



PROGRAM UPDATE:

Improving Infrastructure Regulation for Low-Income, Fragile and Low-Capacity Countries



PROGRAM OBJECTIVE

The Improving Infrastructure Regulation for Low-Income, Fragile, and Low-Capacity Countries Program aims to support the development of sustainable regulatory systems and improve the delivery of infrastructure services by building regulators' capacity to design and implement regulatory functions. The program has a particular focus on low-income and fragile countries, as well as lower-middle income countries with under-developed regulatory systems. Partners under this initiative include Multilateral Development Banks (MDBs) and bilateral development agencies.

BACKGROUND

Developing countries face unique challenges in the regulation of infrastructure services. Many of these countries have limited regulatory capacity and are in the early stages of developing their institutional and legal frameworks. Regulatory systems are heavily dependent on the legal and political context in which they operate and there is no single "best practice" regulatory solution that is suitable for all contexts. Developing effective independent regulation is a long-term process that requires gradual changes and capacity building to be sustainable. An early stage feasible method may be to incorporate regulatory functions through contract i.e. 'regulation by contract' through PPPs or similar forms. The transition from regulation by contract to a mature regulatory system is a comprehensive process. Governments in the early stages of developing their regulatory frameworks and institutions need access to tailored resources, such as knowledge products and tools, to support the continued development of their regulatory environments. Additionally, the tradeoffs between predictability and flexibility, as well as independence and accountability, need to be considered when determining the optimal regulatory structure for a sector.

PPIAF - PURC PARTNERSHIP

PPIAF recognizes the importance of sound sector regulation in the development of sustainable infrastructure services to provide confidence to long-term investors. PPIAF has previously partnered with the [Public Utility Research Center](#) (PURC), which is located

at the University of Florida, to develop the Body of Knowledge on Infrastructure Regulation ([BoKIR](#)) as an online resource for utility and regulatory professionals and policymakers. As a comprehensive resource of regulatory literature, the BoKIR offers tutorials and downloadable references on regulatory reform. It summarizes the leading knowledge on infrastructure regulation policy and covers a broad spectrum of regulatory issues, from market structure to tariff design and regulatory processes. The BoKIR is targeted at middle income countries with more stable institutional environments.

Building on its previous efforts, PPIAF has designed this program on infrastructure regulation intended for policymakers from low capacity contexts, including low-income and fragile countries. This initiative addresses the specific challenges faced by countries with less developed institutions and regulatory frameworks. The program consists of three phases, as described below. The motivation for developing a maturity taxonomy is to identify the resources and processes by which regulatory functions or systems mature from a regulation by contract or hybrid system to an independent regulator. The objective of the taxonomy is to identify the steps needed for regulators to build sustainable independent regulatory systems with sufficient resources, capacity, accountability and credibility. The self-assessment tool will be a web-based tool to be hosted by PURC that regulators or policymakers can use to assess the maturity level of their regulatory system and identify the actions needed to strengthen it.

PHASE 1

Update the BoKIR to focus primarily on least developed, low-capacity, and fragile and conflict-affected states.

PHASE 2

Develop a maturity taxonomy and self-assessment tool for regulation policy makers and decision-makers.

ONGOING

Design and deliver capacity building training towards regulatory stability.

PPIAF is collaborating with partners to support the achievement of the program goal by developing tailored knowledge products that assist governments in improving their regulatory systems to support sector performance, assess and strengthen their performance along the regulatory maturity curve, inform strategic decision-making processes for regulatory functions, and support the development of stable and sustainable regulatory systems. PPIAF has engaged with its client

countries and development partners, particularly the MDBs and bilateral development agencies, to disseminate the deliverables produced under this joint initiative. Additional support is provided to the program through expert inputs and quality reviews of outputs by the Technical Expert Panel and Strategic Advisory Committee (see further updates on this below).

PROGRESS UPDATE

The initiative kicked off last quarter with an introductory workshop held in February 2015 at the World Bank Headquarters in Washington, DC. PPIAF was joined by Dr. Mark Jamison of the PURC team to introduce the initiative to the World Bank and other multilateral development agencies in the area. The PPIAF team also developed an Issue Brief on Infrastructure Regulation in Developing Countries, available on the [PPIAF website](#). In the last few months, PPIAF has focused on building up the base for the Technical Expert Panel (TEP). The TEP supports the Program by contributing hands-on lessons learned on regulatory challenges, as well as identifying and building on best practices from around the world. This critical mass also raises awareness of the program amongst regional practitioners, while identifying practitioner needs in target countries and ensuring the materials developed meet these needs. Panel members include:

Antonio Estache, Université Libre de Bruxelles
Armen Arshakyan, Electric Network of Armenia
Ashley Brown, Harvard Electricity Policy Group, Harvard University
Christopher Obasiolu, Rivers State Water Services Regulatory Commission , Nigeria
Eric Groom, Institute for Sustainable Futures, University of Technology, Sydney
Jean Baptiste Mutabazi, Rwanda Utilities Regulatory Authority
Manuel Alvarinho, Conselho Regulação de Águas (CRA), Mozambique
Nahson Sigalla, Surface and Manne Transport Regulatory Authority (SUMATRA), Tanzania
Oumar Bangoura, ECOWAS Regional Electricity Regulatory Authority (ERERA)
Roxana Barrantes-Caceres, Institute of Peruvian Studies
Pramad Deo, Central Electricity Regulatory Commission (ERC), India (Former)

PPIAF is working to expand the TEP with additional participation from priority regions and countries, such as Mozambique and Tanzania. In addition, PPIAF has established the Strategic Advisory Committee (SAC), to provide strategic oversight of the program and build consensus within the development

community on the application of the knowledge and outputs developed. The SAC is evolving on a continual basis and the committee will be made up of representatives from the World Bank Group and Regional Development Banks (e.g., ADB, AfDB, EBRD, IDB, USAID, etc.), as well as interested PPIAF donors.

The PURC team has been working to build the BoKIR's database of reference materials and develop initial FAQs for the fragile-state content of the BoKIR. The team has collected over 200 papers and reports related to fragile states and is in the process of conducting a literature review. PURC has also launched a stakeholder [survey](#) that is targeted at regulators in the field specifically in low-income, low-capacity, and fragile countries. More than 1,300 regulators from the PURC listserve have been asked to participate in the survey during the first week of the survey launch, and this number is expected to grow with further dissemination through PPIAF. The objective of this survey is to capture the challenges faced by regulators so that the BoKIR update can explicitly address the solutions areas. The stakeholder survey will identify and prioritize the most important FAQs for the new content being added to the BoKIR on fragile states and low-income countries. PURC has also incorporated results from additional surveys from PURC training programs in Uganda and Thailand, and raised the profile of the program through global conferences, including the World Forum on Energy Regulation in Turkey and the Innovative Energy Conference in Poland.

NEXT STEPS

In the coming months PURC will capture survey results, in consultation with the Strategic Advisory Committee and Technical Expert Panel, and identify key issues faced by low-income, fragile, and low-capacity countries. Specific deliverables for the upcoming quarter include:

- **Key issues identified from stakeholder survey for development of updated BoKIR in July 2015**
- **Engaging with PURC's Advanced International Practices Program participants on the expansion of the BoKIR and case studies in August 2015**
- **Drafting FAQs and narratives for the TEP and SAC to review in September 2015**

INTERESTED IN GETTING INVOLVED?

To learn more about how to get involved with the Improving Infrastructure Regulation for Low-Income, Fragile and Low-Capacity Countries Program, please contact PPIAF at PPIAF@ppiaf.org.