

Little is known about comparative governance arrangements of economic regulatory authorities for network sectors such as energy, e-communications, rail, air and water, despite the key role that these institutions play in ensuring delivery of essential services. Economic regulators are broadly defined as institutions or bodies authorised by law to exercise regulatory powers over a sector for the purpose of setting prices and/or improving the operation of the market. They seek to ensure that consumers have access to safe and quality services and that network operators and service providers receive a reasonable rate of return on investment. Governance arrangements provide various degrees of independence and accountability for sector regulators in OECD countries, designed to allow regulators to carry out these tasks in a predictable and trustworthy manner.

Complementing the Product Market Regulation survey, the Indicators on the Governance of Sector Regulators map the governance arrangements of economic regulators in 46 countries and five network sectors (energy, e-communications, rail and air transport, and water). The Indicators are calculated by averaging equally-weighted questions and sub-questions on a standard questionnaire (for illustrative purposes, the composite indicator pictured below sums the three re-scaled components to equal the overall indicator instead of averaging components). The PMR methodology scores answers on a scale from zero (most effective governance arrangement) to six (least effective governance arrangement).

The Indicators show that the governance arrangements in Latin American regulators surveyed tend to be robust relative to the OECD average. The arrangements in place to preserve independence of the energy regulators and the accountability of air transport regulators are particularly strong in the Latin American countries. However, there is scope for improvement in the independence of rail, air and water regulators and the accountability of water regulators. Scope of action scores show that Latin American regulators engage in a similar number of activities as OECD regulators in e-communications, rail transport and water. However, they have a narrower scope in the energy sector and a broader scope in the air transport sector.

Governance structures vary considerably across countries and sectors within the sample of Latin American regulators. Independent regulators are common in energy and water sectors, but ministerial regulators are more common in the e-communications and transport sectors, setting Latin America apart from practice in OECD countries. Some countries have embraced independent regulators (such as Brazil and Costa Rica, whose economic regulators in all five sectors are independent) while some have maintained economic regulatory powers within ministries (such as Colombia, whose energy, e-communications, air and water regulators are all ministerial). The strongest-performing regulators in each sector (Brazil's electricity regulator, Mexico's e-communication regulator, Costa Rica's

rail regulator, Brazil's air regulator and Costa Rica's water regulator) are all independent, indicating that legal independence is accompanied by a range of arrangements to preserve independence related to staffing, budgeting and relationships with the executive. Most regulators are accountable to government or representatives of the regulated industry, with a relatively smaller proportion of regulators accountable to parliament than in the OECD sample. At least one regulator is accountable to government in each country except for Costa Rica, where all five regulators are accountable to Parliament. Beyond these high-level categorizations, regulators show distinct constellations of formal and informal arrangements to preserve independence and maintain accountability.

### Methodology and definitions

LAC data covers regulators in seven countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru. OECD average includes regulators from all OECD countries except for the United States. The questionnaire was answered by high level officials in regulatory agencies and/or relevant ministries in 2018 and 2019 as part of the 2018 Indicators on the Governance of Sector Regulators.

The indicators are structured along three components. The **independence** component maps the degree to which a regulator operates independently and with no undue influence from political power and regulated sectors. The **accountability** component covers the accountability of the regulator vis-à-vis various stakeholders, including government, parliament, regulated industry and the general public. Finally, the **scope of action** component sheds light on the range of activities that the regulator performs, including tariff-setting, issuing standards, enforcement activities and sanctioning powers.

### Further reading

Casullo, L., A. Durand and F. Cavassini (2019), "The 2018 Indicators on the Governance of Sector Regulators", OECD Economics Department Working Papers, No. 1564, OECD Publishing, Paris, <https://doi.org/10.1787/a0a28908-en>.

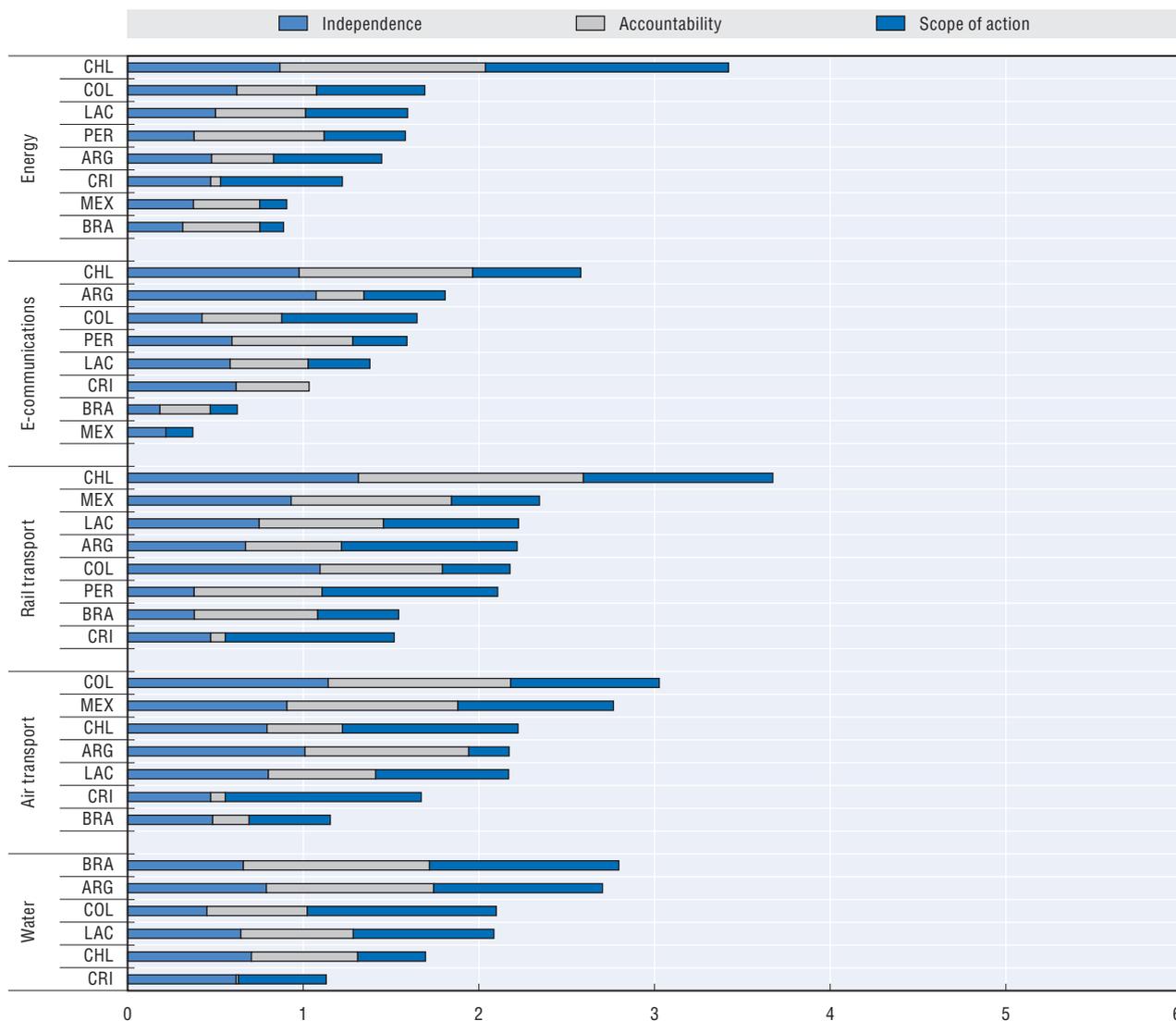
### Figure notes

The composite indicator is generally calculated as an average of component scores, varying from zero (the least) to six (the most) effective governance arrangements.

In Argentina and Brazil, the figure reflects the average of the scores of two energy regulators.

7.17 (Status of regulators in Latin American and OECD countries, 2018) is available online in Annex F.

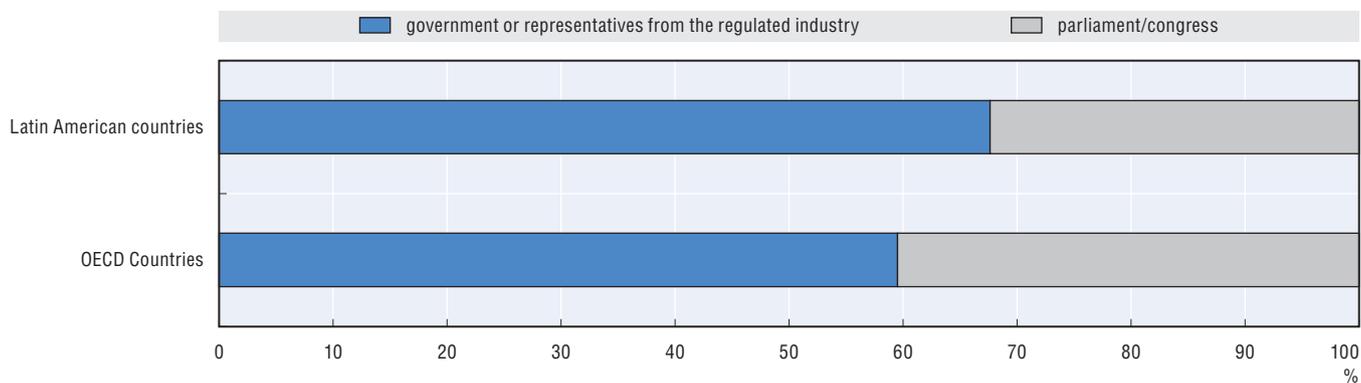
7.15. Indicator scores by sector and component among Latin American regulators, 2018



Source: OECD 2018 Database on the Governance of Sector Regulators.

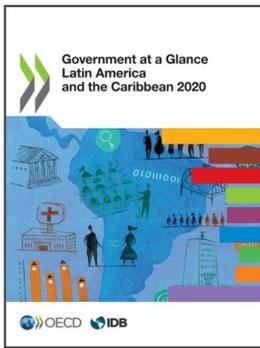
StatLink <https://doi.org/10.1787/888934092721>

7.16. Body to whom the regulator is directly responsible among Latin American and OECD regulators, 2018



Source: OECD 2018 Database on the Governance of Sector Regulators.

StatLink <https://doi.org/10.1787/888934092740>



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