



RESOURCE

Outsourcing Regulation: When Does It Make Sense and How Do We Best Manage It?

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Description / Abstract

Over the past decade, about 200 regulatory bodies have been established in some 130 countries to regulate services such as telecommunications, water, and electricity. In sub-Saharan Africa as elsewhere, administering regulatory functions is a complex and demanding task, in both technical and political dimensions. In countries emerging from social strife and with fledgling institutions, it may be extremely difficult to set up regulatory institutions with adequate degrees of independence, let alone competence and legitimacy. For different reasons, policy makers and regulators consider outsourcing regulation at various stages of the regulatory cycle.

Outsourcing regulatory functions or tasks can play a significant role in improving the effectiveness of institutions in charge of utility regulation, be they independent regulatory agencies or other types of institutions (including line ministries or contract supervision units set up at the level of the contract).

The focus of this note is on outsourcing regulatory functions, to understand when it makes sense and how it can be best managed. For illustration purposes, the note contains references to a World Bank survey of outsourcing practices by existing regulators that was conducted in 2004; results were received from 51 regulation agencies throughout the world. Full survey results can be found in Trémolet, Shukla, and Venton (2004). Additional discussion of outsourcing as a means to tackle human and financial resource constraints for regulation is contained in Trémolet and Shah (2005), which also contains results of an extensive survey of regulators.

Publication year

2015

Publisher

Public-Private Infrastructure Advisory Facility - PPIAF

Keywords

Outsourcing

Thematic Tagging

Water services

Language English

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B1.01

Source URL: <https://iwrmactionhub.org/resource/outourcing-regulation-when-does-it-make-sense-and-how-do-we-best-manage-it>