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Steering the Regulatory State: The Rationale behind the Creation and Diffusion of Independent Regulatory Agencies in Liberalized Utility Sectors in the Developing Countries: Thoughts and Reflections on the Egyptian Case

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Abstract

This paper looks at Independent Regulatory Agencies (IRAs) as steering mechanisms for the regulatory states. It attempts to answer two straightforward questions regarding why governments in the developing countries delegate their authorities to the IRAs? And how these regulatory models have been diffused in the context of the developing countries? These two questions have been pretty much investigated in the context of the developed countries particularly in Europe where scholars have come up with different theories that explain the rationale behind the creation of such agencies. These theories are important to understand why governments in these countries adopt IRAs as steering mechanisms for liberalised utility sectors; however, they are not sufficient to explain the same phenomenon in the context of the developing countries where socio-economic and political environments are different. Adopting an institutional framework of analysis, and based on the analysis of governmental documents and interviews with decisions-makers and senior regulatory member staff, the paper investigates the creation of the IRAs in Egypt as a starting point for more comparative studies to follow. The underlying assumption is that the differences at the contextual level between Egypt and the Western European countries wherein the IRA model has been originated may lead to different explanations for the creation and diffusion of such a model. The initial findings of the paper show that the creation of the IRAs in Egypt particularly in the telecommunications sector was very much instrumental. In other words, it can be explained on functional and practical grounds rather than any other factors of democratic governance or political uncertainties.