

Capacity-Building through Training and Regulatory Networking

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Training promotes professionalism and provides a technical foundation for sound regulatory decisions. Networks of regulatory agencies provide forums for promoting best practice. These associations facilitate sharing data and best-practice techniques, developing studies, providing training, distributing regulatory materials, and organizing meetings.

Regional networks of regulatory agencies have emerged as important players on the international scene: “These government networks are key features of world order in the 21st century. But they are under-appreciated, under-supported, and under-used to address the central problems of global governance.” (Slaughter, 2004: 159) Recent studies have identified the mix of organizational features characterizing these new networks: they are voluntary, consensus driven, generally lacking in formal treaty status, and (often) focus on technical issues where cross-nation learning (and tracking) is important.

One of the key features of inter-agency collaboration is the promotion of training. Education promotes professionalism. Although there are no easy solutions to regulatory problems, the application of core principles and methodologies promotes consistency in decision-making. By communicating a vision of sector performance, different stakeholder groups can appreciate how the regulatory commission is trying to balance a set of important objectives. Most observers would conclude that sustainable regulation requires technical skills, communication, and a clear vision.

In addition, training promotes renewal. Regulation is a potentially draining profession, drawing upon a number of disciplines include the law, finance, accounting, economics, and management. Infrastructure issues are likely to be both political and technical in nature. Talented people find themselves fighting fires with obsolete fire-fighting equipment. Where can newly established agencies find the resources needed to develop fire-fighting equipment? Based on the author’s experience, agencies can identify local universities that have the capacity to offer regulation as a specialty: recruit their students, work with faculty, and create workshops that can energize the operations of regulatory organizations.

I. Context: Between 1990 and 2005, more than 200 regulatory commissions were created around the world (Brown, et al. 2006, p. xi). Thus, the growth of national regulatory commissions is well documented. The growth of regional regulatory networks that provide regional public goods related to infrastructure is less well documented. Regional regulatory networks are comprised of representatives from national regulatory bodies who have agreed to form an association or organization that facilitates collaborative activities. Since 1990, at least 19 associations have been formed to provide a variety of products: data for benchmarking, handbooks on regulatory best-practice, studies (including lessons regarding impacts of different policies), capacity-building for professional staff, materials for educating stakeholders, and sponsored meetings. Table 1 lists some of these organizations by region. Information on founding dates is available in Berg-Horrall (2008).

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Table 1. Regulatory Organizations and Related Associations

	Global	Africa	Latin America	North America	Caribbean	Asia and Pacific	Europe	Island Nations
All Sectors	IFUR GRN	AFUR	—	CAMPUT NARUC	OOCUR	EAPIRF SAFIR	—	ACCC
Energy	IEA	RERA	OLADE ARIAE		—	—	CEER ERREG ERRA/MedReg NordREG IAREC	—
Telecom	ITU	TRASA ARICEA WATRA	CITEL Regulatel		ECTEL	SATRC	IRG ERG	—
Water	WWC IWA	WUP	ADERASA	AWWA	—	SEAWUN		—

Other types of organizations populate the field of regional collaborative groups. The networks can be divided into global, regional, and national in character; these can be further characterized having informal (networks and voluntary associations) and formal (agency-based or ministerial) features (as with the Eastern Caribbean Telecommunications Authority, ECTEL). In addition, some formal organizations are treaty-based or embedded in the United Nations, International Telecommunications Union, European Union, Organization of American States and other international institutions.

II. Motivations: A number of motivations behind networking are noted below. In general, these organizations produce and share knowledge about infrastructure regulation; the basis is often physical links and the need for coordination, policy harmonization within regions, seed money for institution-building, and global vs. regional initiatives.

Physical Links and Coordination: The integration and modernization of a region’s infrastructure (including energy, telecommunications, water/sanitation, and transport sectors) are often promoted as essential for sustainable economic and social development. Complementing physical networks are the networks of regulators which facilitate the sharing of information and experience among organizations facing similar challenges. Collaboration across national boundaries can improve regulatory strategies for establishing credibility and legitimacy for new governmental agencies responsible for monitoring infrastructure suppliers and implementing public policy. Prior to the creation of separate regulatory agencies, these tasks tended to be performed in a nontransparent way by government ministries. The same ministries often were responsible for the state-owned enterprises providing infrastructure services. Splitting regulatory agencies off from ministries was supposed to insulate those implementing policy from daily political pressures.

Policy Harmonization within Regions: The emergence of some regional regulatory networks has been stimulated by the need to close jurisdictional gaps by creating entities capable of coordinating national and regional actions and/or supplying advice to ministerial-level entities. Harmonization becomes the task for regional agencies.

External Seed Money for Institution-Building: For many associations from emerging nations, outside funding served as a key catalyst for establishing the organization—funding the creation of Web pages, travel for meetings, and organizational support. Of course, without local recognition of gains, the organizations would have been doomed to failure. Clearly, leaders of “infant” and “youthful” regulatory commissions saw benefits from more formal forums for information-sharing.

Global vs. Regional Interests: Some global institutions promote networking. The International Telecommunications Union (ITU, now with a UN affiliation) emerged to address specific industry issues and has branched out into other areas. Telegraph and transoceanic messaging served as the catalyst for the ITU’s creation in 1865. New technologies, the shift to privatization, and market liberalization have brought a new set of issues to the fore, so a revived ITU serves as a forum for governments to reach consensus on policy harmonization. Some of the regional networks in telecommunications have their start in the ITU.

Almost all the regions of the world now have regulatory forums of one type or another. In some regions, many national regulators are multi-sector—leading to the creation of entities that promote interactions across all sectors (AFUR, OOCUR, EAPIRF, and SAFIR). Sector-specific regulatory networks tend to characterize some regions. For example, Latin America does not have a network of all regulators cutting across sectors, nor does Europe.

III. Outputs of Regulatory Networks: The primary outputs are discussed below:

(1) Events and meetings serve provide gathering-points for sharing ideas. Non-contributors can be excluded and congestion effects can arise to the extent that having a very large number of participants reduces candor and/or opportunities to raise questions. Although meetings can be supplied on a commercial basis, an event sponsored and organized by a network of regulators fills a unique niche in the array of events available to regulatory professionals.

(2) Data for benchmarking consist of cross sectional data that are used for comparisons—over time and across utilities. With information about what other utilities have been able to achieve with comparable inputs, the regulator is in a position to better establish targets, create incentives, and defend decisions. Access to benchmarking data reduces the information asymmetries characterizing typical regulatory situations. Of course, national regulators can exclude others for accessing the information (an excludable public good), but that runs counter to transparency and citizen participation in the process—reducing the legitimacy of the regulatory process. Developing templates for reports (and data definitions) does require collaboration or acceptance of formats developed by others.

(3) Public pronouncements made by regional regulatory networks are unlikely to be highly controversial, given the weakest-link technology. Nevertheless, such statements represent shared views on important issues, identify objectives (if not overall priorities), and provide guidelines for strengthening regulatory procedures. Public pronouncements are official statements, notices, or announcements that are recognized by authorities as providing principles that affect how regulators address issues.

(4) Materials for stakeholders enable national regulatory commissions to educate and influence those affected by regulatory decisions. Establishing legitimacy for citizens and credibility for investors and ministries requires that agencies document procedures and methodologies. Such material represents another output that could be provided by external parties, including consultants funded by donor countries and multinational organizations. However, documents that are handed

down by “outsiders” may not address the unique legal and other institutional features facing nations in a region. The World Bank has been very active in funding the development of such resources.²

(5) Capacity-building for professional staff could be viewed as a good provided in a competitive market (Rufin, 2004). Capacity-building technologies exhibit significant sunk costs and scale economies in the production of relevant materials and classes. Congestion effects might be of minor importance. Thus, while pure market mechanisms might yield relatively efficient outcomes for some types of classes for professionals, there is a case for cost-effective delivery of specialized training via cooperative programs across nations. For example, the Organization of Caribbean Utility Regulators (OOCUR) has put on advanced training courses for regulators in the region in collaboration with the Public Utility Research Center (PURC). The Energy Regulators Regional Association (ERRA) has developed links with (Hungary’s Central European University (Regional Center for Energy Policy Research) to assist with training. LIRNE.NET (Learning Initiatives for Reforms on Network Economies) involves collaboration among eight organizations, sharing resources and engaging in capacity-building. The African Forum for Utility Regulators (AFUR) has worked with the University of Cape Town’s Graduate School of Business Management Program in Infrastructure Reform and Regulation for developing and delivering training. In South America, the Universidad Argentina de la Empresa (UADE) offers a post-graduate program in regulation; UADE collaborates with regulators in the region; in addition, the Universidad Austral (Buenos Aires) offers a post-graduate course in regulatory legislation. ADERASA, in collaboration with UADE, is developing an E-learning Program in Economic Regulation, available not only for its own members but for all stakeholders, including regulators for other sectors and utility staff (www.campusvirtual.aderasa.org). Similarly, the Florence School of Regulation (with EU funding) responded to training demands within the EU. Thus, universities have important roles, given their teaching capabilities and interest in translating principles into practice.³ Also, consulting firms provide training and certification programs.

(6) Best practice laws, procedures, and rules that address institutional and policy issues on a regional or global level are useful to particular regions and countries depending mainly on how valuable or applicable general solutions can fit specific regional situations. Current responsibilities of regulatory institutions involve a set of tasks ranging from awarding licenses or concessions, administering rules included in licenses such as tariff levels and adjustments, resolving disputes among the different stakeholders (especially incumbents and entrants—in terms of interconnections and access to bottleneck facilities), monitoring firms’ compliance with regulatory guidelines, and prosecuting and penalizing firms for noncompliance. The value of model laws will depend on how well they can be tailored to fit national contexts. The relevance and applicability of a model law determine the value of the output, but the use of less compatible information with particular institutional features could also contribute valuable information or guidance that helps to form the basis for action in accordance with the better-shot aggregation technology.

(7) Regulatory network news represents another product that is similar to events and training. Recent developments can be distilled and disseminated across countries. Professionals gain experience by contributing summaries of national developments—helping counterparts in other nations understand the implications of new rulings. Although information on new books, videos, and other educational material can be supplied competitively, regulator networks can screen, evaluate, synthesize, and

² The World Bank has manuals and handbooks on price controls, infrastructure efficiency measurement, and other topics. In addition, the World Bank funded the Body of Knowledge on Utility Regulation <http://www.regulationbodyofknowledge.org/>.

³ For example, since 1997 (twice per year), the University of Florida’s Public Utility Research Center has delivered the two-week *PURC/World Bank International Training Program on Utility Regulation and Strategy*; the program has reached over 2,000 participants from 139 nations. www.purc.ufl.edu. See Berg (2009).

promote the use of different types of material. Such evaluations are basically public goods—where the information might be shared informally (excludability possible) or through open Web sites.

(8) *Technical studies* regarding impacts of different policies provide lessons for particular regions or for all nations. Rufin (2004) identifies research as one of the valuable regional public goods in his review of infrastructure issues. Analysts provide technical studies that can assist regulators in reforming the design of regulatory institutions, processes, and incentives. Studies are often funded by (and sometimes conducted by) donor nations and international organizations. Studies prepared under research contracts or consulting projects are often made available on sponsoring organization Web sites. Since there is no general recipe for best practice regulation, studies that incorporate the national (legal) and other institutional constraints can lead to insights for regulatory commissions facing similar circumstances.

Working together in regions has relatively low costs and provides opportunities for participation by those with technical skills. The “life-expectancy” of a typical commissioner might be less than four years; professional staff can benefit from capacity-building and the sharing of experiences. Thus, regional networks are able to balance clout of regulatory leaders with the continuity of personnel.

IV. Questions for Consideration: Establishing a research agenda is idiosyncratic, and thus problematic; however, the following questions might serve as starting points:

- (1) *What are the motives of the founding leaders of regional networks?* The self-interest of networking bureaucrats warrants greater attention. Are those officials who are most active in regional networking seeking greater visibility? Given the tendency for relatively short terms of sector commissioners, do the working professionals at the agencies provide initiative and continuity or are the regulatory leaders the ones most committed to networking, given their interest in gaining information quickly so they can be effective during their short tenures? Of related interest is the role of outsiders (academics, consulting firms, and operating companies) in the evolution of these networks.
- (2) *What are the optimal funding sources and mechanisms for regulatory networks?* The case for further funding depends on incremental benefits exceeding incremental costs. Given the importance of stable, predictable, and transparent regulatory systems for infrastructure investment, performance improvements in just a few nations would justify the investments in regional data exchanges and sharing best practice techniques. However, that begs the question of whether the World Bank, regional development banks, or national aid agencies are best suited for funding and monitoring regional networks. One advantage of having multiple centers of initiative is that approaches suitable for particular regions will be developed—ultimately leading to transfer of best practice across networks.
- (3) *What are the ultimate objectives of those providing seed money for these new organizations?* The motivations behind funding organizations raise some interesting and important issues. While the networks may be producing valuable outputs, the intentions of the actors involved in funding and advising the networks probably go beyond the efficient supply of services. For example, one likely objective for the World Bank’s and USAID’s early support for regulatory networks was improving the investment climate for private participation in infrastructure—which certainly can contribute to growth, but involved tilting multilateral and other funding away from state-owned enterprises.
- (4) *Does embedding these networking organizations within larger institutions improve their performance?* Having an international umbrella organization (UN, EU, or OAS) might

<http://www.globalregulatorynetwork.org/links.cfm>) in 2002.

- (5) *Is there an optimal region (or number) for networking?* It is unlikely that there is a unique (and simple) partitioning of nations, given cultural heterogeneity in some regions (West Africa), different political traditions and stages of development, and degree of shared interests (or tensions). Nevertheless, it is worthwhile to consider whether particular circumstances are especially conducive to productive networking activities.
- (6) *What are the impacts of networking?* A major area for future research involves determining whether the benefits (in improved national regulations and enhanced sector performance) have justified the investments in these new institutions to date. If the payoffs have been high, the World Bank and the regional development banks should consider devoting more resources to networking organizations that strengthen capacity at national regulatory commissions. [e.g. NARUC evaluated ERRA (Voll and Skootsky, 2004)].
- (7) *What types of training programs have been most effective?* A number of organizations offer educational opportunities. Evaluating them and funding agencies for capacity-building raise some difficult questions that are worth considering.

Good infrastructure regulation has an indirect demonstration effect within each nation, illustrating how transparency, citizen participation, and staff professionalism promote legitimacy and public confidence. In addition, there is a direct effect on infrastructure: the promotion of network expansion, cost containment, and improved service quality. If a few nations have benefited from the outputs of regulatory networks, the initial seed money has been worth it.

Resources

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