

THE POLITICS OF REGULATION

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PRESENTATION

1. Legitimising Regulation
2. Legal framework
3. The Regulatory Process
4. State-owned utilities
5. Conclusions



2. Legitimizing Regulation

1. **Transparency:** process, channels for consultation and challenge
2. **Accountability:** answerable to the public
3. **Targeting:** regs framed for specific objectives, minimise unintended consequences



2 Legitimizing Regulation

4. **Proportionality**: avoid sledgehammer
5. **Consistency**: avoid being erratic, promote investor confidence



3. LEGAL FRAMEWORK

Politics start with the law. Some measures for autonomy:

1. Funding of the regulator: derive funds from the consumer, avoid channeling funds through government budgetary process.



3. LEGAL FRAMEWORK

2 Appointment of commissioners:

- Broadly describe the necessary qualifications;
- Limit **power of Minister** to appoint and dismiss commissioners; security of tenure



3. LEGAL FRAMEWORK

3. Responsibilities of commission:

- Appointment of commission staff
- Approval of work plans/budgets

4. Powers of commission:

- Limit involvement of Minister in appeal processes on regulatory decisions



4. REGULATORY PROCESS

Transparency is a key principle.
Protects the commission and enhances confidence.

Tariff review process:

- Publish utility application
- Allow period for objections
- Hold public hearings if deemed necessary



4. CONDUCT (2)

- Where the utility has private interest, process should be seen to be free of political influence
- Cannot ignore social impact, possible resistance



5. STATE-OWNED UTILITIES

- State owned utility is likely to have special relationship with government
- Technical efficiency and financial performance may not have the highest priority
- Regulator has a difficult challenge: how to induce tariffs needed to preserve/improve network integrity.



5. STATE-OWNED UTILITIES

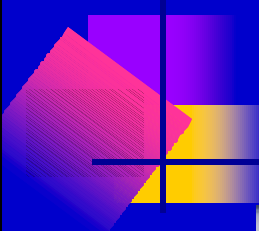
- Lower levels of performance in reliability, standards and even safety.
- Reduced incentives for participation by private investors.

Regulator may need to actively advocate for restructured industry through policy advice to government.



6. CONCLUSION

- Regulation is essentially a political process and politicians are very interested
- Attention should be paid to legal frameworks and regulatory practice



**JOHN KERRY
 NOT SO FAST,
 SAYS OBAMA
 - Page 4**



**MPONGWE BEES KEEPERS
 TO YIELD TONNES OF
 HONEY
 - Page 4**



**GIVE US
 BREATHING
 SPACE: FAZ
 URGED
 - Page 12**

Don't hike fuel prices State directs ERB

By PATSON PHIRI



THE Government has directed the Energy Regulation Board (ERB) not to hike fuel prices any more and opened up discussions to counter the conditions for further adjustment in the prices of crude oil.

Energy and Water Development minister George Mpombo said in an interview in Lusaka yesterday that the ministry in prices of crude oil because of the impact on the economy.

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NCZ starts fertiliser pro

By MUKULA MUKULA

NITROGEN Chemicals of Zambia (NCZ) has started production of 49,000 metric tonnes of D compound fertiliser for the 2004/2005 farming season and would sell a 50 kilogramme bag at

for the production of an approximately another 40,000 metric tonnes. Mr. Simale said some of the fertiliser was already in the market and local farmers who wanted the commodity for each could access it. NCZ would soon start the production of N compound

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