, unbundled contractors with the cost-minimizing firm type and effort for the given quality threshold will offer the cheapest bids. The bundled and unbundled auctions would thus both select optimal firm types and incentivize optimal effort levels for all three components, resulting in identical project quality despite the additional delays caused by unbundling. Put differently, the effect of high monitoring is so much greater under bundled contracts that it compensates for the fact that bundling generates worse outcomes under low monitoring.

This paper uses natural policy variation to empirically study the first implication. To study the second implication, we implement a randomized monitoring intervention (stratifying across the policy variation induced by the different donors) that allows us to observe bundled contracts in a high monitoring setting. More broadly, this framework can be used to evaluate alternative incentive structures that we do not observe in our setting. For example, a principal might consider only monitoring after project completion. According to the framework, unbundling would generate worse quality than bundling in this case (in addition to incurring higher administrative costs) because it would not incentivize the design or supply firms to exert effort.

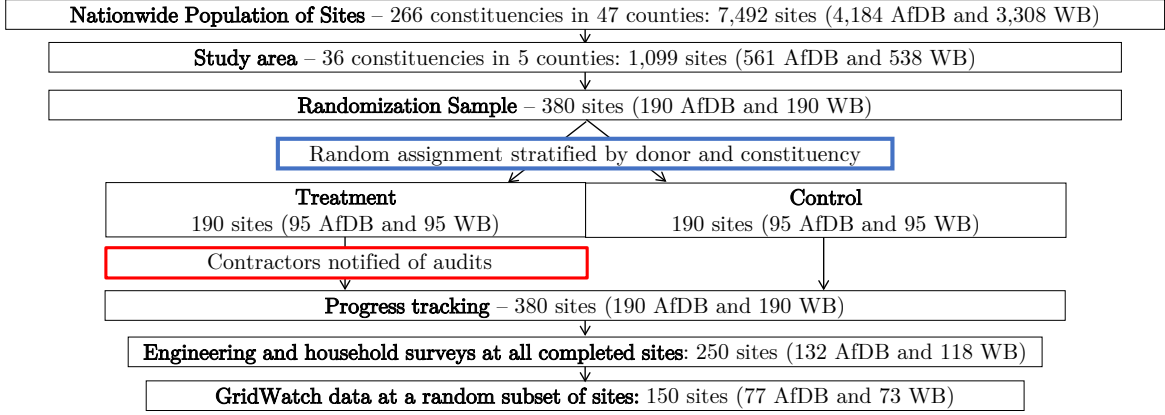
## 6 Data

Figure 5 provides an overview of the study samples. Enumerators employed by the research team conducted repeated short phone or in-person surveys with village representatives at all 380 sites in the study sample to track construction progress, yielding a site-level panel dataset of construction progress. Reassuringly, nighttime radiance increases in the 12 months after household electricity metering (Figure A6), but not after the start of construction and stringing alone.

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<sup>7</sup>High monitoring incentivizes effort since firms will not get paid if they do not meet the quality threshold. It also allows the principal to identify firms at the quality threshold because they will have the cheapest bids. The more direct effect of unbundling (allowing the principal to directly constrain design and materials firms to only those that meet the eligibility threshold) becomes obsolete when unbundling is combined with high monitoring, as lower type firms would have to expend significant effort to compensate for their low types and thus will not have the lowest bid.

Figure 5: Project design



Notes: Sample selection and randomization, starting with the nationwide sample of sites selected for the Last Mile Connectivity Project by funding source (African Development Bank or World Bank). We randomly select 380 out of the 1,099 sites located in the five study counties, randomly assign each to control or treatment, and complete engineering assessments and household surveys at all 250 sites where there had been meaningful construction by the end of surveying activities in mid 2021. Construction progress was tracked at the remaining sites through mid 2022.

We conduct on-the-ground engineering assessments and socioeconomic surveys at all 250 sites where construction had made significant progress by the end of the main field activities in May 2021. There are nearly equal numbers of surveyed sites funded by both donors: 47% of the surveyed sites are WB-funded sites and 53% are AfDB-funded sites. Construction had not been completed—and usually not even begun—in the remaining 130 sites, limiting surveying activities there to the short progress assessments. We aimed to conduct the field surveys between six to twelve months after construction was reported to have begun at a site.

The engineering surveys conducted at these 250 sites were developed in collaboration with recently retired Rural Electrification Authority engineers with expertise on the technical specifications of Kenya’s electricity grid. In the initial infrastructure census, enumerators recorded the locations of all poles in the low-voltage network, as well as their connectivity, up to 700 meters from the central transformer. Only households within 600 meters of the transformer were eligible for an LMCP connection. The 700 meter radius allows us to test whether construction was completed beyond the eligible region, for example in exchange for informal side payments from households. [Figure 6](#) displays network data recorded at an example site.

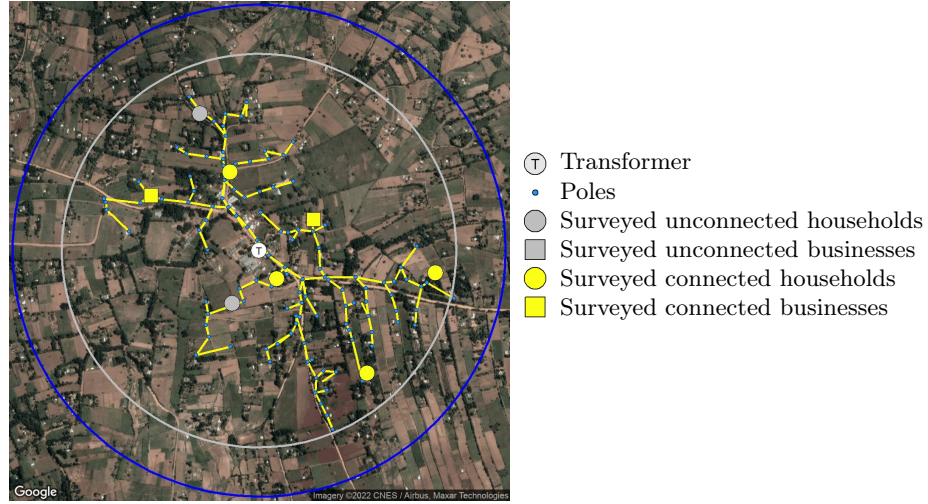
Enumerators then recorded characteristics of every pole and the conductors that connect them, focusing on outcomes most likely to affect grid quality and longevity. Overall construction quality is mixed in the study sample. About a quarter of surveyed poles had a large crack, and 47% of poles were missing a cap ([Table A6](#)). At least one fuse was missing or had been bypassed in around a quarter of transformers surveyed: this could reduce transformer longevity as it is exposed to high-current events.<sup>8</sup>

After the infrastructure census, enumerators invited a random subset of connected and uncon-

<sup>8</sup>26 of the 250 sites were located within 1,200 meters of each other ([Figure A8](#) shows an example). Robustness checks show that the results reported below hold when dropping these sites ([Subsection 7.7](#)).



Figure 6: Infrastructure data collected (example site)



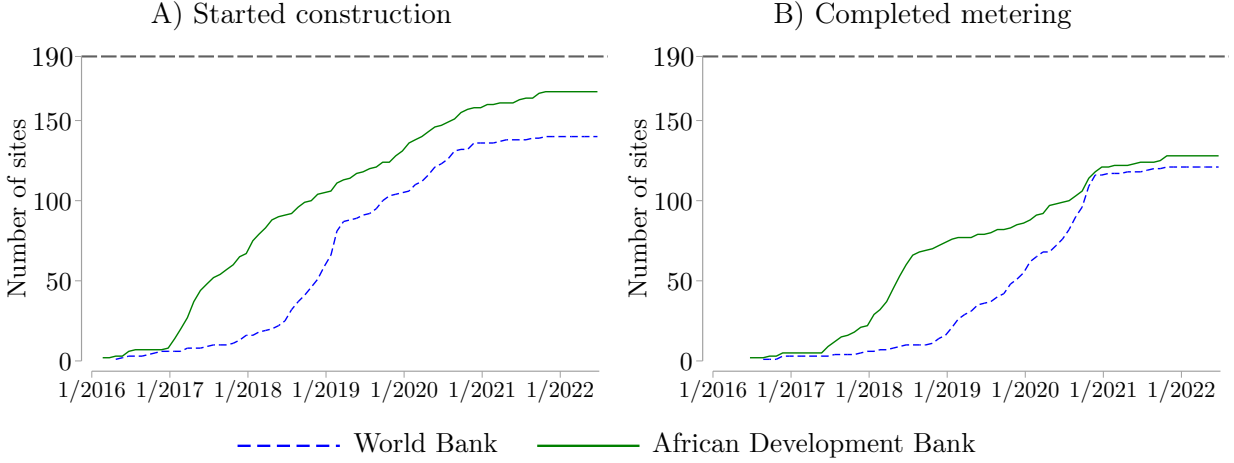
Notes: Construction data collected at an example site (Figure A7 shows additional examples). The grey (blue) line denotes 600 (700) meters from the transformer. The engineering surveys record the locations of poles (blue dots), conductors (yellow lines), and infrastructure quality. At each site, between 4 to 9 connected and unconnected residential compounds and firms were randomly selected to participate in the socioeconomic survey and to receive GridWatch devices to measure power quality: these are marked with yellow and gray circles and squares. (Note that random spatial noise has been added to preserve respondent anonymity here.)

nected compounds and firms to complete a socioeconomic survey about the construction process and their electricity connection quality and usage. The survey also asked about manual labor: anecdotally, households are occasionally asked to contribute manual labor to construction, for example, by digging their own holes for distribution poles, even though this is strictly against Kenya Power policy. Informal field observations indicate that Kenya Power occasionally installs multiple meters within a single home compound, overstating the total number of households that are connected nationwide (perhaps in order to create inflated public perceptions of program progress). To disentangle this phenomenon from compound residents' genuine preference for having multiple electricity meters (for instance, if multiple separate households shared a residential compound), the survey asked not just how many meters were installed but also how many they had requested.

Improved construction quality could reduce power outages and increase reliability, which could have tangible benefits for household well-being and firm performance. To measure reliability and voltage we deployed the GridWatch technology (Klugman et al., 2021; Klugman et al., 2019) with a subset of surveyed households and firms. GridWatch measures minute-by-minute power state and voltage and can be installed by plugging a PowerWatch device (Figure A9) into a power outlet. We aggregate these high-frequency measurements to an hourly measure of average voltage and a daily measure of hours of electricity. We collected these data across 150 sites for two months each, staggered between June 2021 and June 2022, deploying four PowerWatch devices per site at a time.<sup>9</sup>

<sup>9</sup>The sample was reduced from 250 to 150 sites due to logistical challenges associated with the COVID-19 pandemic.

Figure 7: Construction progress by funding source



Notes: Data for 190 African Development Bank sites and 190 World Bank sites collected through phone surveys with village representatives. [Figure A10](#) displays progress for pole installation and stringing. [Figure A11](#) graphically presents results by audit treatment status.

## 7 Results

[Subsection 7.1](#) first documents patterns in construction delays. [Subsection 7.2](#) then analyzes the quantity of construction. The next two subsections examine the quality of construction: [Subsection 7.3](#) examines power outages and voltage quality, and [Subsection 7.4](#) presents results that use the on-the-ground household and engineering assessments.

We identify three overall results. First, construction completion delays are significant at WB-funded sites, and are more modest but still meaningful at audit treatment sites. Second, WB-funded sites see a considerably higher quality of construction. Third, audit treatments improve the quality of construction along some dimensions at AfDB-funded sites but not at the WB-funded sites.

### 7.1 Construction timing and site completion

Of the 380 LMCP sites tracked by the survey team, 250 saw significant pole construction by the end of field surveying in May 2021. Construction varies significantly by funder: 70% of AfDB-funded sites saw construction whereas only 62% of WB-funded sites did, and this difference remains significant even when including constituency fixed effects. Sites with higher baseline nighttime radiance or with a higher land gradient were less likely to be completed ([Table A7](#)). While [Table 2](#) indicated that WB-funded sites are on average steeper, the primary outcome regressions presented below control for land gradient so these differences do not appear to be driving the findings.

Even conditional on completion, construction progress at WB-funded sites lagged significantly behind AfDB-funded sites. Panel A of [Figure 7](#) shows that the lag stems from the initial delay in starting construction, likely driven by the ex ante administrative burden involved with contract unbundling. Construction at WB-funded sites started on average 10.2 months later than at AfDB-funded sites ([Table 9](#)): in mid-2018, as construction at WB-funded sites was just beginning, AfDB-

funded sites reached 50% metering completion.<sup>10</sup> However, once construction started, it proceeded more quickly at WB- than at AfDB-funded sites, possibly because by that time all designs had been completed and materials supplied. The delay in stringing completion is therefore slightly less, at 9.5 months. However, the delay is then again exacerbated at the final household metering stage, at which the average lag is 16 months. Recall that the AfDB teams did not always inspect whether meters were functioning prior to issuing a JMC (as discussed in [Subsection 3.3](#)). The more stringent WB inspection reports, which happened between stringing completion and metering activation, may explain why the delays were exacerbated at this final stage. Finally, all sites lagged significantly behind the initial contracting timelines: project appraisal documents for both AfDB-funded and WB-funded sites originally planned for construction to be completed by early 2019. As seen in [Figure 7](#), lagged progress at WB-funded sites was apparent even before March 2020, suggesting that COVID-related disruptions played little part in creating these differences between AfDB and WB funded sites.

The audit treatment caused some delays, but these are substantially smaller than the average delay at WB-funded sites: metering is completed on average 4.7 months later at audit treatment sites than at audit control sites. To isolate the impact of the unbundling directly, we estimate the impact of WB contracting and subtract the audit treatment effect ( $\beta_1 - \beta_3$ ). This analysis indicates that unbundling per se caused a delay of 11 months ( $p\text{-val} < 0.001$ ; [Table 9](#) presents the full regression results).

## 7.2 Quantity of construction

Household metering had been completed at 71% of both AfDB and WB-funded sites at the end of survey data collection in July 2022, more than five years after the start of contracting. At that point, a key remaining difference by funder was that construction had been only partially completed at 24% of AfDB-funded sites where construction had started, compared with only 14% of equivalent WB-funded sites. The large share of partially completed public projects in contexts with limited resources and administrative capacity is in line with previous evidence from low- and middle-income countries (Williams, [2017](#); Rasul and Rogger, [2018](#)). If these sites are not eventually completed, it would signify that a substantial share of project spending was wasted on non-functional construction, with a substantially higher share in AfDB-funded sites.

Household access to electricity requires the construction of poles to carry electricity throughout the LV network, as well as customer connection cables to connect households to these LV wires. [Table 3](#) shows that WB-funded sites saw fewer poles and fewer customer connections (the equivalent regression coefficients from [Equation 1](#) are marked  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$ ). There are on average 99 poles at AfDB-funded sites and 88 poles at WB-funded sites ( $p\text{-val} = 0.055$ ), and on average 76 new LMCP customer connections at AfDB-funded sites and 61 at WB-funded sites ( $p\text{-val} = 0.041$ ). There are several potential explanations for these differences, but one likely explanation is that installers at

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<sup>10</sup>The timeline in our study counties is thus in line with Kenya Power’s own nationwide progress metrics, which reported that 49% of the AfDB household connections targeted had been achieved by mid-2018 (Kenya Power, [2018a](#)).

Table 3: Connections and poles installed per site

	Entire site				Outside 600 meter boundary			
	Poles		Connections		Poles		Connections	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\beta_1$ : World Bank (=1)	-11.9** (5.9)	-2.2 (10.1)	-12.8** (6.2)	-19.3* (10.7)	-2.2*** (0.7)	-1.1 (1.1)	-1.4*** (0.5)	-0.9 (0.9)
Treatment (=1)	6.3 (5.8)		4.9 (6.1)		-0.0 (0.6)		-0.1 (0.5)	
$\beta_2$ : Treatment (WB sites)		-3.3 (8.5)		6.8 (9.0)		-0.7 (0.9)		-0.6 (0.7)
$\beta_3$ : Treatment (AfDB sites)		16.3* (8.3)		2.8 (8.8)		0.8 (0.9)		0.6 (0.7)
Observations	250	250	250	250	244	244	244	244
Control Mean	92.26	92.26	72.25	72.25	3.65	3.65	2.85	2.85
F-test $\beta_2 = \beta_3$ (p-val)		0.10		0.75		0.24		0.24

Notes:  $\beta_1, \beta_2$ , and  $\beta_3$  are estimated as per Equation 1. All regressions include constituency fixed effects. Standard errors shown in parentheses. The sample size in columns 5–8 is slightly lower due to field logistical complications. We calculate the quantities of poles and connections at these sites using the engineering survey, but since we do not have their GPS coordinates, we exclude them from columns 5–8. \*  $\leq 0.10$ , \*\*  $\leq .05$ , \*\*\*  $\leq .01$ .

WB-funded sites might have been constrained by the quantity of materials that had earlier been purchased through the separate supply contracts, whereas bundled contractors (at AfDB-funded sites) could procure additional materials as needed during the installation phase.

Column (2) of Table 3 shows that the audit treatment increased the number of poles constructed at AfDB-funded sites but not at WB-funded sites. This indicates that unbundling contracts and monitoring may be substitutes, for example because bundled contractors (at AfDB-funded sites) had more discretion in changing site designs or supplies in response to the audit treatment, whereas installers at WB-funded sites were constrained by their assigned designs and previously procured supplies. Alternatively, the audit treatment may have had a limited impact at WB-funded sites due to the diminishing impact of enhanced inspections, above and beyond the additional inspections that Kenya Power had already carried out.

Columns (5) through (8) indicate that there was some construction between 600 to 700 meters from the transformer, despite the official guidelines indicating that construction was supposed to have extended only up to 600 meters. WB-funded sites saw significantly less construction outside the boundary, possibly due to more stringent adherence to official LMCP rules. This could be viewed as a positive outcome (especially if some of these connections are made in exchange for bribes), but does contribute to fewer connections per site. That said, the household survey data indicate similar rates of requests for informal side payments—at approximately 8%—for households and firms inside versus outside the 600 meter boundary. Voltage decreases with distance from the transformer, as expected, but this decrease is not correlated with the funder (Subsection D.3).

We estimate  $\beta_1 - \beta_3$ , the impact of WB contracting minus the additional audit treatment, to isolate the impact of contract unbundling directly, as distinct from the WB’s enhanced monitoring activities. Using this method, unbundling decreased the number of poles by 18.5 ( $p\text{-val} = 0.06$ ) and

the number of connections by 22 ( $p\text{-val} = 0.04$ ). We interpret these numbers with some caution, as the inspection reports that Kenya Power completed at WB-funded sites differed from the audit treatment in some nuanced but important ways (as we discuss in [Subsection 7.4](#) below), and thus they may not be fully equivalent.

Despite the LMCP mandate to connect all households and firms within 600 meters of the transformer, 10% of households in each village where construction was completed did not have a physical electricity connection.<sup>11</sup> Several factors likely contributed to this. Among both WB- and AfDB-funded sites, 30% of unconnected households noted that they were absent on the day on which Kenya Power enrolled households or when construction happened. 22% of households who did not get connected reported the key barrier as up-front costs: 16% name internal wiring costs and 9% of connected households report having been asked to pay a bribe. This is noteworthy because, according to LMCP media information campaigns during this period, there was not supposed to be any up-front cost (Kenya Power, 2016b): ready boards were supposed to have been made available to households who were unable to pay the upfront wiring costs, and of course bribes are illegal.

### 7.3 Power outages and voltage quality

The GridWatch devices recorded an average of 61 minutes of power outage per day, a substantial amount by any standard. Users also experience poor voltage quality: Kenya’s nominal voltage is 240V, but voltage in the audit control group is on average only 233V. This gap could affect day-to-day appliance use and damage appliances in the long run.

[Table 4](#) indicates that WB procedures did not cause statistically or economically meaningful reductions in power outages or improvements in voltage quality over the time period studied. The results are similar when estimating daily or monthly coefficients ([Figure A12](#)).

The audit treatment had no measurable impacts on power outages or voltage at WB-funded sites (although point estimates are positive). However, audits had a statistically and economically meaningful effect on voltage quality at AfDB-funded sites: those that received the audit treatment experienced average voltage of 238V, significantly closer to nominal voltage of 240V than the control mean of 233V. While we cannot reject  $\beta_2 = \beta_3$ , taking this suggestive evidence together with the results in [Subsection 7.2](#) (and with the results on engineering and socioeconomic outcomes discussed below) points to the substitutability of contract unbundling and enhanced monitoring in this context.

### 7.4 Engineering assessment and survey results

While the data just presented showed that WB procedures had no detectable impact on electricity quality, they appear to have improved construction quality in ways that could generate long-term benefits. [Table 5](#) presents results using primary outcome indices pre-specified in the pre-analysis plan (Berkouwer et al., 2019). Outcomes 1–3 use site-level observations (largely from the engineering

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<sup>11</sup>Furthermore, approximately 13% of households with a physical electricity connection had never seen electricity actually flow through this connection.

Table 4: Donor and audit impacts on power and voltage

	Hours of power		Average voltage	
	(1)	(2)	(3)	(4)
World Bank (=1)	-0.19 (0.21)	-0.31 (0.22)	1.72 (2.34)	2.86 (2.72)
Treatment for WB Sites	-0.00 (0.24)	0.33* (0.17)	3.46 (2.22)	1.40 (1.77)
Treatment for AfDB Sites	-0.15 (0.18)	0.10 (0.18)	4.35** (2.01)	4.95* (2.59)
Observations	9906	9906	654541	645655
Fixed effects	No	Yes	No	Yes
Control Mean	23.10	23.10	232.63	232.63
F-test $\beta_2 = \beta_3$ (p-val)	0.63	0.42	0.77	0.25

Notes: Columns (1) and (2) display daily hours of power per site. Columns (3) and (4) display hourly voltage per respondent (some observations are dropped in Column (4) in cases where there is only one observation in a fixed effects cell). Nominal voltage in Kenya is 240V. Column (2) contains week of sample by constituency fixed effects (interacted) and Column (4) contains day of sample by hour of day by constituency fixed effects (all interacted).  $\beta_1, \beta_2$ , and  $\beta_3$  are estimated as per Equation 1. Power quality is measured using GridWatch devices. \*  $\leq 0.10$ , \*\*  $\leq .05$ , \*\*\*  $\leq .01$ .

assessments) while outcomes 4–8 use respondent-level observations (largely from the household and firm surveys). All indices are standardized to have a mean of zero and a standard deviation of one.

In one of the central results of this study, Column (1) of Table 5 ( $\beta_1$ ) shows that overall construction quality (Outcome 1) was on average 0.64 standard deviations higher at WB-funded sites. This is driven by increased presence of pole caps, struts, and stays on poles at WB-funded sites (Table A9): recall that these are the technical components emphasized in the WB inspection reports. While Subsection 7.3 shows that these features apparently had limited impacts on power quality over the five years we observe, they can reasonably be expected to increase the lifetime of the poles—and thus the entire local LV network—over the longer term. Engineering research suggests that capped poles generally experience inner-pole moisture levels between 8–20% whereas uncapped poles experience levels between 30–80%, well above the threshold of 28–30% “considered necessary for fungal attack” (UPRC 2018).

Columns (2) and (3) of Table 5 estimate the audit treatment effect among WB- and AfDB-funded sites, respectively ( $\beta_2$  and  $\beta_3$ ). The estimate in Column (3) corresponds to the impact of enhanced monitoring among sites with bundled contracts. Additional audits did not affect outcomes at WB-funded sites. However, they did increase household installation quality among AfDB-funded sites (Outcome 4), driven by earlier meter activation and higher likelihood of having a working meter (Table A11). This substitutability is in line with the extensive margin effects discussed in Subsection 7.2 and the positive impact on voltage quality result presented in Section 6. The improvements in voltage quality and household installation quality likely contributed to the increase in household electricity access and usage estimated here (Outcome 8; Table A15). Outcomes 5, 6, and 7 (household cost and experience; reliability and safety; and knowledge) show little difference across WB- and AfDB-funded sites or due to the audit treatment (Table A12, Table A13, Table A14).

To isolate the impact of contract unbundling, we estimate the impact of WB contracting minus



Table 5: Primary engineering and socioeconomic outcomes

	(1) WB Effect Estimate ( $\beta_1$ )	(2) Audit Treatment Effect, WB Sites ( $\beta_2$ )	(3) Audit Treatment Effect, AfDB Sites ( $\beta_3$ )	(4) N
Outcome 1: Construction quality index	0.64*** (0.21)	0.10 (0.20)	-0.03 (0.18)	250
Outcome 2: Network size and configuration index	-0.04 (0.16)	0.19 (0.16)	-0.08 (0.18)	244
Outcome 3: Construction timing index	-0.90*** (0.17)	-0.07 (0.16)	-0.29* (0.17)	250
Outcome 4: Household installation quality index	0.05 (0.12)	0.02 (0.11)	0.23* (0.12)	944
Outcome 5: Household cost, experience, bribery index	0.13 (0.12)	0.05 (0.11)	0.11 (0.10)	944
Outcome 6: Reliability and safety index	-0.11 (0.13)	0.03 (0.14)	-0.01 (0.11)	944
Outcome 7: Knowledge index	0.14 (0.10)	-0.00 (0.09)	0.07 (0.10)	944
Outcome 8: Electricity Usage index	0.12 (0.13)	0.11 (0.10)	0.28** (0.13)	944

Notes: Each row presents coefficient estimates from a separate regression. Outcome variables are indices constructed from groups of variables standardized to have mean 0 and standard deviation 1.  $\beta_1, \beta_2$ , and  $\beta_3$  are estimated as per Equation 1. Column (1) displays the impact of World Bank (WB) funding relative to African Development Bank (AfDB) funding. Columns (2) and (3) display the audit treatment effect among WB- and AfDB-funded sites, respectively. In rows 1–3, observations are sites. In rows 4–8, observations are occupants of connected compounds. All regressions control for site land gradient and public facility type (given some baseline imbalance along these dimensions) and include constituency fixed effects. Standard errors are clustered by site and shown in parentheses. Table 10 reports the version with interaction terms. \*  $\leq 0.10$ , \*\*  $\leq .05$ , \*\*\*  $\leq .01$ . The sub-components for each index are presented in Table A9 through Table A15. Table A16 through Table A18 present results on additional secondary outcomes specified in the pre-analysis plan (Berkouwer et al., 2019).

the audit treatment effect ( $\beta_1 - \beta_3$ ). This yields an increase of 0.67 standard deviations ( $p\text{-val} = 0.001$ ) on the construction quality index and a  $-0.61$  effect ( $p\text{-val} < 0.001$ ) on the timing index. This suggests that unbundling contracts has substantial impacts on multiple important project outcomes.

The fact that the audit treatment differed somewhat from the WB inspection reports does not appear to drive these results. First, the audit treatment was delivered after contracts had been awarded, while contractors would have known about the inspection reports before bidding—unlike the inspection reports, the audit treatment therefore could not have operated through a selection effect. In practice, however, the contractors and subcontractors responsible for WB and AfDB funded sites are largely similar on observables (Subsection 7.5). Second, the inspection reports investigated more technical components of LV network construction (such as pole quality) whereas the audit treatment also emphasized the quality of household connections. This could explain why WB procedures affected core engineering components (Outcome 1) whereas the audit treatment at AfDB-funded sites primarily improved household installation quality (Outcomes 4 and 8), and why WB procedures did not have an impact on voltage quality while the audit treatment did improve voltage quality at AfDB-funded sites (Subsection 7.3), however is unlikely to have affected the

relevant interactions.

In some contexts, bundling might incentivize excessively frugal designs so that the installing firm can save on supply and installation costs. In our context, this would show up as a lower number of poles in the designs. We do not find evidence of this in the aggregate (Outcome 2 of [Table 5](#)) or looking at specific design features individually ([Table A10](#)).

## 7.5 Selection of firms

One channel through which unbundling may have operated is through the selection of higher-type firms. The selection process for subcontractors by installers featured significantly less oversight than Kenya Power’s official auctions. We investigate whether these distinct mechanisms led to differences in provider selection. Twenty-one companies were directly awarded at least one unbundled supplier contract and 29 companies were listed as a subcontractor for an AfDB-funded installer.<sup>12</sup> In addition to the winning bids, 185 competing bids for WB-funded supplier contracts were considered eligible. We focus on poles, cables, and conductors, which were procured through competitive auctions for unbundled WB-funded contracts but subcontracted out by AfDB-funded installers.

Firm types do not appear to differ substantially across the two contracting structures, at least along basic characteristics; of course, we cannot directly measure underlying firm quality, the theoretically relevant quantity. First, there is considerable direct overlap in the firms themselves: seven of 21 WB-funded contractors were also selected as subcontractors by AfDB-funded installers, and over half of the AfDB-funded subcontractors (15 out of the 29) appear on the bidder list, indicating that many firms actively sought to be funded by both donors. Second, while there is limited information available about these design and supply firms, the providers selected under AfDB and WB regulations appear to be similar along several observed dimensions. Approximately two-thirds of (sub)contractors were from Kenya, 10% were from China, and 10% were from India ([Figure A1](#)), and these proportions are similar for those awarded contracts with either WB or AfDB. 48% of WB contractors and 22% of AfDB subcontractors had also been awarded at least one other WB procurement contract prior to the start of the LMCP.

## 7.6 Discussion in the context of the theoretical framework

The results presented above broadly follow the conceptual framework implications outlined in [Section 5](#). Combining unbundling and high monitoring generates unambiguously higher construction quality but incur additional delays (as observed by comparing WB-funded to AfDB-funded sites). From a benchmark of bundling and low monitoring, enhancing monitoring generates sizeable quality improvements, even though unbundling generates significantly higher costs and delays. Speculatively, under bundled contracting, installers can respond more effectively to the specific incentives generated by the additional inspections. Given that the additional inspections implemented by

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<sup>12</sup>Implementing firms were not required to comprehensively disclose subcontractor relationships, but only to get approval to use a certain subcontractor. In many cases the installer obtained approval for multiple contractors, and did not disclose which subcontractor(s) they eventually opted to work with.

Kenya Power targeted slightly different dimensions than those implemented by our research team (theirs focused more on construction whereas ours focused more on household connections), this is consistent with the fact that the quality improvement comes through in the construction quality index for WB-funded sites but the household installation index for treated AfDB-funded sites. These modest on-the-ground differences can explain why the quality levels achieved are not identical (as was predicted in the conceptual framework).

As noted above, the fact that the audit effects were limited at WB-funded sites could be due to two distinct reasons. First, this could be because unbundling and monitoring are substitutes rather than complements, and the WB procurement approach already includes unbundling. Second, it could be due to the diminishing marginal benefits of increased monitoring, since the WB already mandated an additional layer of inspections beyond those used at AfDB-funded sites.

## 7.7 Robustness

We conduct numerous robustness tests to confirm these results (Subsection D.2). All results in Table 5 control for land gradient and facility type, but not doing so does not qualitatively affect the results. Construction outcomes are generally not correlated with land gradient (Figure 10 and Figure A5) or with facility type (Table A3, Table A19, and Table A20). We also explore heterogeneity in the time between construction and power measurement (Subsection D.3), omit an ambiguous ready board question in the survey (Table A11), exclude one particular contractor that experienced unusual financial circumstances and a legal case<sup>13</sup> (Table A21), and drop sites that are located within 1,200 meters of another site (Table A22). None of these adjustments qualitatively affects the results described above.

## 8 Cost effectiveness

The improvement in overall construction quality at WB-funded sites at the cost of delays is a central finding of this study. This section examines the WB contracting structure’s impacts on costs and cost effectiveness. One argument in favor of contract unbundling in this context (given to us informally by WB officials) is that it could generate cost efficiencies, specifically in that pooling the procurement of materials would generate purchaser market power that could lead to cost savings. Subsection 8.1 therefore investigates program costs, and Subsection 8.2 then investigates the trade-off between the costs of short-term construction delays versus the potential long-term benefits from greater infrastructure resilience (based on the framework from Equation 2 presented in Appendix C).

### 8.1 Cost analysis

Table 6 presents project costs by donor. 4,184 AfDB-funded sites and 3,308 WB-funded sites had originally been slated for maximization, but only 71% of LMCP sites actually saw construction,

<sup>13</sup>See *AEE Power SA v Kenya Power & Lighting Company Ltd* (2020).

Table 6: Site, connection, and materials costs by donor

		African Development Bank	World Bank	Percent Difference
(1)	Sites planned	4,184	4,308	+3%
(2)	Sites completed	3,800	3,000	-21%
(3)	New household connections per site	72	58	-19%
(4)	Contract amount per site completed	40,513	42,249	+4%
(5)	Contract amount per household connection	563	728	+30%
(6)	Contract amount per wooden pole	159	99	-38%
(7)	Contract amount per concrete pole	240	199	-17%

Notes: Aggregate connection and pole procurement quantities and costs, per the contracts signed between Kenya Power and contractors under World Bank and African Development Bank funding tranches.

according to survey data and conversations with Kenya Power personnel. The survey team identified on average 72 new LMCP household connections at AfDB-funded sites and 58 at WB-funded sites. Kenya Power awarded \$154 million in contracts for AfDB-funded sites and \$133 million in contracts for WB-funded sites.<sup>14,15</sup> This implies that the average cost per household connection is \$563 for contracts for AfDB-funded sites while it is \$728—30% higher—for contracts for WB-funded sites.<sup>16</sup> Furthermore, these cost estimates exclude any additional Kenya Power staff labor hours associated with the WB’s administrative and monitoring costs (i.e., in setting up additional contracts and bidding processes, etc.), which could exacerbate this cost difference. In sum, it does not appear that the WB was able to carry out lower-cost projects overall: in line with the conceptual framework, contract unbundling increased average costs per connection in this setting.

These cost estimates are slightly lower than the \$739 average total cost per connection that Lee, Miguel, and Wolfram (2020) estimate under a 100% electrification scenario in rural Kenya using data collected in 2014. The difference can be reasonably attributed to implementation efficiencies derived from nationwide coordination and general learning about rural electrification construction since 2014. In line with Lee, Miguel, and Wolfram (2020), the observed costs exceed the value of rural electrification as measured through simulated willingness-to-pay (\$293) and revealed preference (\$147) approaches.

Taken at face value, the cost per pole enumerated in rows (6) and (7) of Table 6 would suggest that WB-funded contracts did secure poles more cheaply than AfDB-funded contracts. However, the contract amounts listed in bundled contracts may not reflect true procurement costs: our conversations with implementation contractors suggested that they sometimes shift labor costs onto materials on paper, as these invoices are paid sooner, generating additional liquidity. In contrast

<sup>14</sup>This excludes a \$2.0 million contract awarded for the procurement of 1,000 new WB transformers. Since these 1,000 sites received similar shares of the remaining contracts, we include these sites in the aggregate cost calculations, accounting for the fact that they were designed to have approximately 21% more new household connections.

<sup>15</sup>To the best of our knowledge, there are no cost overruns that would create a wedge between contracted and realized costs. Rather, increased costs per unit result in a lower quantity of output.

<sup>16</sup>The average cost per connection would have been \$687 at AfDB-funded sites and \$571 at WB-funded sites when using Kenya Power’s initial public targets of on average 59 new connections at AfDB-funded sites and 74 at WB-funded sites (Kenya Power, 2016b). Assuming 80 new connections at all sites would yield a construction cost of approximately \$506 per household connection at AfDB-funded sites and a nearly identical \$528 at WB-funded sites.

to the case of unbundled contracting, where the principal can observe each component’s purchase cost, these practices are not observable to the principal when they are based on subcontractor relationships. This is an example of the opacity that bundled contracting can create for the principal.

As another example of gaps between reporting to the principal and on-the-ground measurements, there appear to be disparities between contracted and built quantities. According to the procurement contracts, 18% of poles at WB-funded sites and 50% of poles at AfDB-funded sites were concrete—however, according to our on-the-ground surveys of all poles in our sample sites, only 3% of poles at WB-funded sites and 25% of poles at AfDB-funded sites were concrete.<sup>17</sup>

## 8.2 Cost-benefit analysis

The delays and 30% higher cost per electricity connection for contracts funded by the WB documented above might be worth it if the gains in construction quality are sufficiently large. We thus next evaluate the gains in quality against the cost per connection and the estimated impacts of construction delays on welfare to evaluate the key conceptual trade-off discussed in the framework.

AfDB-funded sites reached construction milestones 8 to 16 months earlier than WB-funded sites on average, increasing the net present value of new connections. WB-funded sites saw improved pole and pole installation quality, potentially increasing pole longevity by an estimated 5–15 years and reducing long-term repair and replacement costs for Kenya Power (UPRC, 2018). We also factor in that only 71% of sites were completed, and assume that households discount delayed electricity access at a 10% annual discount rate while the social planner discounts future maintenance costs at 5% per year (Figure A13 presents alternative scenarios). This analysis focuses on audit control sites to avoid confounding these differences with the audit treatment’s heterogeneous impacts; we separately assess the costs and benefits of the audit treatment below.

Figure 8 presents the results in two panels to emphasize the role of one important attribute, namely, the number of household connections. Panel A supposes that WB- and AfDB-funded sites both benefit from 80 new household connections. Panel B reflects our count of LMCP household connections on the ground, which average 72 at AfDB-funded sites and 58 at WB-funded sites among audit control sites. These additional connections sway the net benefits calculations heavily in favor of AfDB procedures.

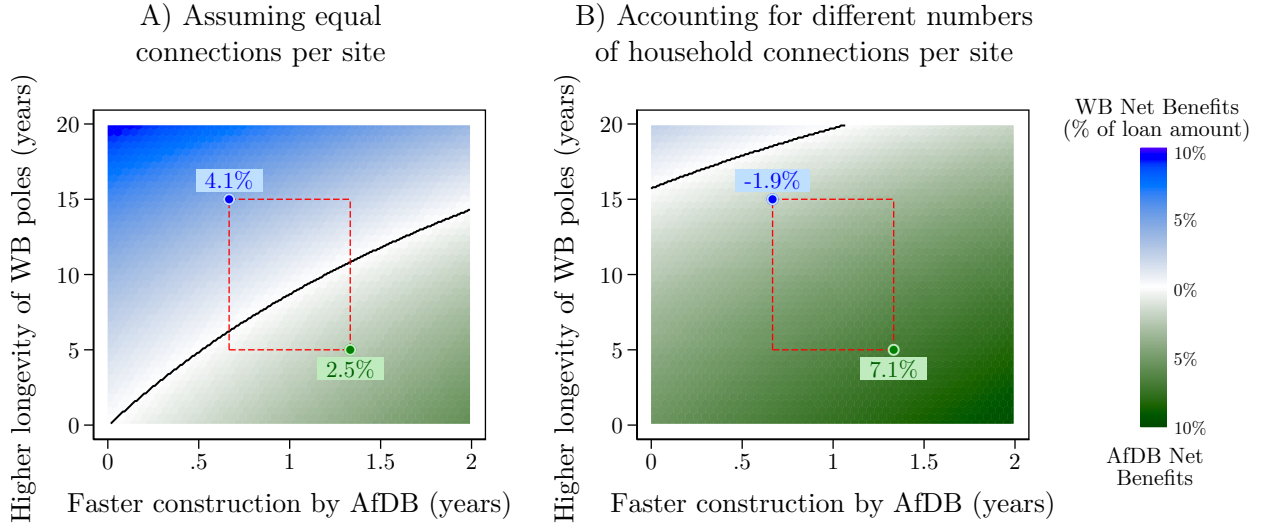
In each panel, the gradient illustrates the estimated net benefits of using WB versus AfDB contracting approaches. Moving upwards on the vertical axis represents decreased present-discounted costs due to improved infrastructure longevity at WB-funded sites (corresponding to a reduction of long-term maintenance costs in Equation 2). Moving to the right on the horizontal axis represents increased present-discounted benefits due to fewer delays in construction at AfDB-funded sites (corresponding to an increase in welfare gains in Equation 2).

To illustrate the uncertainty in these estimates, the red box marks a range of 8 to 16 months faster construction and between 5 to 15 years of additional service life for poles, consistent with the

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<sup>17</sup>We interpret this result with some caution since we cannot distinguish existing poles from poles those constructed during LMCP. If pre-existing poles were disproportionately wood poles then this could explain part of the discrepancy.

Figure 8: Costs versus benefits of different contracting approaches



Notes: Households are assumed to value a connection at \$147 (Lee, Miguel, and Wolfram, 2020) and have an annual discount rate of 10%. The social planner is assumed to have a 20-year time horizon and an annual discount rate of 5%. The horizontal axis represents the gains from households benefiting sooner. The vertical axis represents improved grid quality, assumed to accrue to the expected service life of poles with a constant annual probability of pole failure. The red box marks 8–16 months faster construction (consistent with the results above) and 5–15 years improved service life for poles (following Muthike and Ali, 2021). Panel A assumes 80 new household connections per site at all sites. Panel B reflects our count of household connections on the ground, which average 72 at African Development Bank-funded sites and 58 at World Bank-funded sites. Figure A13 explores additional assumptions.

data and with Muthike and Ali (2021). Using plausible estimates of the gains in construction speed and in quality of poles, the overall net benefits of either set of procurement policies are ambiguous, ranging anywhere from WB procedures having a net benefit worth 4% of total project costs to AfDB procedures having a net benefit worth 7% of project costs. (Figure A13 displays qualitatively similar results under a range of alternative assumptions.)

Under a shorter time horizon, or if the value of a connection to households were larger, the relative benefits of AfDB contracting would be more pronounced, up to 16% of the total. Under a lower discount rate the relative benefits of WB contracting would be more pronounced, up to 5% of the total. However, it appears unlikely that WB procurement procedures would have generated the 30% improvement required to make up for the increased costs per connection.<sup>18</sup>

Section 7 showed that the additional audits improved some household installation outcomes at AfDB-funded sites. The audits were conducted at an average cost of approximately \$500 per site (around 1.2% of the average LMCP cost per site). While the audit treatment did not increase the number of drop-down cables (Table 3), electricity actually flowed through those connections for approximately 8% more households, and the audit treatment increased the fraction of households with a working meter by 11% (Table 5, detailed in Table A11). Valuing each additional working

<sup>18</sup>This result holds across a fairly broad range of assumptions. Even uniformly assuming 80 households and 112 poles per site for both funders, and assuming only 8 months of delay and 15 years of improved pole longevity, with a 40 year time horizon and 5% discount rates (all favoring WB), WB net benefits add up to 5.4% of the loan.



connection conservatively at \$147, the implied added value of \$1,029 far exceeds the cost of the audit treatment. This is despite the fact that the audit treatment activity was more involved and thus more expensive than would be needed in other contexts as they also included household and firm surveys, which are not part of the standard inspection reports (IRs) conducted at WB-funded sites. These results are consistent with the framework discussed in [Section 5](#): bundled contracts with high levels of monitoring may successfully incentivize higher effort (and the selection of high quality firms), with fewer delays and administrative costs as compared with unbundled contracts.

These results come with important caveats. The cost calculations do not consider the additional staff time incurred by Kenya Power, the WB, and other government agencies due to increased paperwork and processing necessary to implement WB contracting procedures. The benefit calculations also do not consider spillovers such as increased knowledge of oversight mechanisms among Kenyan government agencies, which could positively affect other programs. We also do not consider possible degradation of electricity service quality and reliability over time due to lower quality construction. Perhaps most importantly, we do not directly observe the leakage of funds. It is possible that WB contracting requirements meaningfully reduced leakage, which was recently observed to be substantial for WB lending (e.g. Andersen, Johannesen, and Rijkers, 2022). However, to the extent that WB procedures increased the availability of funds for intended construction by reducing leakage, this does not appear to have increased the number of household connections.

### 8.3 Policy discussion

We next complement the empirical results with qualitative data gathered during interviews with officials at Kenya Power, the WB, and the AfDB over several years, to better understand key processes.<sup>19</sup> This work found that Kenya Power’s administrative burden under unbundling was significantly higher than under bundled contracting. The greater absolute number of contracts and the substantial heterogeneity in legal details across different types of contracts required more Kenya Power staff time to write, issue, review, and award bids. Contracting between the principal and the designers and suppliers was significantly more involved (requiring official tender and bid review processes) than the subcontracting processes used by AfDB installers for those same goods and services. Despite these substantial differences in staffing demands across the two donors, total Kenya Power staff time availability for these administrative tasks was equal across the WB and AfDB components (one full-time staff member each), and the employees who held these positions were all certified electrical engineers with similar skill and education levels (at least a bachelor’s degree in electrical engineering). It is possible that increasing Kenya Power staff time for the unbundled WB contracts might have moderated some of the delay caused by unbundling, though at the expense of incurring additional administrative costs.

Unbundled contracting also created coordination frictions, exacerbating administrative costs and delays. The lack of coordination between the design and installation contracts meant that

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<sup>19</sup>[Subsection E.1](#) provides an anonymized list of individuals with different project roles and responsibilities that the research team interviewed for this research.

designs were sometimes out of date by the time construction began, requiring costly adjustments to the designs or the procurement of additional materials. Similarly, a lack of coordination between materials and installation contracts meant that materials were often physically transported into Kenya Power custody before installers were ready for them, accruing expensive storage fees. These coordination frictions were substantially lower for bundled contracts, where installers could more easily adjust designs or acquire additional supplies at their discretion.

In interviews, we learned that one of the WB’s internal reasons for choosing unbundled contracting was the belief that having coordinated nationwide contracts for major materials purchases would enable them to secure lower prices through auction. This turns out to have been true on paper: the cost per wooden (concrete) pole was 38% (17%) lower in the WB contracts when compared with the AfDB contracts. However, as noted in [Subsection 8.1](#) above, the aggregate costs per site and per successful connection are in fact substantially higher at WB-funded sites.

## 8.4 Broader policy lessons

The cost-benefit calculations above illustrate trade-offs that influence the relative benefits of different procurement contracting approaches for large-scale infrastructure projects more generally, even beyond our case of rural residential electrification in Kenya. If the planner discounts future costs and benefits more severely, if benefits are larger such that delays are more undesirable, or if unbundling is expected to produce especially large delays then bundling contracts may be preferable. For example, when building emergency shelters for disaster relief or clinics in response to a health emergency, the longevity of construction may be relatively unimportant while delays are particularly harmful.

Conversely, if bundling is expected to cause a greater decline in quality—perhaps because there are many low quality local firms bidding for projects—or if future costs of remedying low quality construction are especially important, then unbundled contracting may yield higher net benefits. For example, building a bridge or a dam may have long-term regional benefits, while the future costs of addressing structural issues associated with low quality construction can be substantial. In some settings, a combination of bundled contracting with enhanced monitoring may generate quality improvements with less delay or administrative cost than unbundling.

## 9 Conclusion

Outsourcing public goods provision creates a standard misaligned incentives problem: how can a principal identify good contractors and incentivize them to provide high quality projects? Public procurement regulations can thus have important implications for the costs, timeliness, and quality of infrastructure construction, a major spending category for governments and aid donors. One key decision the principal faces is whether to unbundle the various components of a project across contracts auctioned to private firms, or whether to award a single bundled contract that includes multiple components. This decision is ubiquitous in public contracting, but causal inference on this topic has been hampered by the infrequency, endogeneity, and complexity of infrastructure projects.

We present a stylized framework to provide intuition for this problem: unbundling can improve outcomes by enforcing more stringent eligibility criteria on subcontractors, but may introduce additional delays and inefficiencies. Furthermore, combining bundled contracting with high monitoring can achieve similar quality standards but with significantly fewer administrative costs and delays, because it leverages bundled contractors’ private information about potential subcontractors while still exploiting the synergies inherent in contract bundling.

We then use natural policy and experimental variation to study these questions in the context of the Last Mile Connectivity Project (LMCP), one of Kenya’s largest public infrastructure construction projects. A key feature of the program is the arbitrary assignment of contracting requirements across neighboring villages to different funders within the same government program. To disentangle the impacts of contract unbundling and enhanced monitoring we implement an additional randomized audit treatment at a subset of sites.

We find that WB-funded sites experience significant delays in project implementation, with households receiving electricity on average 16 months later than households in AfDB-funded sites. Yet there is a stark trade-off: we estimate a 0.6 standard deviation improvement in construction quality at WB-funded sites, driven by increased presence of pole caps, stays, and struts, which were key components examined during the additional inspection round required under WB procedures. While we find no immediate impacts on reliability and voltage quality, these quality improvements could have long-term impacts on the longevity of the local infrastructure network.

The audits generate a 0.2 standard deviation improvement in household installation quality and a 0.3 standard deviation improvement in electricity usage at AfDB-funded sites, while causing significantly shorter delays than those caused by unbundled contracting sites. The enhanced monitoring has no impact at WB-funded sites, most likely due to the substitutability of monitoring and unbundling, or because additional monitoring has a decreasing marginal effect.

Comparing the procurement processes in this context may generate insights for a trade-off relevant to a wider range of infrastructure projects. The policymaker may need to weigh the short-term benefits of achieving earlier project completion (the AfDB-funded approach in this context) versus the longer-term benefits arising from improved project quality (under the WB-funded approach), according to their time preferences. We evaluate this trade-off under a plausible range of assumptions and find that neither approach definitively dominates the other in this context: the results imply anything from a net benefit of 7% of project value in favor of the AfDB approach to a net benefit of 4% of project value in favor of the WB approach.

In this context, enhanced monitoring appears to be an effective and lower-cost substitute for contract unbundling, achieving significant improvements in construction quality without the delays. Furthermore, unbundling contracts greatly increases the principal’s administrative burden, which—in contexts where staff time and human capital are constrained—can generate substantial delays. Taken together, these results suggest that combining bundled contracting with more rigorous monitoring could reduce delays while maintaining construction quality standards.

Several important limitations are worth noting. First, the more stringent WB procurement con-

ditions could generate additional longer term benefits that are hard to measure, including improved institutional capacity or accounting practices in Kenya public sector organizations. Second, while we carry out data collection up to five years after construction, some of the outcomes of interest may only emerge after longer time horizons, including possible differences between WB-funded and AfDB-funded sites in terms of the longevity of the local grid network and the reliability of power experienced by households, with gains in WB-funded sites potentially growing over time. Finally, Kenya is a relatively high-capacity state compared to its East African neighbors, and its internal regulatory system may be sufficiently rigorous so as not to benefit meaningfully from the additional WB procurement requirements. It is possible that the results would not hold in a setting with weaker institutional capacity, like some of its regional neighbors (as argued for instance by Bosio et al., [2022](#)). Additional research is needed to understand the potentially heterogeneous impacts of procurement processes over time and in other settings.

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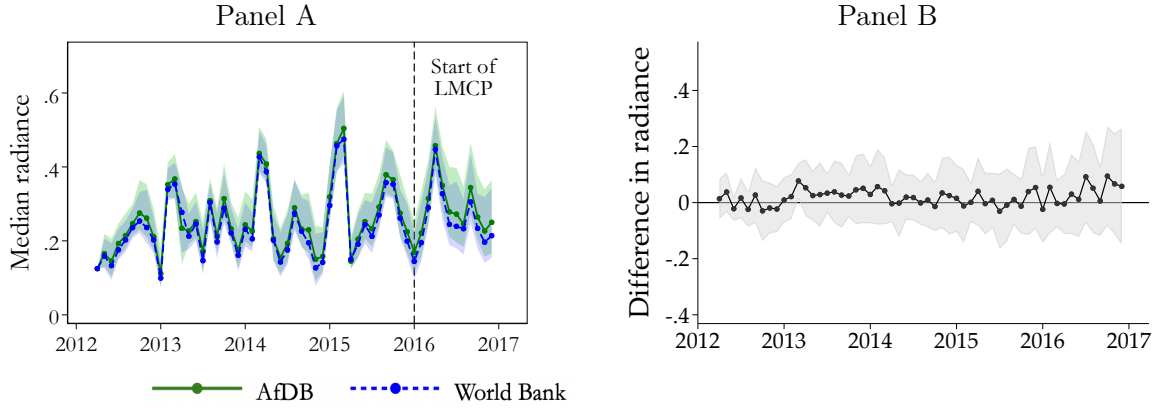


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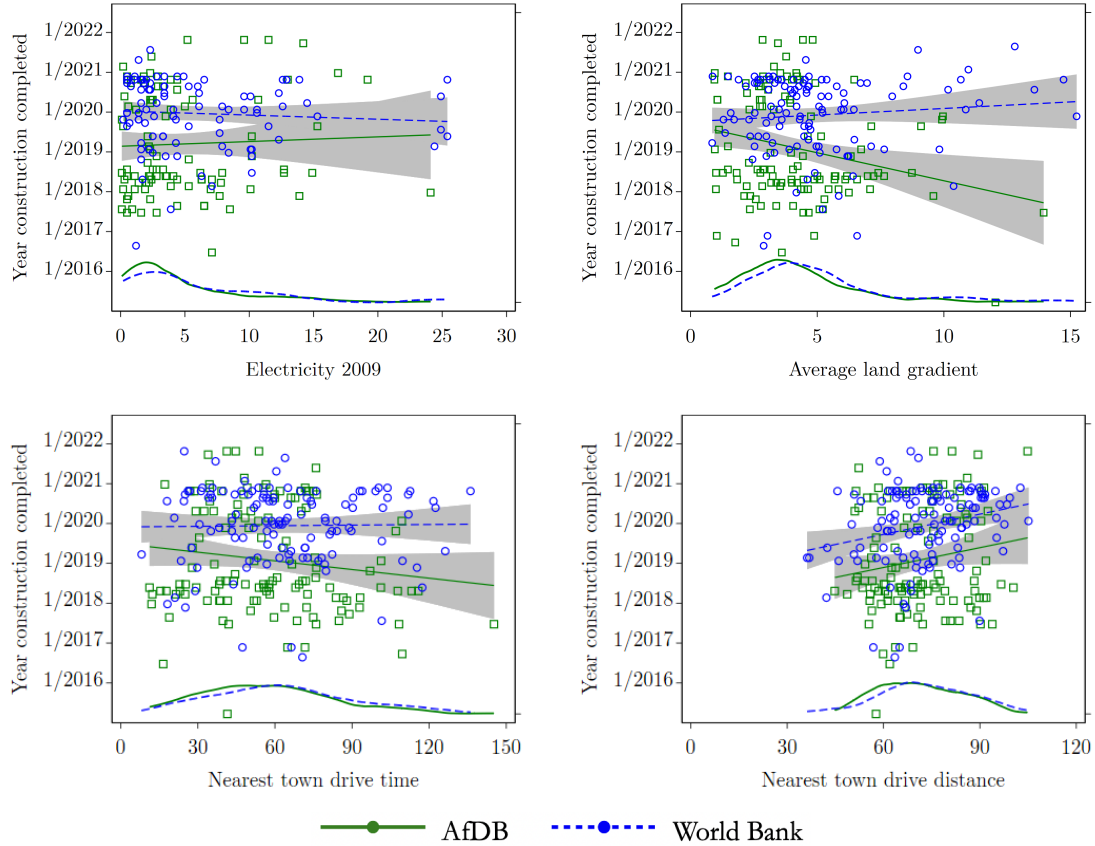
## Additional figures

Figure 9: Site-level nighttime radiance by funding source, study sites



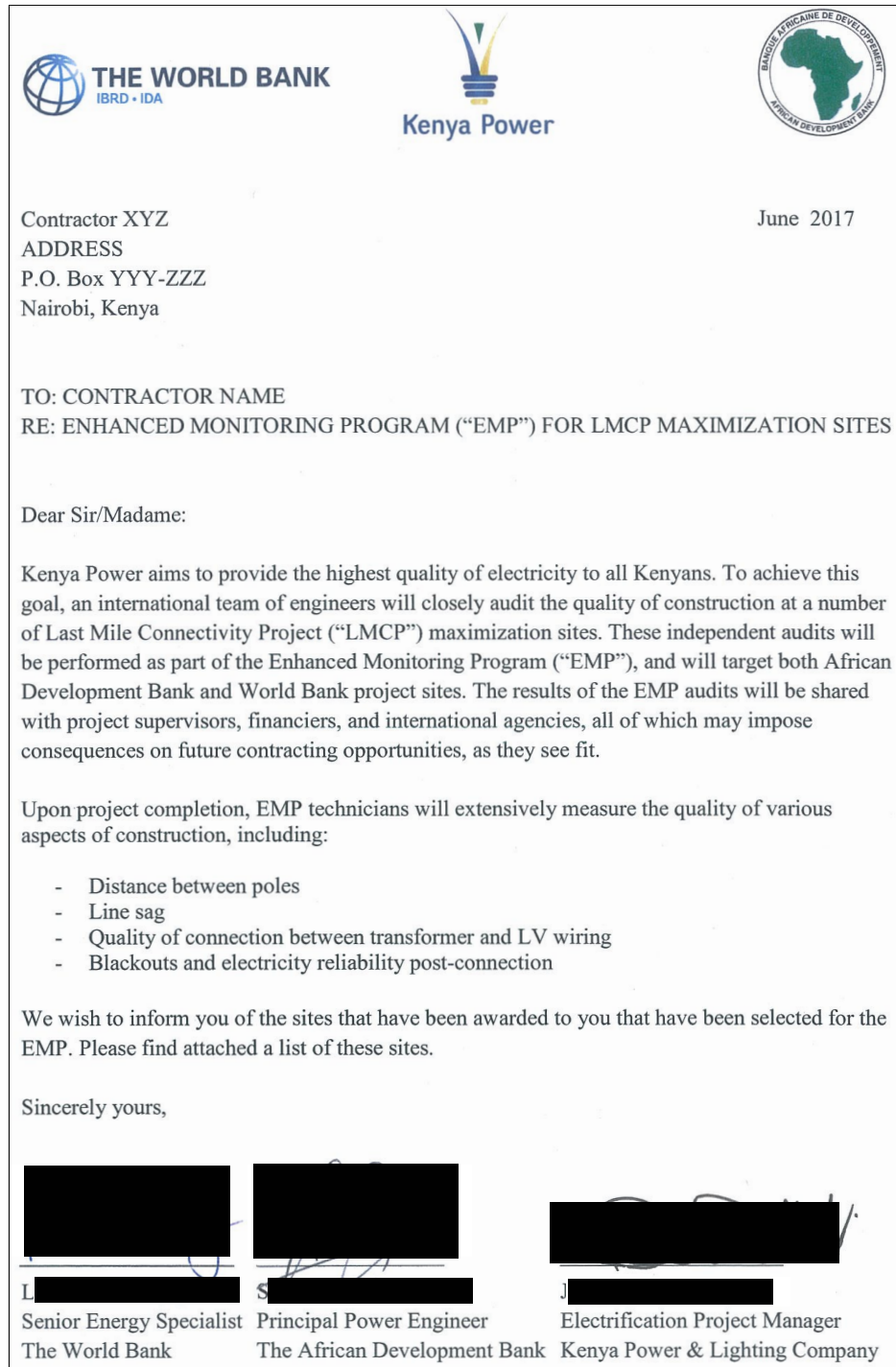
Notes: Panel A presents median monthly nighttime radiance (VIIRS), with bands showing the 25th to 75th percentile across sites, before and after the start of the LMCP. Panel B confirms that radiance is statistically indistinguishable across sites (estimates include constituency FE). [Table A1](#) confirms baseline balance using a pooled regression of these data. [Figure A4](#) performs the same analysis on the national sample of phase 1 transformers.

Figure 10: Construction Delays and Geographic Features



Notes: Differences in construction delays between WB and AfDB are approximately constant across the distribution of baseline electricity access, land gradient, and distance to nearest town. Baseline electricity data from KNBS (2006; 2009). Land gradient from USGS (2018). Towns from WRI (2007); distances calculated using HERE (2022).

Figure 11: Monitoring Intervention



Notes: This figure displays the monitoring intervention sent to contractors. All letters were signed by relevant representatives from Kenya Power, the World Bank, and the African Development Bank, with their names and positions listed below. Each letter specified the contractor's name and contact information. The letters were then hand-delivered to management at the relevant contractors by members of our research team to ensure receipt, together with the list of treatment sites referenced in the letter.

## Additional tables

Table 7: Representative examples of procurement language

(1) World Bank	(2) African Development Bank	(3)
<i>Development and maintenance of a procurement plan</i>		
[1.18 <sup>a</sup> ] [...] As part of the project preparation, the Borrower shall prepare a preliminary procurement plan, however tentative, for the entire scope of the project. At a minimum, the Borrower shall prepare a detailed and comprehensive procurement plan including all contracts for which procurement action is to take place in the first 18 (eighteen) months of project implementation. An agreement with the Bank shall be reached at the latest during loan negotiations. The Borrower shall update procurement plans throughout the duration of the project at least annually by including contracts previously awarded and to be procured in the next 12 (twelve) months. All procurement plans and their updates or modifications shall be subject to the Bank's prior review and no objection before implementation. [...]	[1.16 <sup>b</sup> ] As part of the preparation of the project the Borrower shall prepare and, before negotiating the Financing Agreement, furnish to the Bank for its approval, a Procurement Plan acceptable to the Bank setting forth: (a) the particular contracts for the goods, works, and/or services required to carry out the project during the initial period of at least 18 months; (b) the proposed methods for procurement of such contracts that are permitted under the Financing Agreement, and (c) the related Bank review procedures. The Borrower shall update the Procurement Plan annually or as needed throughout the duration of the project. The Borrower shall implement the Procurement Plan in the manner in which it has been granted the approval by the Bank.	0.85
<i>Preference for domestic suppliers</i>		
[2.55 <sup>a</sup> ] At the request of the Borrower, and as stipulated in the agreed Procurement Plan and set forth in the bidding documents, a margin of preference may be provided in the evaluation of bids for: (a) goods manufactured in the country of the Borrower when comparing bids offering such goods with those offering goods manufactured abroad; and (b) works in member countries below a specified threshold of GNP per capita, when comparing bids from eligible domestic contractors with those from foreign firms.	[2.55 <sup>b</sup> ] At the request of the Borrower, and under conditions to be agreed under the Financing Agreement and set forth in the bidding documents, a margin of preference may be provided in the evaluation of bids for: (a) goods manufactured either in the country of the Borrower (domestic), or in a country which has joined the borrowing country in a regional economic institutional arrangement (regional), when comparing bids offering such goods with those offering goods manufactured abroad; and (b) contractors either from the country of the Borrower (domestic), or from Member Countries which have joined the borrowing country in a regional economic institutional arrangement (regional), when comparing bids from eligible domestic/regional contractors with those from foreign firms.	0.89
<i>Evidence of financial sustainability</i>		
[3.1.a.i <sup>c</sup> ] Historical financial performance; by Submission of audited balance sheets or if not required by the law of the bidder's country, other financial statements acceptable to the Employer, for the last five (5) years to demonstrate the current soundness of the bidders financial position and its prospective long term profitability.	[2.3.1 <sup>d</sup> ] Historical financial performance; Submission of audited balance sheets or if not required by the law of the bidder's country, other financial statements acceptable to the Employer, for the last five [5] years to demonstrate the current soundness of the bidders financial position and its prospective long term profitability.	0.99

Three examples of language from the contracting bid documentation, procurement guidelines, and technical specifications, with their corresponding Embedding Score in Column (3). Sources: <sup>a</sup>WB (2014), <sup>b</sup>AfDB (2012), <sup>c</sup>Kenya Power (2016), <sup>d</sup>Kenya Power (2015). Table A8 provides additional examples of key contracting components. Table A24 provides additional examples of text comparison scores.

Table 8: Balance in 2009 census socioeconomic characteristics by number of LMCP sites per ward (nationwide sample)

	Dep. Var. Mean [SD]	Percent of LMCP Sites that are WB-funded	N
<i>Panel A: 2009 Census</i>			
Age 14 or Under	49.58 [7.21]	0.01** (0.00)	1090
Consumption	3007.73 [1361.76]	-1.75 (1.24)	1099
Primary Education	57.19 [9.87]	0.00 (0.01)	1106
Secondary Education	20.27 [10.00]	-0.02** (0.01)	1106
Solar Home System	2.00 [2.18]	-0.00 (0.00)	1106
Electricity	11.23 [16.91]	-0.02 (0.01)	1106
High-Quality Wall	16.69 [20.94]	0.01 (0.01)	1106
High-Quality Roof	74.80 [23.35]	-0.03* (0.01)	1106
Population	23533.56 [7774.64]	-8.22 (8.45)	1106
Land Area (sq km)	279.73 [784.92]	0.15 (0.80)	1112
<i>Panel B: Political and Ethnic Divisions</i>			
2013 Kenyatta Share (%)	47.62 [40.55]	0.02 (0.01)	1001
Voted pro-MP in 2013	0.70 [0.46]	-0.00* (0.00)	803
Luo-aligned	0.15 [0.36]	0.00 (0.00)	1104
Kikuyu-aligned	0.28 [0.45]	0.00 (0.00)	1104
Kalenjin-aligned	0.16 [0.37]	0.00 (0.00)	1104
Joint F-test		p-value = .052	

Notes: This table tests for correlations between the share of Last Mile Connectivity Project (LMCP) sites in a ward allocated to World Bank (WB) funding and baseline characteristics, at the ward level, among wards with at least 1 LMCP site. [Table A4](#) shows a version testing balance among study sites only. Panel A tests balance on characteristics from the 2009 national census. Row 1 shows population share aged 14 years or younger. Row 2 shows monthly consumption expenditures per capita in Kenya Shillings (Ksh). Rows 3 and 4 show primary and secondary school completion rates, respectively. Rows 5–8 show percentage of households with solar, electricity, a high wall and roof quality, respectively. Rows 9–10 show the total ward population and land area, respectively. Panel B tests balance on political and ethnic data. Row 11 shows the percentage of the ward that voted for Kenyatta in the 2013 presidential election. Row 12 is a dummy variable equal to one if the ward voted for the same party as their constituency MP. Rows 13–14 are dummy variables showing political alignment with major ethnic groups, equal to one if the ward voted for a member of that ethnic group in the 2013 county assembly elections. All regressions include constituency fixed effects. Data sources: Kenya National Bureau of Statistics ([2006](#); [2009](#)). All regressions include constituency FE. Data from KNBS ([2006](#); [2009](#)). \*  $\leq 0.10$ , \*\*  $\leq .05$ , \*\*\*  $\leq .01$ .



Table 9: Construction timing

	(1)	(2)	(3)	(4)	(5)
	AfDB Mean	World Bank Effect Estimate ( $\beta_{-1}$ )	Audit Treatment Effect, WB Sites ( $\beta_{-2}$ )	Audit Treatment Effect, AfDB Sites ( $\beta_{-3}$ )	N
Outcome 3: Construction timing index	0.00 [1.00]	-0.90*** (0.17)	-0.07 (0.16)	-0.29* (0.17)	250
LMCP construction start date (months since Jan 2015)	37.22 [11.38]	10.18*** (1.90)	1.66 (1.72)	4.00** (1.93)	250
Pole erection completion date (months since Jan 2015)	45.20 [15.17]	9.90*** (2.67)	1.85 (2.49)	3.52 (2.59)	249
Stringing completion date (months since Jan 2015)	46.91 [15.48]	9.47*** (2.76)	1.33 (2.52)	2.70 (2.56)	247
Metering completion date (months since Jan 2015)	47.73 [14.56]	15.67*** (2.48)	-1.23 (2.17)	4.71* (2.65)	226
months between construction start and pole erection complete	7.83 [10.19]	-0.06 (1.81)	0.18 (1.63)	-0.32 (1.52)	249
months between pole erection complete and stringing complete	1.90 [4.41]	-0.73 (0.80)	-0.48 (0.64)	-0.53 (0.68)	246
months between stringing complete and metering complete	0.95 [8.04]	6.25*** (1.53)	-2.01* (1.20)	0.37 (1.47)	224

Notes: The construction timing index (shown here in row 1) is a standardized average of sub-components shown in the remaining rows. All outcomes are measured at the site level and collected via surveys with village representatives (described in section 6). \*  $\leq 0.10$ , \*\*  $\leq .05$ , \*\*\*  $\leq .01$ .

Table 10: Primary engineering and socioeconomic outcomes with funder–audit interaction

	WB Effect Estimate	Audit Treatment Estimate	Interaction Estimate	N
Outcome 1: Construction quality index	0.64*** (0.21)	-0.03 (0.18)	0.13 (0.28)	250
Outcome 2: Network size and configuration index	-0.04 (0.16)	-0.08 (0.18)	0.27 (0.24)	244
Outcome 3: Construction timing index	-0.90*** (0.17)	-0.29* (0.17)	0.22 (0.24)	250
Outcome 4: Household installation quality index	0.05 (0.12)	0.23* (0.12)	-0.21 (0.17)	944
Outcome 5: Household cost, experience, bribery index	0.13 (0.12)	0.11 (0.10)	-0.06 (0.16)	944
Outcome 6: Reliability and safety index	-0.11 (0.13)	-0.01 (0.11)	0.04 (0.18)	944
Outcome 7: Knowledge index	0.14 (0.10)	0.07 (0.10)	-0.07 (0.14)	944
Outcome 8: Electricity Usage index	0.12 (0.13)	0.28** (0.13)	-0.17 (0.17)	944

Notes: Outcome variables are indices constructed from groups of variables standardized to have mean 0 and standard deviation 1. Each column presents results when the treatment variable is either: (1) WB funding source, or (2) the randomized audit treatment. In rows 1–3, observations are transformer sites; standard errors are shown in parentheses. In rows 4–8, observations are individual respondents. Table 5 presents a version with separate treatment effects. All regressions control for site land gradient and public facility type. Standard errors are clustered by transformer site and shown in parentheses. \*  $\leq 0.10$ , \*\*  $\leq .05$ , \*\*\*  $\leq .01$ .