

ANNOTATED READING LIST FOR A BODY OF KNOWLEDGE ON INFRASTRUCTURE REGULATION

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INTRODUCTION

Need and Purpose for this Document

Reforms in *infrastructure* sectors since the 1980s have resulted in major growth in the number of regulatory agencies around the world. The success and sustainability of reforms in these sectors will in large part depend upon the professionalism of these agencies, and the quality of the work that they undertake. Donor agencies such as the World Bank, the Inter-American Development Bank, USAID and others, have funded capacity building programs for agencies in developing countries, covering consulting advice, training, development of centers of research into regulatory economics, and efforts to build regional networks of *regulators* and practitioners in these areas, such as SAFIR and AFUR. Training efforts for newly formed regulatory agencies have been extensive. Regulatory professionals around the world have attended the training program developed jointly between the University of Florida Public Utility Research Center (PURC) and The World Bank. Other courses have also made substantial contributions. For example, the SAFIR course has instructed several hundred participants. The Energy Regulators Regional Association (ERRA) in Eastern Europe offers a variety of successful courses on regulatory topics.

The programs of training, technical assistance and capacity building have provided relevant and timely expertise and information to regulatory agencies. However, there has been no internationally recognized measure of the expertise and professional competence of professionals working in regulatory agencies and no standard body of knowledge on infrastructure regulation (BoKIR) to serve as guides for capacity building and professional development. The lack of a standard BoKIR and no obvious means by which it could be updated make it difficult to develop consistency for long-term institutional learning, to share knowledge across countries and across sectors, and to establish stable and dependable regulatory practices.

The purpose of this document is to identify such a standard BoKIR on *infrastructure regulation*, including both transportation and utilities. In developing this document, the authors have focused on basic principles and best practices that have developed during many years of *regulation* in some developed countries, and more recently across the rest of the world. The BoKIR includes case studies to illustrate how *regulators* make and implement decisions in practice, and to illustrate that country context matters. The authors do not claim to have identified knowledge that is settled and will remain unchanged, nor best practices that all or even most countries should adopt. Regulation is a dynamic process, so practitioners and scholars are continually learning and adapting to new situations. Countries vary in their stages of development, priorities, histories, and institutional capabilities to name a few, so that best practice for one country may not be best practice for another. In recognition of these dynamics and this diversity in regulation, literature that reflects new thinking, analysis, and opposing points of view are included in the BoKIR. The authors also suggest that this document should be continually updated and augmented as new ideas emerge and new knowledge is gained.

Structure

This document consists of an Annotated Reading List (ARL) of the BoKIR and narratives that identify key topics and themes. The BoKIR literature includes decisions and publications by regulatory agencies and other governmental bodies; policy advisories by think tanks, consultants, donor agencies, and others; and research by academics, consultants, and other experts. The materials selected are those that senior agency staff, senior *operator* staff, and their subject matter peers should find most useful, but others will find many of the references useful as well. The authors have sought to select materials that would be assessable for generalists with a working knowledge of economics, finance, accounting, and law, although most of the BoKIR focuses on economic issues.

Following this introduction is a note on references, which includes a list of references that are cited numerous times, a list of useful references that can be hard to obtain and so are not cited in the ARL, and a list of useful, technical economic texts. Following that note is the ARL reference list itself with narratives. The ARL is organized into chapters to provide structure to the topics and subtopics. For each topic or subtopic, the ARL includes some combination of core references, sectoral references, and other references that may be of interest. Core references represent broad, cross-sectoral knowledge. Sectoral references are intended for sector specialists. Other references are documents that may be interesting to those who wish to develop in depth expertise on specific topics.

Length and Relative Importance of Chapters

The chapters in this document have different lengths, but these lengths are not intended to imply relative importance. Chapter length is affected by numerous factors, including our ability to find materials that provide comprehensive coverage, the number of topics and subtopics associated with a chapter, and the richness and deficiencies of the existing literature. For example, Chapter III on Financial Analysis is highly important, but it has fewer references than some other chapters because the materials identified on this topic were generally more comprehensive than materials on other topics. Also, even though there are examples and cases where regulators have successfully regulated state-owned enterprises and where countries have overcome poor governance to establish independent regulatory agencies, there is little literature on frameworks for doing so. References in these areas should be added to the ARL as the literature develops. Furthermore, the ARL references only documents written in English. The reason for this is the preponderance of research and studies of regulation have been done on English-speaking countries or at least countries where English is commonly spoken. This should also change over time.

Conclusion

The authors hope that this document is useful for advancing the high quality work being done by many regulatory agencies, the further development and expansion of efficient utility infrastructure, and research that expands our knowledge of basic principles and best practices.

NOTE ON REFERENCES

Major References

The following references address several topics in the ARL but might be hard to obtain. Some are not listed in the ARL, but are listed here for persons interested in further study.

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Viscusi, W. Kip, John M. Vernon, and Joseph E. Harrington, Jr., Economics of Regulation and Antitrust. Cambridge, MA: MIT Press, 2000.

Technical References

Many excellent economic texts on utility regulation are too technical for the non-economist reader. The authors have tried to avoid these texts as much as possible, although some of the readings do contain technical equations and discussion. Such references were included only when less technical, high quality references could not be found on the given topic. Below are listed some technical economics texts that might be useful for readers who wish to do further, in-depth study of regulatory economics.

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