

Frontiers of Regulation: Assessing Scholarly Debates and Policy Challenges

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Regulatory agencies, institutional design and public management: the case of the Dominican Republic

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Abstract:

The emergence of regulatory agencies in Latin America may be seen as an opportunity to improve public management dynamics. As regulatory policies constitute a new realm of state activity, new formulas of public affairs management are required, especially in order to avoid the well-known problems of most Latin American public administrations.

Much research has focused on key factors to explain the institutionalization of regulatory agencies, such as principal-agent dynamics or their autonomy in accountable budget management. The aim of this paper is to contribute to this debate through an analysis of the presence or absence of regulatory agencies in four regulatory policy areas (telecommunications, banking and finance, pensions and pharmaceuticals) in the case of the Dominican Republic.

The paper focuses on the institutional design of regulatory agencies in these four sectors, emphasizing the role of institutional models and entrepreneurs from established agencies in explaining the viability of the new ones. It introduces the relation between public management design and the recognition of external and international players that are important to the regulated sectors. In these aspects, the improvements in public management made by agencies are an additional factor that helps to legitimize their role in the regulatory network and the epistemic communities. In addition, it studies a set of criteria to assess the capacity to regulate on an independent basis through variables such as the type of authority sector statute, the appointment methods and the regulators' statute, the institutional mechanisms established to guarantee transparency and participation in the decision-making process and the availability of resources.

1.- Introduction

One of the most important economic and social factors of recent years has been the accelerated transformation of regulatory political dynamics in Latin America. The extension of regulation to new areas is going hand in hand with the allocation of regulatory decision-making to specialized public bodies. As regulatory policies are a new realm of state activity, new formulas for public affairs management are required, especially in order to avoid some of the main problems of most Latin American public administrations. Therefore, it has become necessary to extend expert political analysis to this area of intervention in order to identify the factors that will shape new courses of public action.

In the context of a research project in progress entitled “State transformation in Latin America: New institutional design, civil service and regulatory policies”¹, the paper focuses on an analysis of the political and institutional designs of the new independent or semi-independent public regulatory agencies in the Dominican Republic. The regulatory authorities model emerges strongly in the administrative reforms carried out during the nineties in the Latin American area. The increase in the use of regulatory mechanisms in many fields of public policy, due to the recent wave of privatizations, has focused this as a central issue for the dynamics of the political process. The aim of the project is to carry out an analytical and comparative study of these new public agencies, which have their own civil service systems and are related to the economic and social sectors where the regulatory formulas are factors of development in the countries of Latin America. Maintenance of state capacities and the possibilities of economic and social development in the region are related to the efficiency of the new institutional regulatory organizations.

¹ Research project “Transformación del Estado en América Latina: Nuevos diseños institucionales, servicio civil y políticas regulativas”. PI: Carles Ramió, Universitat Pompeu Fabra. Ref. SEJ2004-03358/CPOL.

The initial findings of the case of the Dominican Republic allow us to develop a set of interpretations of the successes and problems of these new institutional designs for the purpose of contributing to the academic debate around the configuration of the effective capacities of the regulatory state. The case study analyzes the presence or absence of regulatory agencies and their institutional characteristics in four regulatory policy areas (telecommunications, banking and finance, pensions and pharmaceuticals) in the case of the Dominican Republic.

The paper focuses on the institutional design of regulatory agencies in these four sectors, emphasizing the role of institutional models and entrepreneurs from established agencies in explaining the viability of the new ones. It introduces the relation between public management design and the recognition of external and international players that are important to the regulated sectors. In these aspects, the improvements in public management made by agencies are an additional factor that contributes to legitimizing their role in the regulatory network and in the relevant epistemic communities. In addition, the paper studies a set of criteria to assess the capacity to regulate on an independent basis through variables such as the type of authority sector statute, the appointment methods and the statute of the regulators, the institutional mechanisms established to guarantee transparency and participation in the decision-making process and the availability of resources.

The importance of the object of the research is connected with recent major Latin American state reforms. The traditional political framework, based on the regulation of activities by monopolistic operators of a public or semipublic nature, is being replaced by regulated environments with a greater degree of sectorial competition. The present trend is towards a regulatory framework that can ensure competition to prevent abusive behaviour by the sectorial players. This process has radically changed the regulatory framework of the sector and affected the structure of the markets as well as the way companies function. However, there has not been just one deregulation plan. In the Dominican Republic, the approach taken in different sectors reveals great disparities, not only in the initiatives for the public policies that have been adopted, but also at different levels of direct or indirect public intervention. We suppose that some

institutional factors (understood as the structures of political power and its degree of fragmentation and autonomy) present in the regulatory network of the Dominican Republic have oriented the design and implementation of different sectorial policies.

2.- Preliminary Hypotheses and Methodological Issues

In this section, we introduce some preliminary hypotheses that are part of the major research project we referred to entitled “State transformation in Latin America: New institutional design, civil service and regulatory policies”, which includes a comparative analysis of the four regulatory arenas (telecommunications, banking and finance, pensions and pharmaceuticals) for four initial countries (the Dominican Republic, Mexico, Brazil and Peru). Here we present the results of some initial hypotheses tested in the case of the Dominican Republic. The preliminary hypotheses presented here have looked at the organizational capacity to adapt successfully to changing environments such as the regulatory arenas of Latin American countries.

The main hypothesis related to these arguments is that the effective capacities to achieve the regulatory objectives are more closely related to the institutionalization of the main public organization responsible for the regulatory policy.

Institutionalization depends on the regulatory agencies' capacity to build a relationship of trust between them and their members, between them and their stakeholders, and between them and the public.

The main hypothesis leads us to two complementary sub-hypotheses that are our contribution to the academic debate about institutionalization and the process of building trust. First, we regard the organizational characteristics of regulatory agencies (especially their human resources management system) as a source of innovatory capacities to adapt to new challenges and to support the process of trust building. Second, the regulatory agencies' demonstrable autonomy to regulate on an independent basis is also a key determinant of the

institutionalization process that decides their effective capacities to achieve the regulatory objectives.

We will illustrate these hypotheses with the case of four regulatory policy areas (telecommunications, banking and finance, pensions and pharmaceuticals) in the Dominican Republic. The analysis starts from the use of different sources:

- Primary and secondary documentary sources such as international reports, regulatory agencies' internal reports, and laws and rules promoted by them
- An analysis of 35 interviews carried out in December 2005 given to a qualitative sample of the profiles of the main representative players connected with the regulatory agencies' activities.
 - o We used three different questionnaires with initial common questions referring to the agencies' activities, outputs and outcomes, and specific questions regarding organization and autonomy issues and relations with the institutional and regulated environment.
 - o Interviews by professional profile: from regulatory agencies (22), from ministries responsible for the regulatory field (5) and from the regulated industries (7).
 - o Interviews by sector: telecommunications (8), banking and finance (10), pensions (7) and pharmaceuticals (9).

The integration of these information sources is based on the analytical framework that contrasts the hypotheses and is conceptually supported by the different approaches described in the next section.

3.- The Importance of Institutions

In the next section, we will complement the hypotheses with the main conceptual references in order to situate them in the academic debates.

Some years after their appearance, the key dilemmas of the regulatory agencies in Latin American countries are related to their effective capacity to be

institutionalized, especially in highly unstable administrative environments. As Boin and Kofman-Bos point out, "*institutionalization refers to the process by which an organization 'outgrows' its instrumental status and takes on institutional characteristics*" (2003: 3). Thus, a highly institutionalized organization combines both a distinct identity, such as a particular way of carrying out its activities, and a high degree of legitimacy. Then, and following the authors referred to, not only the actions of that organization but the organization itself is "*desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions*" (Suchman, 1995: 574). There are complementary approaches to measuring the development of identity and legitimacy, usually focusing on items such as the presence of a coherent and workable mission, the level of acceptance of that mission within an organization and the degree of autonomy enjoyed by the organization (Boin, 1998).

We propose to complement these approaches by focusing on both the organizational characteristics of regulatory agencies and their autonomy to regulate on an independent basis in terms of the sub-hypotheses presented in the previous section.

Related to the first preliminary sub-hypothesis, a consideration of the organization characteristics must start from an assessment of the administrative context in which the regulatory agencies are set.

One of the key issues of state reform in most Latin American countries had been building a stable civil service system based on merit and professional criteria (Longo, 2004). The instability of Latin American political and administrative systems in terms of staff management is a major feature of the prevailing civil service institution. In a way, that very instability provides an equilibrium that makes it easy to introduce new "rules of the game" into human resources management policies and practices, but very difficult to consolidate them. With these institutions, Latin American civil service systems become relatively open to international pressures in terms of incorporating new management practices and instruments, but the difficult part is to consolidate these exogenous and out-of-context contributions in order to change the rules of the game.

The initiatives launched to transform the civil service model are a good example of the institutional dissemination processes, through isomorphism dynamics (mainly mimetic and coercive), even though they only modified Latin American administrative systems slightly. As a result, any attempts to introduce merit systems usually ended in a gap between officially established guidelines and practice, following decoupling dynamics (Ramió and Salvador, 2004).

In the Dominican Republic, only a few areas seem to be more protected from arbitrariness, though this is usually related to bringing out peculiarities that correspond to the logic of power within the public organization. Therefore, for example, the introduction of measures to improve the competitiveness and transparency of promotions yielded certain results only in the sectors where the professional qualification requirements were stricter and where the end service was more clearly defined. This context induces regulatory agencies to develop coherent strategies to create both a professional and a stable staff.

In this process, the role of the institutional entrepreneurs is a key factor in the organizational configuration of the new agencies (Roberts and King, 1996). Their role becomes critical to define strategies and to generate opportunities to change the patterns of previous actions. As Kingdon points out, "*entrepreneurs perform the function for the system of coupling the previously separate streams. They hook solutions to problems, proposals to political momentum, and political events to policy problems (...)* Without the presence of an entrepreneur, the linking of the streams may not take place. Good ideas lie fallow for lack of an advocate. Problems are unsolved for lack of a solution. Political events are not capitalized for lack of inventive and developed proposals (1984: 191). The professional origin of the institutional entrepreneurs, their political career, their connections with the regulated sector and their profile in terms of internal and relational skills are key factors to understand both the strategies developed and the results achieved.

In order to identify the nature and scope of the processes of change of the existing institutions by the regulatory agencies, it is useful to analyze the dynamics of organizational learning. We define these dynamics as the processes

followed by the organizations to generate new routines of operation when the ones they are using (or which are used by the administrative referents) do not correspond to the aspirations of the function they have to fulfil (Levitt and March, 1990). In the processes of transformation of those institutions, the leading inducers of change are the levels of satisfaction with their present performance and the aspirations for their potential performance. Along those lines, we must consider the learning strategies used, differentiating exploration strategies (for new alternatives) and exploitation strategies (of the existing institutions) (Lanzara, 1999). Whereas the exploration of new balances between values, standards, rules and processes requires the players to direct a large part of their efforts towards active investigation, exploitation of the structures already created consists of refining and perfecting the institutions already available. Therefore two attitudes are opposed: one of experimentation, inclination towards risk, invention and readiness to face uncertainty, and a more conservative one, averse to risk and key decision-making.

Exploration strategies generate variability, with high experimentation costs to be met in the short term, whilst the benefits obtained may be minimal and usually in the medium or long term. For that reason, the development of exploration strategies requires constant, steady support, both from political management and through a dynamic leadership that can maintain the thrust required to obtain results. Exploitation strategies, on the other hand, require less investment insofar as they start from referents that have already been tested, the idea being only to improve them incrementally. Those processes obtain rapid responses in the short term, and with less risk than the other case. The support required from the policy and management spheres is also less, insofar as the results approved by the existing institutions which provide a starting point are taken as "legitimized". The institutional environment of the Latin American administrations favours the development of exploitation dynamics, though not so much those of the institutions themselves as the ones imported from other reference contexts. However, the resulting combination of the two learning strategies (exploitation versus exploration) will also depend on the participation of the different groups of players, with different interests and time horizons against which they define their

investments and strategies. The role of the institutional entrepreneurs can overcome this trend or alter it in order to include new referents.

In similar terms, and related to the second preliminary sub-hypothesis, we must consider that the regulators operate in a complex environment, which includes economic interests as well as purely political ones on the part of legislators, other administrative departments, political parties, judiciaries, the media, opinion groups and supranational authorities. It is not possible to explain regulators' behaviour and regulatory policies without taking account of the institutional variables which shape this type of political interaction (Majone 1996).

The use of an institutional perspective in the study of regulatory policies is not an easy task. First of all, it will become apparent that total consensus has not been reached on the definition of relevant elements that should be included in the concept of the institution. In view of this, an attempt will be made to find a common link among the different institutional perspectives. Meanwhile, the argument will be developed based on the idea that an "institution" is a configuring element or organizer in policy-making (North 1993; Bauer, 1994). From this theoretical perspective, the development of a policy sector will be determined by an institutional matrix which structures the relationship between individual players and collectives who either promote or restrict its actions. It will be assumed that the evolution of regulatory policy could therefore be analyzed as a problem of design and institutional change (Bauer et al. 1995).

An analysis of regulatory policy structures in the Dominican Republic can provide us with an understanding of the type of interested intervention which is encouraged in a specific sector. This mediation will generate the process of production and in this way we believe that the configurations of certain institutional variables affect and shape the design and implementation of regulatory policies (Schneider 1992, Knoke et al. 1996). The analysis of the case of the Dominican Republic aims to show how institutional-type variables, which refer to the structure of the regulatory institutions, have a great effect on the ability of the public bodies to generate a good public regulation policy. It will be based on some of the organizational configurations: 1) centralization or

fragmentation of regulatory power within a sector and 2) autonomy of the regulatory sector with regard to interest groups within the sector. It will be assumed that in accordance with these variables some form of political interaction between the players present in this arena will be encouraged.

The first factor, the high fragmentation of regulatory authority, would be associated with a larger amount of pluralist interaction. The reason is that the dispersion of authority leads to better opportunities for intervention in the decision-making process by the different social agents who, by defending their interests, sponsor a changing plural political process. Thus, the fragmentation of the regulatory authority favours the coalition's establishment of support for opposed interests. The second factor, the autonomy of the policy-maker, conditions the type of political interaction generated in the sectorial network too. A higher degree of autonomy is an incentive for an open political process because it means that the regulator will not be captured by a sectorial interest group.

We found in the case of the Dominican Republic that certain autonomous regulatory competences, located outside the administrative structures of the ministry, increase the fragmentation of the regulatory power, and so they can promote a more pluralist regulatory process. To assess the degree of independence or autonomy of the regulator, the following organizational variables, used by different authors in regulation studies, will be examined: (1) the type of authority sector statute (Mitnick 1984, Moe 1991); (2) the method of appointment and statute of the regulators (Noll 1983, Bauer et al. 1995); (3) the establishment of institutional mechanisms that guarantee transparency and participation in the decision-making process (Noll 1983, Bauer et al. 1995); (4) the availability of resources, understood as economic resources and technical knowledge and information (Duch 1991); and (5) the system of external control over the regulatory organization's performance (Spiller, 1993).

4.- The Role of Organizational Variables and the Process of Institutionalization

An analysis of the organisms linked to the regulation of the four sectors considered for the case of the Dominican Republic shows a wide range of results in terms of the level of confidence generated in the regulated sector. More specifically, the three cases where there are regulatory agencies separate from the ministerial public administration correspond to the best results in terms of confidence in the regulated sector (Superintendency of Banks, Superintendency of Pensions and Indotel). However, in the fourth case considered (Department of Drugs and Pharmaceuticals), where the organ is integrated in the ministerial administration, the levels of confidence in the sector are very low and the effectiveness of its actions is seriously restricted.

These arguments are developed through a comparison of the two sub-hypotheses proposed. For the first, an initial indicator to consider is the situation of the public administration in the Dominican Republic as the context in which the regulatory agencies emerge.

The results of the investigation show that the Dominican public institutions have little continuity. Changes in the presidency involve crucial modifications to the public administrations. Most public employment is subject to political clientelism and changes with the arrival of the new team. That affects almost 70% of the total of public employees, and even more in the case of managerial or administrative staff (regarded as non-specialised). The Department of Drugs and Pharmaceuticals is a good example of this model. The staff that remain and therefore enjoy a certain stability are the specialised professional staff (such as medical staff or educators), where turnover may be as low as 33%. During the current presidency (Leonel Fernandez) a career civil service is being introduced, though it contains fewer than 10% of all state public employees. Those who belong to this group, theoretically with meritocratic access to it, enjoy a stable labour relationship.

In this context, one of the initial challenges facing the three regulatory agencies analysed has been the creation of a differentiated human resources management system, adapted to its own needs for professionalization and stability. That has particularly taken the shape of the strategies designed by the management teams of the Superintendency of Banks and the Superintendency of Pensions. In both cases the challenge was taken up by directors who acted as institutional entrepreneurs and used a combination of strategies of institutional exploration of differentiated solutions and the replication and exploitation of strategies designed in organizations regarded as references.

We should emphasize that the professional profile of these institutional entrepreneurs tends to be reproduced in both cases, with major transfers of senior professional and managerial posts, in both cases from another independent organization, the Central Bank of the Dominican Republic. That organization seems to be configured as an “institutional site”, in other words, a space where senior professional and managerial staff are trained and exported to occupy key positions in organizations linked to the sector which tend to replicate its main management mechanisms. That is explained by the sound record of the Central Bank and its capacity to develop a human resources management system differentiated from the rest of the Dominican administration (through meritocratic access, stability and competitive remuneration and career plans).

The selection and training strategies designed by the Central Bank tend to be reproduced, following processes of institutional isomorphism which later give way to processes of adjustment through institutional exploitation dynamics for their adaptation to each particular situation. So, for example, the Superintendency of Banks has developed a recruitment and selection programme for young professionals which is clearly based on the Central Bank reference, but with specific features concerning the assessment of merits and the reception process.

But also due to the profile of the institutional entrepreneurs and taking advantage of the recent creation of the Superintendency of Pensions in a more stable political environment, institutional exploration dynamics have been generated in the field of staff selection and administrative career. In both cases, however, the

goals to which the initiatives correspond are the professionalization (through selection and training) and stability (through remuneration and administrative career) of the staff. One consequence linked to those initiatives is the incipient creation of an organization culture of its own, associated with a corporate identity which makes a positive contribution to reinforcing internal cohesion and retaining the senior professionals.

Although in the three agencies considered there are high levels of staff stability, it is particularly concentrated in the technical areas where the senior staff linked to the material sphere of regulation are found and does not extend to the same degree to the administration areas, where the levels of turnover of staff following a political change are substantially higher. Moreover, it is most significant that the initiatives undertaken with the staff, such as the recruitment and selection or administrative career systems we have mentioned, are usually designed and promoted directly from the technical areas and not from the administration (where the human resources units are located), which confines itself to carrying out the operative management.

That, together with the professional profiles of the managers and their connections both with the regulated sector and the international networks of their respective regulation sectors, allows us to identify the emergence of incipient epistemic communities that gradually seal off management spaces in their respective regulatory agencies. All that simultaneously helps to protect the agencies from political pressures within the country and to increase their legitimacy through both international recognition and the confidence generated in the regulated sector itself.

This argument connects with the second sub-hypothesis about the regulatory agencies' autonomy to regulate on an independent basis as a key determinant of the institutionalization process. From an institutionalist perspective, we can study a set of criteria to assess the relationship between regulatory institutions with regard to the sector that they themselves regulate on an independent basis. This would help us to understand both those institutional elements that have characterized the dynamics of political interaction between the government, the

sectorial players and the regulators. These criteria also allow us to analyze the characteristics regulating bodies need in order to guarantee independent operation. The basic organizational variables of the regulator proposed as elements of analysis were, on the one hand, the degree of centralization or fragmentation of regulatory power and, on the other, the autonomy of the regulatory sector with regard to the interest groups in the sector. These variables will now be analyzed for the case of the Dominican Republic.

First of all, the way in which legislation establishes a statute to grant the regulator authority over the sector is a major factor in establishing its independence. The specification and details of management objectives and the political directions to be followed increase the options for independent operation, given that restricting the margin for discretion decreases the possibility of outside *capture* (Mitnick 1984; Moe 1991). It should not be forgotten that in some sectors most information resources in regulator-sector negotiations are in the hands of businesses in the sector.

In the Dominican Republic, the legal definition of the authority and the degree of specification of the regulatory agencies' management objectives were established in a very broad sense. In three of the cases studied (Superintendency of Banks, Superintendency of Pensions and Indotel) we find a specific legislation that establishes the legal independence of these organisms. The performance objectives of the agencies are specified generically. The regulation establishes no specification of either the operative performance targets or the political or strategic guidelines that must direct the regulatory action of the agencies. The discretionary margin of performance of the three regulatory agencies analyzed is wide. A different case is the Department of Drugs and Pharmaceuticals. The fact that the Department is attached to the Ministry of Health and Social Services means that there is no special specification of any statutory independence of competences. In this case there is a hierarchic subordination of the Department to the Ministry.

Second, the way in which regulatory responsibilities were allocated affect their autonomy as far as political representatives are concerned. The state's power

to appoint specific individuals to positions in the direction, as well as its power to dismiss them, is an important instrument of control over the regulatory body. Two basic criteria have traditionally guided these selection processes in the telecommunications sector: political affiliation and technical training in the sector. Greater emphasis on the technical-professional aspect stimulates action regardless of political pressure (Noll 1983).

The selection of directors for regulatory institutions in the Dominican Republic has been based on predominantly political criteria, which encourages plans for capture by government representatives. The political designation is the common designation system of the directors in the three regulatory agencies analyzed. Nevertheless, the choice of a sectorial technical and expert director profile has been supported in the Superintendency of Banks and the Superintendency of Pensions. In the case of Indotel, the director chosen is a professional journalist with high public recognition. Political confidence is the key factor in occupation of these positions in the regulatory agencies. This phenomenon also occurs in the Department of Drugs and Pharmaceuticals.

The president of the Republic holds the power to appoint the directors of the regulatory agencies. In a recent legal controversy, the Dominican court of justice ruled that the power of the president of the Republic to appoint the directors of the agencies comes from the Constitution, which is above anything the regulatory agency statute could establish. The appointment of the director of the agency depends directly on the president of the Republic.

Third, institutional mechanisms guaranteeing transparency and participation in the decision-making process are new variables to be taken into consideration. A transparent decision-making process, open to participation by a range of interests beyond the closed circle of the groups directly affected by regulatory initiatives, encourages the regulator to act independently. The generation of political debate and social consensus are key elements in this regard (Noll, 1983; Bauer et al. 1995), and suggest pluralist interaction processes on a sectorial scale.

In the Dominican Republic regulatory sector, transparent decision-making has been limited. There has not been any political initiative for a general debate nor open participation by groups representing the entire set of interests of this sector, particularly consumer associations. Except for Indotel, which allows for the formal creation of a collegiate organism representing companies and users, the institutions analyzed have no institutionalized organs of participation. The relations of the regulatory agencies with the sectors are characterized by flows of informal communication and direct access between regulators and sectorial players. Nevertheless, the priority of the management teams of three agencies analyzed is to support the decision-making independence of the regulatory institution.

In the case of the Department of Drugs and Pharmaceuticals the situation has been very different. This institution has developed a tradition of clientelism in its relation with the sector companies, which had favoured practices of corruption and capture of the operative decisions adopted. Scarcity of resources, low remuneration and clientelism in occupation of the positions have aggravated this situation.

Fourth, a new element, which structures the capacity for interaction between regulatory bodies and regulatory agents, is availability of resources (Duch 1991), defined as staff, expert knowledge, access to important information, material and economic resources. The ability to generate technical information is vital in order to ensure the regulator's autonomy in the policy-making process (Mayntz and Scharpf, 1975). Hall (1983:46-7) also believes that the regulator would have greater autonomy if it was able to generate the necessary technical information to fulfil its duties.

In the Dominican Republic, in relation to economic resources we have detected two opposite situations in the cases analyzed. On the one hand, the Superintendency of Banks, Superintendency of Pensions and Indotel have a high capacity to generate economic resources. The statutes of these agencies award them financial autonomy and different income mechanisms which supply them with resources far above the average of the other Dominican public

institutions. This favourable financial situation (especially the Superintendency of Banks and Superintendency of Pensions) means a capacity to hire qualified staff, good remunerative levels and facilities and up-to-date equipment.

These three agencies show a high ability to generate quality information and specialist technical studies, which makes it easier to carry out the regulatory work. Again, the Department of Drugs and Pharmaceuticals is in a very different situation: it reflects the institutional weakness of the Dominican public organizations, with low budgets, low wage levels and poor technical infrastructures. This situation encourages the generation of capture dynamics for the sector companies.

Fifth, outside control over the regulatory institutions is another condition related to their autonomous functioning: the choice of the system of control by the regulatory body becomes a critical decision (Spiller 1993). Control could be predominantly judicial or a basic component of the regulator's direct political responsibility to Parliament. There are also systems where the body exercising control consists of the associations which are interested in a regulated sector. Incentives for a *capture* increase when there is only political-parliamentary control; they are even greater if outside control is applied by the same companies in the private sector (Noll 1983). The exact content of the control systems plays a role in conditioning *capture* strategies. General control – as opposed to intensive control over the regulatory agent's actions – favours economic groups (Noll 1971, Tunstall 1986).

In the Dominican Republic, the control systems of the regulatory agencies are predominantly political and developed by the Executive, although in fact the agencies' margin of autonomy for action is high. There are no strict formal control systems between the agencies and the "principal". We detected a lack of interest by the ministerial bodies in establishing control strategies. In case of the Department of Drugs and Pharmaceuticals the control is greater, a hierarchy exercised directly by the Ministry of Health and Social Services. The control exercised by the legislature is low, and formal control mechanisms have not

been detected beyond an occasional request for audit papers or technical reports.

5.- Concluding remarks

The research results support the main preliminary hypothesis related to the role of organizational variables in the process of the institutionalization of the regulatory agencies in the Dominican Republic. These variables clearly support the emergence of an agency identity that reinforces the confidence of its members and contributes to the process of building a relation of trust between the agencies and their stakeholders. In this sense, regulated players highlight factors such as professionalization and the stability of the regulatory organization staff as factors in reinforcing their trust in the actions promoted by the agency. The institutional design that provides for the agencies' autonomy also contributes to the creation of confidence between the regulatory organization and the regulated sector.

The results of the variables associated with the first sub-hypothesis, referring to the organizational characteristics of regulatory agencies as a source of innovation that contributes to the process of trust building, also illustrate the argument. In the case of the Dominican Republic, and closer to the current situation of the public administration, the emergence of regulatory agencies is seen as a mechanism to overcome politicization and a high professional staff turnover. In those agencies the institutional entrepreneurs have played an important part in resolving this situation by combining the exploitation strategies of institutions received from the "institutional sites"² and exploration strategies adapted to their own organization. These learning strategies lead to the promotion of an organizational identity and the introduction of innovations in human resources management, and they have been supported by the emergence of epistemic communities in each sector.

The results of the variables associated with the second sub-hypothesis also confirm that the regulatory agencies' demonstrable autonomy to regulate on an

² As organizations that have a good reputation in terms of professional staff qualifications and stability in an unstable environment. The Central Bank of the Dominican Republic is a clear example.

independent basis is a key determinant of the institutionalization process. Previous variables of an institutional nature have significantly conditioned the performance of the regulators in the Dominican Republic. It would appear that a key element in this process of decision-making on regulatory output could be found in the form of previous institutional variables that frame and characterize the organizational structure of the regulatory agents.

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List of Interviews

Department of Drugs and Pharmaceuticals

1. Director general of Drugs and Pharmaceuticals
2. Deputy director, Department of Drugs and Pharmaceuticals
3. Deputy director of Pharmaceuticals
4. Pharmaceutical technician
5. Director of SIAMED (Medicine Information and Authorization System)

Superintendency of Banks

6. Superintendent of Banks
7. Governor of Banks
8. General Manager
9. Director of the Legal Department
10. Director of Rules and Studies
11. Director of Human Resources
12. Head of the Audit Division of Human Resources
13. Former Superintendent of the Superintendency of Banks (1993-1996)

Superintendency of Pensions

14. Superintendent of the Superintendency of Pensions
15. Director of the Administrative and Financial Department
16. Financial Director of the Superintendency of Pensions
17. Legal Consultant of the Superintendency of Pensions

INDOTEL

18. Secretary of State, President of INDOTEL
19. Executive Director of INDOTEL
20. Regulatory Policies Manager at INDOTEL
21. Concessions and Licences Manager at INDOTEL
22. Director of Human Resources at INDOTEL
23. Legal Advisor at the Dominican Telecommunications Institute

Principal

24. Secretary of State at the Ministry of Health and Social Services
25. Director General of Human Resources at the Ministry of Health and Social Services
26. Administrative and Financial Director at the Ministry of Health and Social Services
27. Under-secretary of State at the Ministry of Finance
28. Employment Planning and Promotion Manager at the Ministry of Labour
29. Director General of Employment at the Ministry of Labour

Regulated Sector

30. Executive Director of Industrias Farmacéuticas Dominicanas, Inc. (INFADOMI)

31. Executive Vice-president of the Asociación de Representantes, Agentes y Productores Farmaceuticos, Inc. (ARAPF)
32. Technical Advisor to the Asociación de Bancos Comerciales de la República Dominicana
33. Executive Director of the Asociación Dominicana de Administradoras de Fondos de Pensiones (ADAFP)
34. President of PRODETEL (association of telecommunications professionals)
35. Regulatory Director of Verizon Dominicana