Are MSRAs a Good Model to use in Developing Countries?

Is the MSRA model the appropriate model for developing countries? In theory, the model seems to provide a solution to address many of the constraints faced by regulators in developing countries. In practice, it is too early to assess the effectiveness of the model. In theory, a MSRA allows developing countries the potential to achieve greater efficiencies in regulation, by benefiting from shared knowledge and resources, including a common infrastructure, administrative set-ups, and specialized human resource skills, such as those of accountants, economists, engineers, and other professionals across sectors. However, in practice these savings and benefits may not accrue. Active regulatory work in one sector does not always translate in knowledge and action in other sectors.

What is clear is that for the MSRA model to work, the following constraints need to be addressed:[1]

- Limited human resource capacity
- Political influence and lack of independence
- Limited financial resources, including financial independence
- Lack of legal frameworks
- Lack of regulatory frameworks to guide regulatory intervention
- Unrealistic expectations about the sequencing and timing of events leading to sector reform and development

Moreover, strategies to address these constraints also need to focus on efforts to provide institutional strengthening support, at the regulator's level and at the government level. Without government commitment and support towards sector reform, regulators will continually face difficulties with many stakeholders, including operators with strong influence and political ties.[2]

While an all encompassing MSRA model seems to be received as an initial solution to regulation in the utility sectors, in several instances the model needs to be adjusted to fit specific local demands and most likely to respond to political pressure from each of the sectors' stakeholders. This experience leads to new questions, primarily questions around the MSRA organizational structure as well as the most effective combination of sectors within one agency in that country.

Regulatory performance is not only the result of the regulatory and institutional model in place, but rather, regulatory performance is hindered by factors such as lack of legal and legislative support (i.e., sector laws), lack of data and information required for regulatory purposes (outside of benchmarking techniques), and in almost all cases limited tools for regulatory oversight (e.g., interconnection regulations, regulation establishing cost based pricing, cost models to calculate appropriate tariffs, and universal access policies in all sectors).

Regulatory performance and efficiency is highly dependent on the regulator's ability to understand its priorities and follow a plan of action that is coherent within the context of the country and it sector's development goals. However, in many cases, regulators have not, or only recently, developed strategic plans of action. This situation leads to limited guidance and a situation where regulation is re-active, instead of pro-active. Indeed, rather then establish a clear plan of action framed around specific sector objectives and priorities, such as consumer protection, affordable tariffs, policies, and incentives to attract

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[1] PPIAF-financed study (2008) undertaken by the consulting firm Hellerstein & Associates and the Public Utility Research Center (PURC) – Literature Review and findings of Multi-Sector Regulatory Agency in five Sub-Saharan African Countries (Cape Verde, The Gambia, Guinea-Bissau, Niger, and Senegal). Authors include, Judith Hellerstein, Sonia Jorge, Mark Jamison, Sandy Berg, and Jean-Pierre Chamoux.
[2] Country case studies on Cape Verde, The Gambia and Niger where the electricity, water and telecommunication sectors are regulated by a MSRA

infrastructure investment, regulators allow the public to became discontent, increasingly sceptical of the regulatory process, and diminish their credibility as regulatory agencies.

The research on multi-sector regulation is mixed on whether the MSRA model indeed provides the expected gains, such as increased efficiency, effective regulation and eventually tangible contribution to network and economic development in a country. Multi-sector regulators may optimize scarce resources, such as human resources, public finances, and technical knowledge or expertise. But we note that, when staff resources are limited, the need to operate in different and complex sectors simultaneously increases demands on qualified staff and may also compromise the ability to develop sector-specific knowledge at an adequate pace and contribute to delays in appropriate regulatory interventions.

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