

# Quality, Social, Environmental

The Body of Knowledge on Infrastructure Regulation is divided into seven main sections. Chapter VI is dedicated to issues dealing with service quality, achieving social objectives, and the environment, also known as **non-price issues**.



In some instances, the interests of the government and the operator coincide with regards to non-price issues. However, there are situations in which the interests of the government differ from those of the operator. When the interests of the operator and the interests of the government do not coincide, the government may find it optimal to establish incentives for the operator to pursue the government's goals with respect to service quality, social issues, and the environment.

# How This Section Is Structured

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The Quality of Service section describes why and when it might be a good idea to regulate service quality and how to approach this issue. Regulating service quality involves the steps of identifying the preferred level of service quality, designing a system for providing the operator with the incentive to offer this service quality, and developing a system for monitoring service quality and enforcing the standards.

The next section describes environmental and safety issues. The three main trends in environmental regulation in recent years are described and the issues raised by the interactions between economic and environmental regulation are examined.

The following section examines social aspects. Social issues generally focus on access to and affordability of a service. Ways in which countries can increase access and affordability are addressed.

# Overall Conclusions

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Experience is demonstrating that competition is an important instrument for service quality and social issues. Competition may not result in operators offering the optimal quality, but it is difficult for regulators to improve on competitive market results without significant information on customers' willingness to pay for quality.

Competition provides operators with incentives to develop services, service qualities, and pricing arrangements that make services to the poor commercially viable. In situations where commercially viable services to the poor are technically infeasible, then subsidies may be needed.

Competitive markets may also contribute to resolving some environmental issues if regulators and policy makers can create markets that allow operators to internalize the environmental externalities.

# References

The principal resource featured in the BoKIR is the list of (and access to) references that is provided under each section. The literature includes decisions and publications by regulatory agencies and other governmental bodies; policy advisories by think tanks, consultants, donor agencies, etc.; and research by academics, consultants, and other experts.

In the Quality, Social, Environmental section, references are organized under the following categories:

- Quality of Service
  - Case Studies
  - Rationale for regulation of quality of service
  - Developing a framework for quality of service regulation
  - Developing and introducing performance standards
  - Strategies to provide consumers' choice on QOS standards/price options
  - Penalties and incentives for compliance with QOS issues into price reviews
  - Effects of Competition on service quality
  - QOS standards and the poor
- Environmental and Safety Issues
  - Case Studies
  - References
- Social Aspects
  - Case Studies
  - Regulatory strategies for promoting increased access and consumption affordability
  - Development and funding of universal service obligations
  - Connection and disconnection policies, alternative payment methods
  - Options for pro-poor regulatory strategies
  - Models of operator obligations for serving the poor

- Further divided into:
- Core References
  - Sectoral References
  - Other References

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## Other Resources

**Self Testing:** Test your command of the BoKIR content for each section. Answers are provided with an explanation and with references for further study.

Which of the following is **false**?

- Sometimes operators face incentives to lower service quality in order to increase profits.
- Regulations on service quality may take the form of minimum standards, rewards for improving quality, and penalties for substandard quality.
- It may be optimal for operators to offer several qualities of service so that a customer can choose the service quality that best serves his or her need.
- Price caps create an incentive for a monopoly to supply an excessively high level of quality because quality improvements shift the demand outward.

**Glossary:** Keywords throughout the text are hyperlinked to a glossary for complete definitions (also available in other languages).

**Service quality, monitoring:** Checking the features of the service (like [reliability](#) and Billing Accuracy) that matter most to customers.

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