Four Observations on Regulatory Systems

By: Elizabeth Butler and Sanford Berg (June 16, 2007)

1. The social and political culture is one important element of a nation’s regulatory system.

   • Agencies can develop expertise in using “tools” and methodologies. Nevertheless, technical knowledge is necessary but not sufficient for developing sound regulatory decisions. Political commitment is also necessary, but not sufficient, for creating sustainable regulatory systems.

   • In the 1990s, the World Bank and donor nations tended to encourage greater use of market-based incentives. The resulting commercialization of State Owned Enterprises was supposed to promote private participation. The evidence is that the resulting utilities (and regulatory frameworks) promoted efficiency, but the price adjustment process often led to political problems.

   • The Regulatory/legal framework is heavily dependent on the support of civil society and associated political institutions. Public Education and Awareness are elements that can strengthen support for regulatory systems.

2. Change requires time. Vision statements are not self-implementing. Little of true significance is accomplished is very short periods. In addition, the sequence of reform steps can matter as well. For example, if assets are privatized before the decisions about market structure and regulatory policies are established, the valuation is likely to be based on undocumented understandings, political promises, and/or wishful thinking. If things have broken down, a national Task Force might be able to define the problem and identify feasible policy options.

3. Interagency coordination is necessary in infrastructure: Sector Regulator, Water Resource Management Agency, Environmental Regulator and the Public Health Authority for water. In the case of telecommunications, the Sector regulator, the Spectrum Authority, and the Competition Agency should be in regular contact—so roles and responsibilities are clearly identified and policies are coordinated. Communication and collaboration are at the center of infrastructure issues.

4. Managing social expectations is a challenge. National policies towards decentralization or centralization affect data collection and policy consistency across regions. Developing an open, transparent decision-making process that is accountable to other government institutions promotes public awareness. Courts can be used for appeals. Legislative reports facilitate the monitoring of regulatory activities. Decisions can be data driven, recognizing that decisions are also values driven—reflecting the weights given different regulatory objectives.