



## **Regulation and Competition Policy: Issues and Challenges in Developing Countries**

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## **PROFOUND REASSESSMENT OF PUBLIC POLICY TOWARDS NETWORK UTILITIES**

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### **OLD MODEL**

**STATE OWNERSHIP**

**MONOLITHIC ORGANIZATIONS  
(VERTICAL INTEGRATION)**

**REGULATORY REFORM**

### **NEW PARADIGM**

**PRIVATIZATION**

**UNBUNDLING**



## **PROMISES OF NEW PARADIGM**

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- PROMOTION OF ACTIVE OR POTENTIAL COMPETITION OVER SERVICES
- IMPROVED INCENTIVES FOR EFFICIENCY
- REDUCED SCOPE FOR REGULATORY INTERVENTION



## **PREREQUISITES OF EFFECTIVE RESTRUCTURING**

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- **A SUITABLE SET OF INSTITUTIONS**
- **A MICROECONOMIC STRUCTURE OPEN TO COMPETITION**
- **ALLOWING COMPETITION TO FUNCTION WHERE IT CAN, WITHOUT DISTORTION**
- **OPEN ACCESS TO BOTTLENECKS ON TERMS THAT REFLECT COMPETITIVE PARITY**
- **AN EFFECTIVE SYSTEM OF REGULATION**



## **CHARACTERISTICS OF SMALL DEVELOPING COUNTRIES**

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- **SMALL MARKETS—LIMITED SCOPE FOR COMPETITION**
- **LOW TECHNICAL CAPACITY**
- **LACK OF INSTITUTIONAL COHERENCE**
- **UNDERDEVELOPED NETWORKS**



## **CHALLENGES IN DEVELOPING COUNTRIES**

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- DEMARCATION OF RESPONSIBILITIES BETWEEN REGULATORS AND COMPETITION AUTHORITIES
- MEASURES TO HARMONIZE COMPETITION WITH REGULATION AND CREATE A "LEVEL PLAYING FIELD"
- DESIGN AND IMPLEMENTATION OF EFFICIENT ACCESS PRICING AND INTERCONNECTION RULES INCREASED INVESTMENT



## **SCOPE FOR REGIONALIZING REGULATORY AND COMPETITION POLICIES**

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- REGIONALIZATION TO OVERCOME TECHNICAL CAPACITY CONSTRAINTS
- REGIONALIZATION TO OVERCOME THE COMMITMENT PROBLEM