



GOVERNANCE OF WATER REGULATORS

EXPERIENCE FROM THE OECD'S NETWORK OF ECONOMIC REGULATORS

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Outline

1. OECD guidance

2. Global trends

3. What's next?

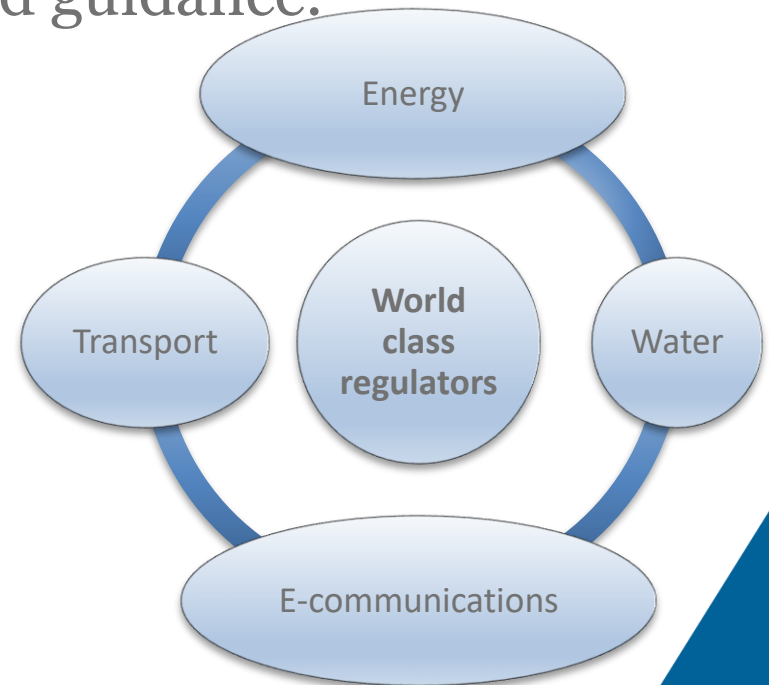


1. OECD guidance



OECD Network of Economic Regulators (NER)

- Brings together over 70 regulators across sectors, 30 countries and regions of the world.
- Open forum that promotes dialogue, shares good practices, generates analysis and guidance.
- Work on cross-cutting areas:
 - Performance
 - Governance
 - Independence
 - Behavioural insights
 - Market transformation
 - Emerging technologies





OECD and regulators: Normative frameworks, global trends and in-depth studies

OECD normative frameworks

- Council Recommendation on Regulatory Policy and Governance (2012)
- Best Practice Principles on the Governance of Regulators (2014)
- Creating a Culture of Independence: Practical Guidance Against Undue Influence (2017)

Global trends

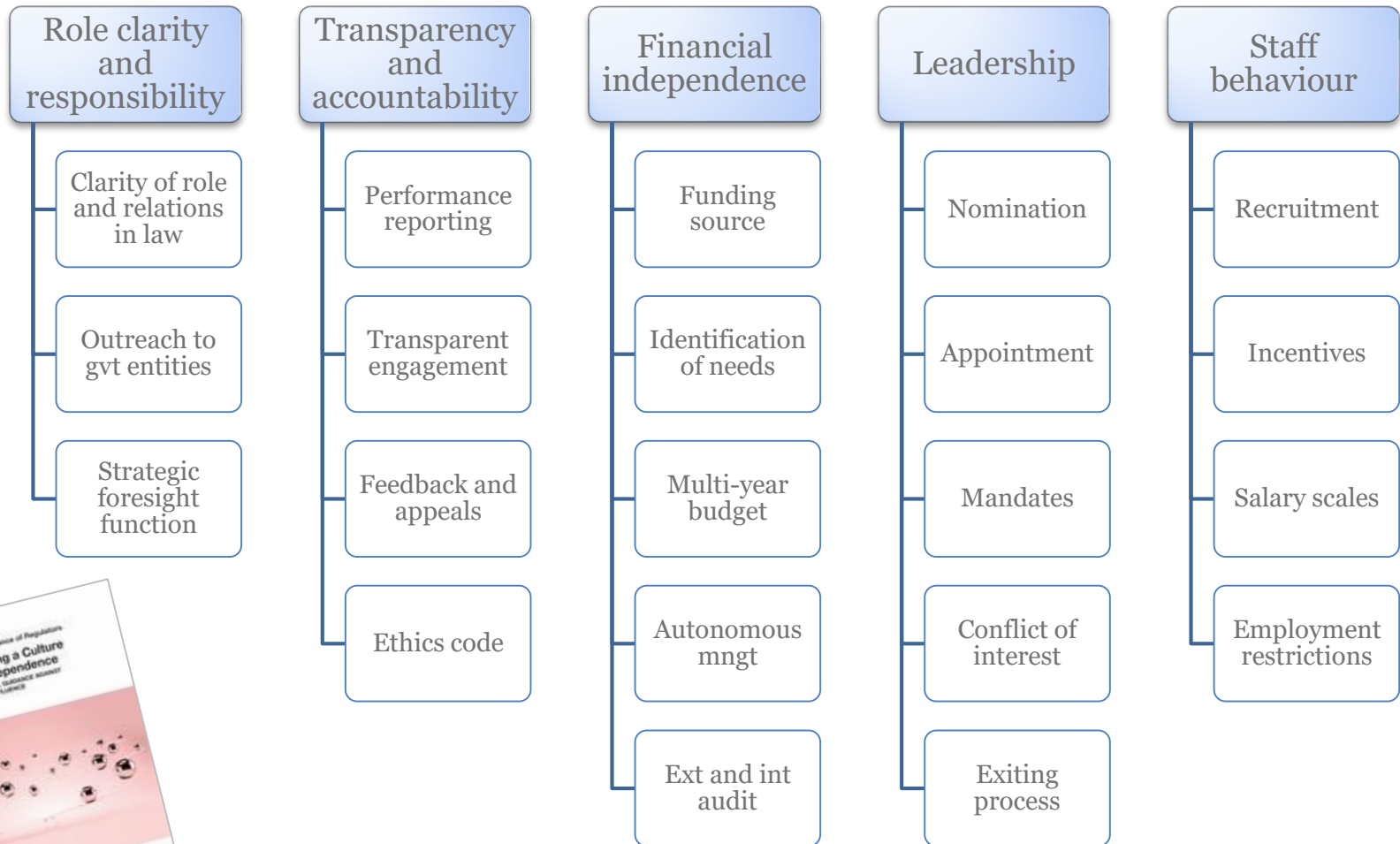
- Survey on Independence of Regulators (2016)
- Governance of Regulators Indicators (2013, 2018)

Case studies: Performance Assessment Reviews of regulators

- 11 published reviews, including:
- CRU, Ireland (2018)
- PUC, Latvia (2016)



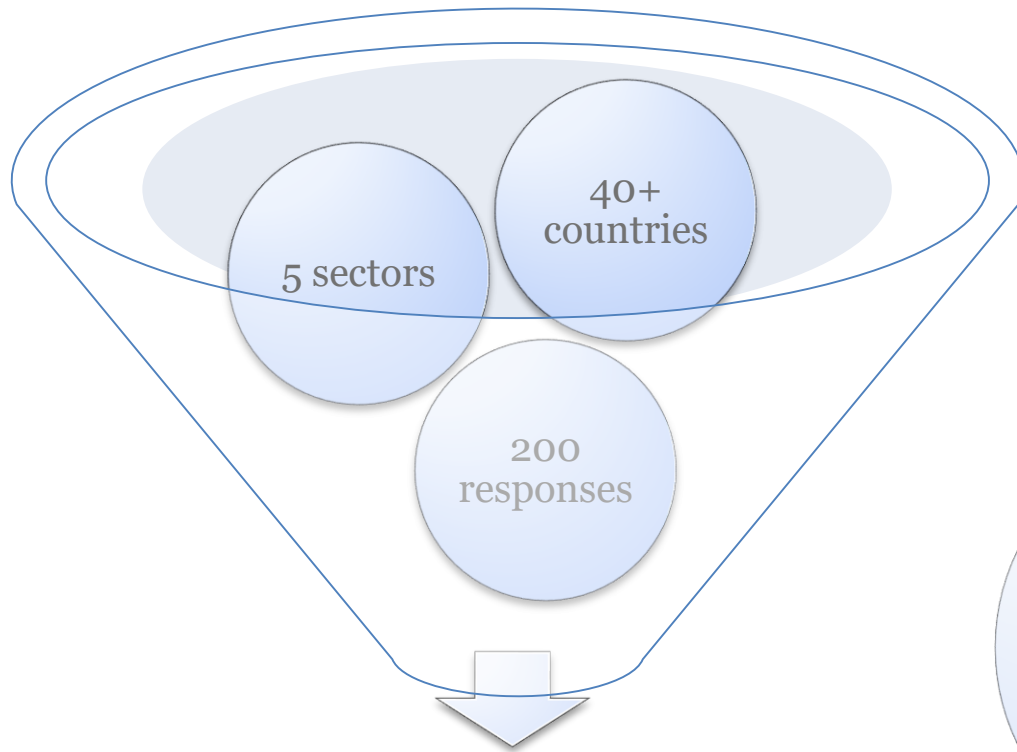
Practical guidance by the OECD for creating a culture of independence (2017)



Source: OECD (2017), *Creating a Culture of Independence: Practical Guidance against Undue Influence*, The Governance of Regulators, OECD Publishing, Paris.

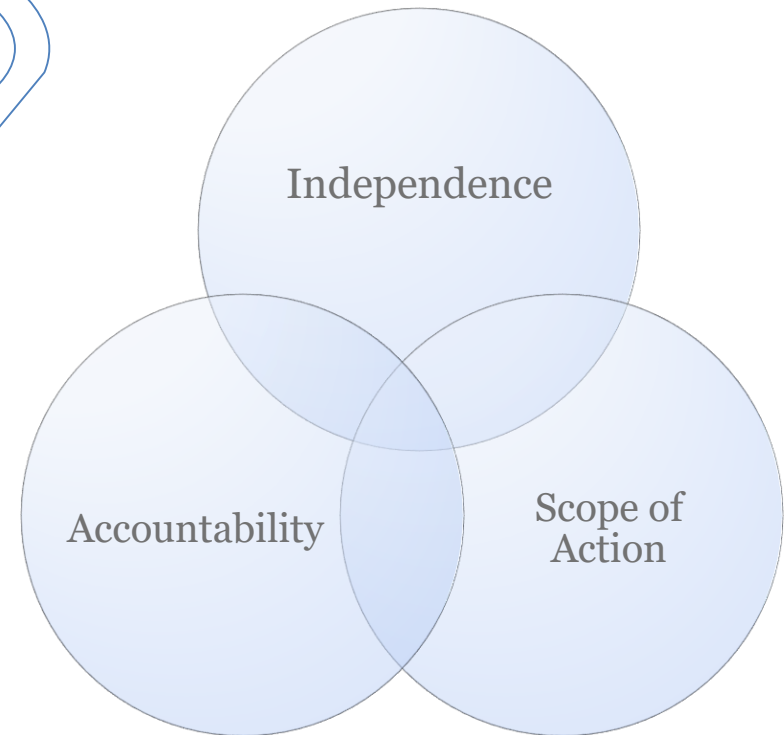


Governance of Regulators Indicators – Product Market Regulation database (2018)



15,000 answers gathered and reviewed by the Secretariat

77 questions on 3 topics:

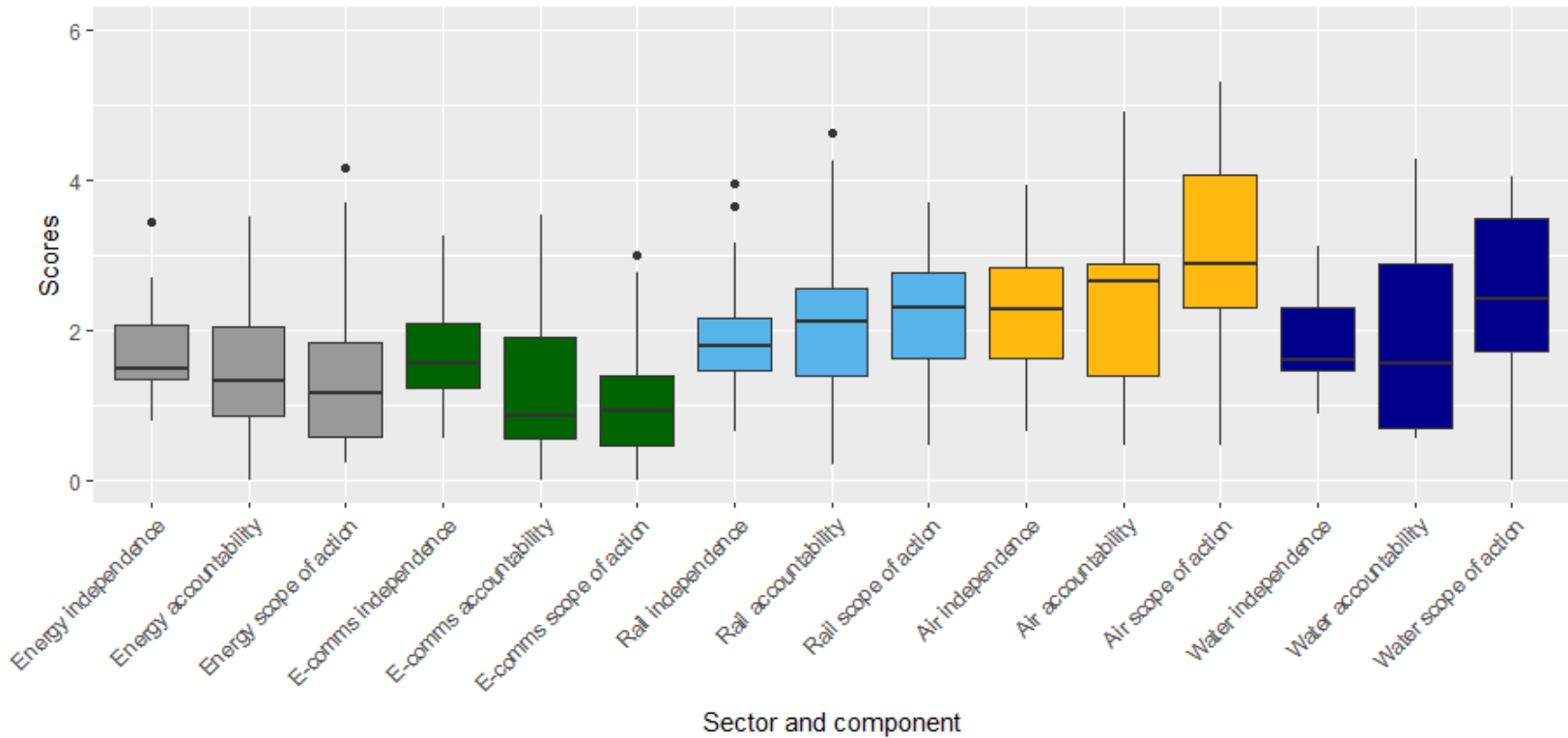




2. Global trends: Independence of regulators

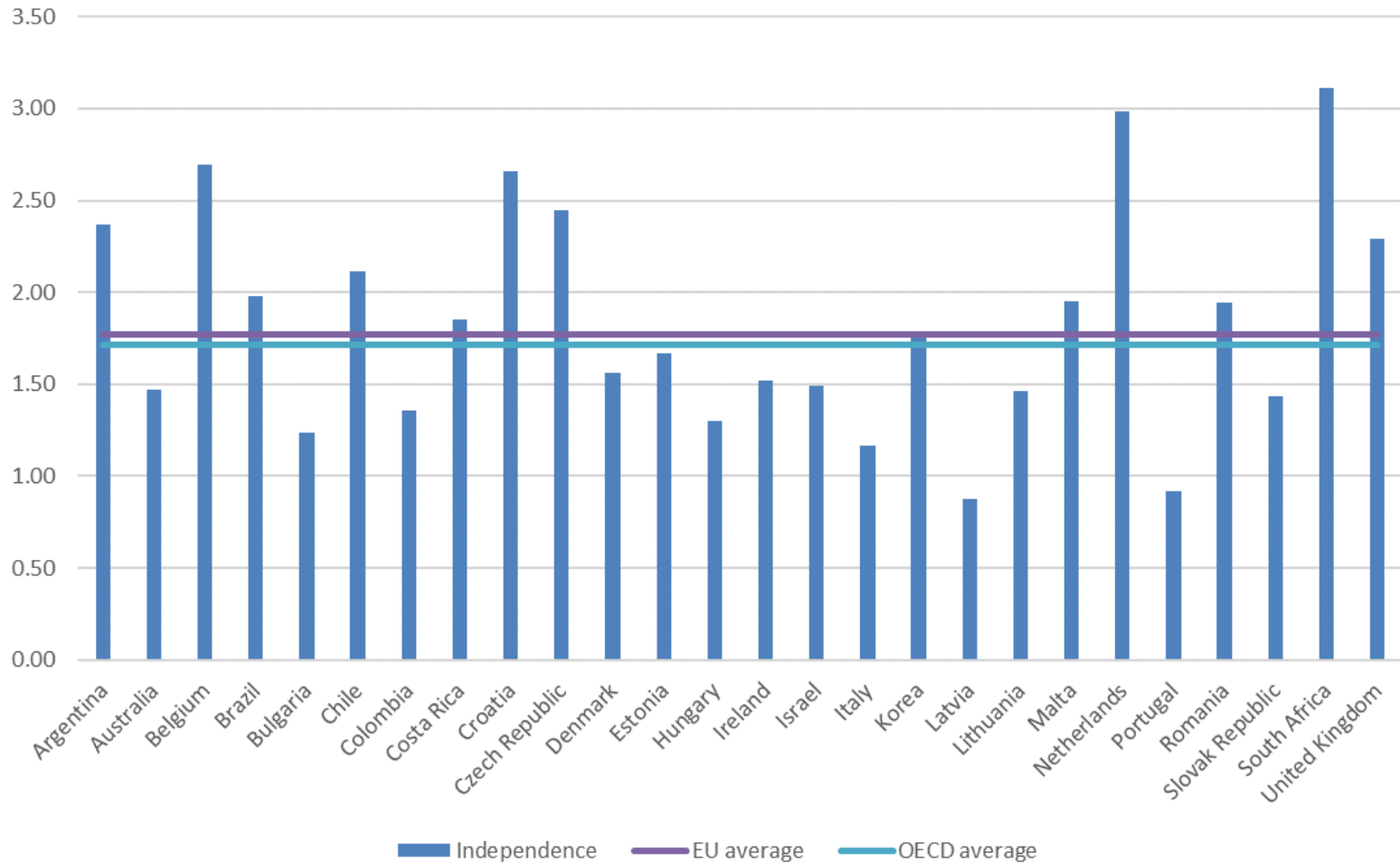


There is more convergence on independence than other indicators





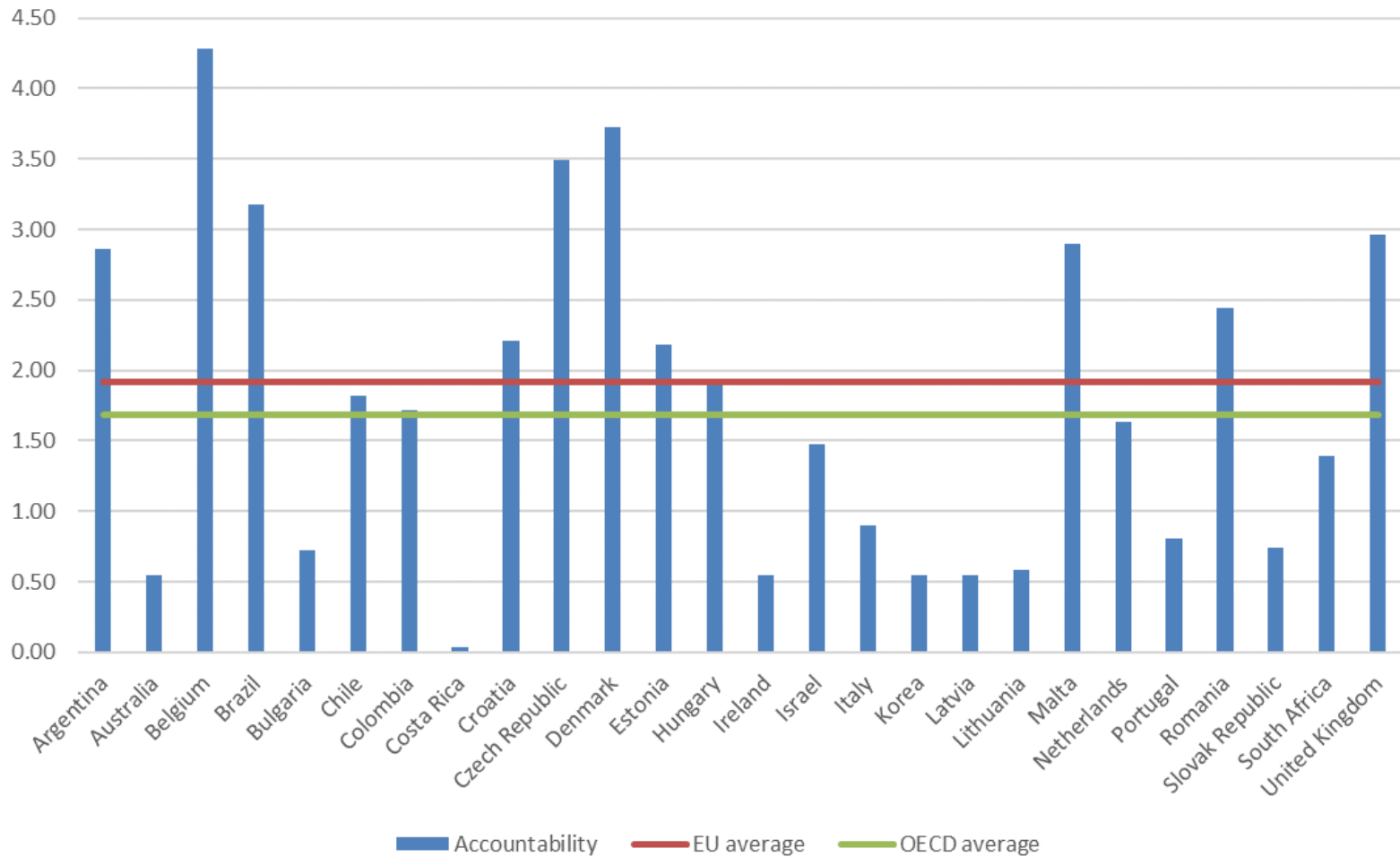
Independence of water regulators



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.



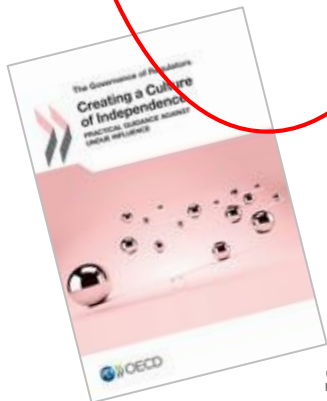
Accountability of water regulators



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Practical guidance by the OECD for creating a culture of independence (2017)

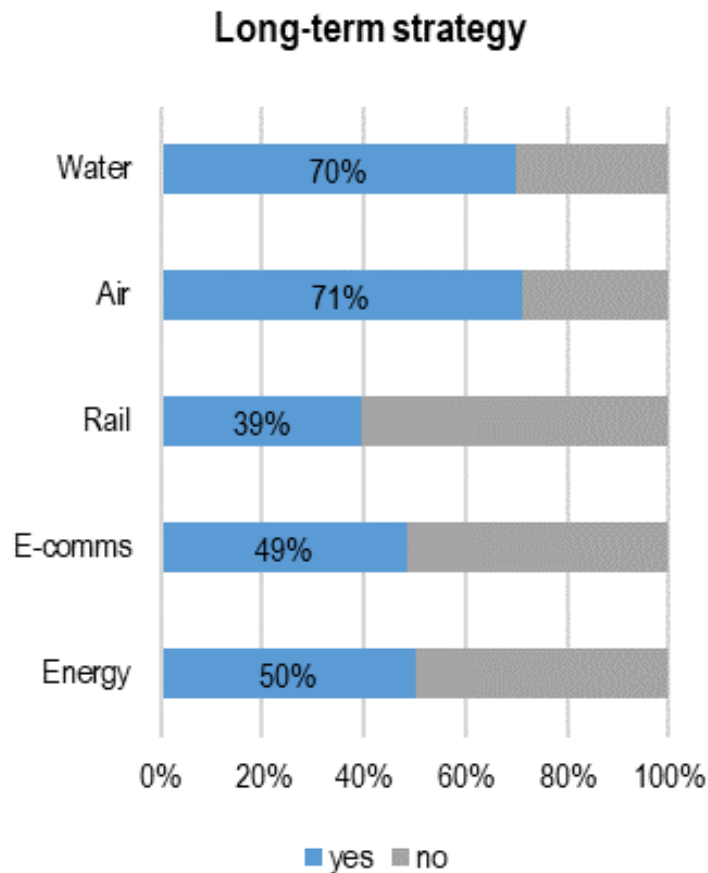


Source: OECD (2017), *Creating a Culture of Independence: Practical Guidance against Undue Influence*, The Governance of Regulators, OECD Publishing, Paris.



70% of water regulators receive government guidance on strategy...

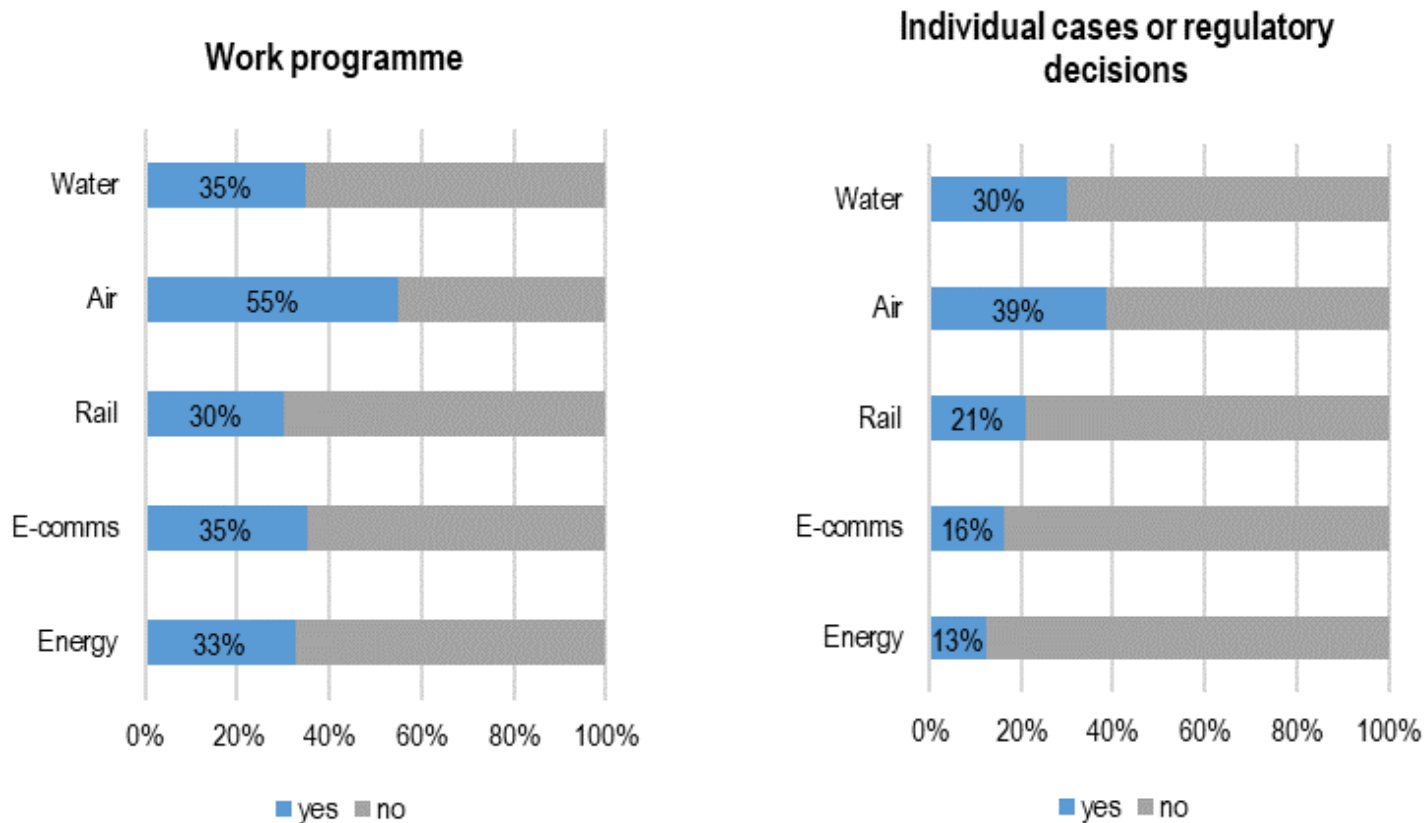
Question: Does the regulator receive guidance from the government?





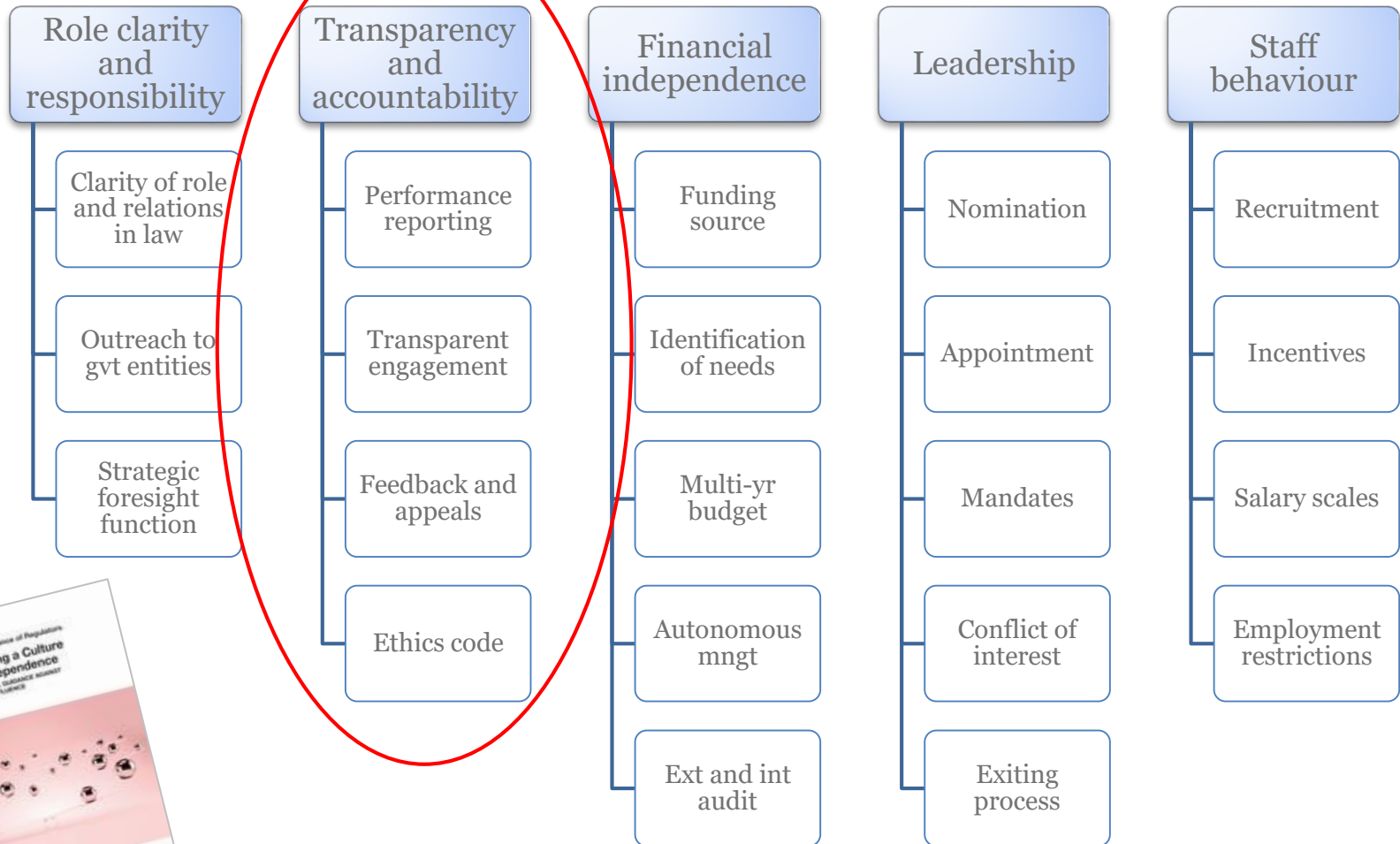
... fewer on their work programme or individual decisions

Question: Does the regulator receive guidance from the government?





Practical guidance by the OECD for creating a culture of independence (2017)

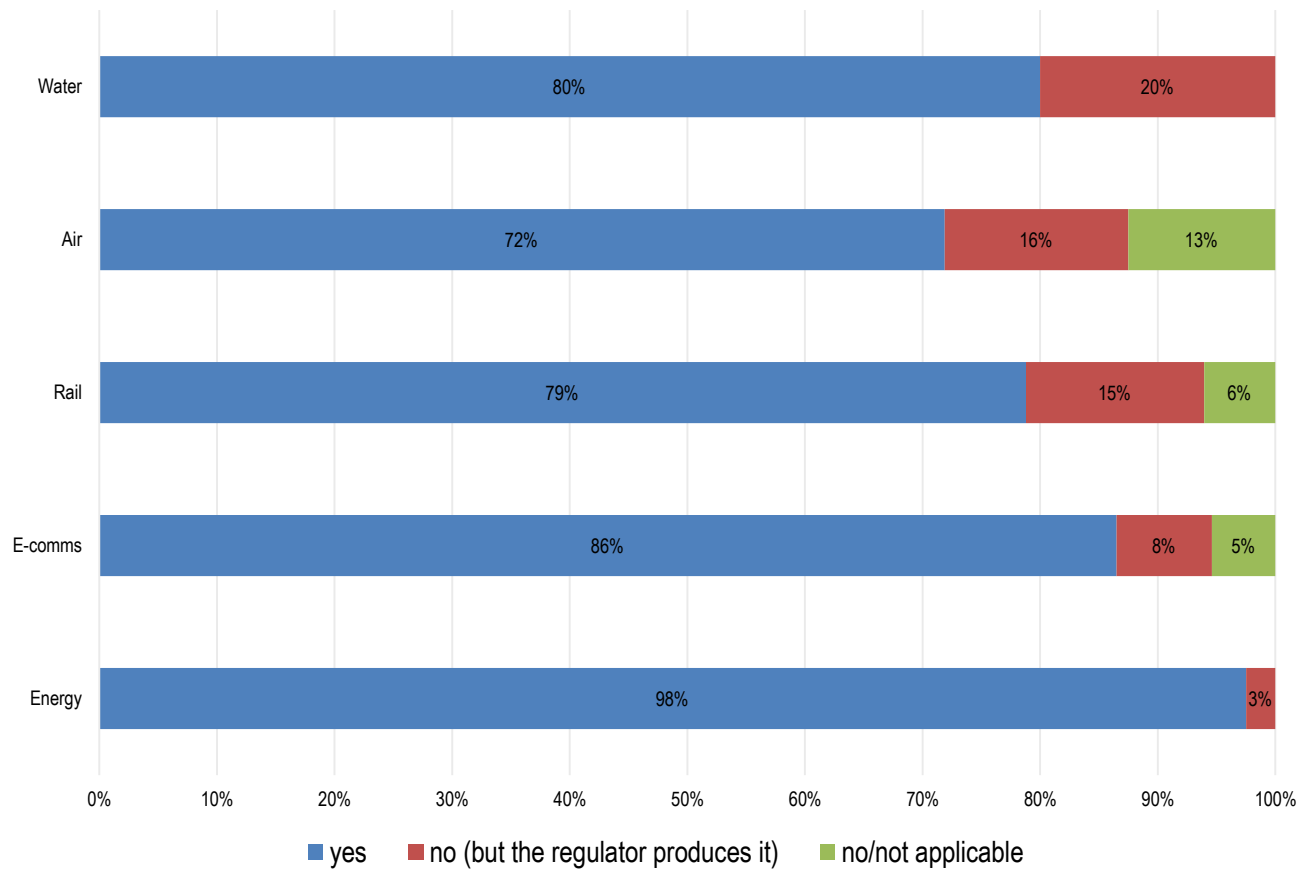


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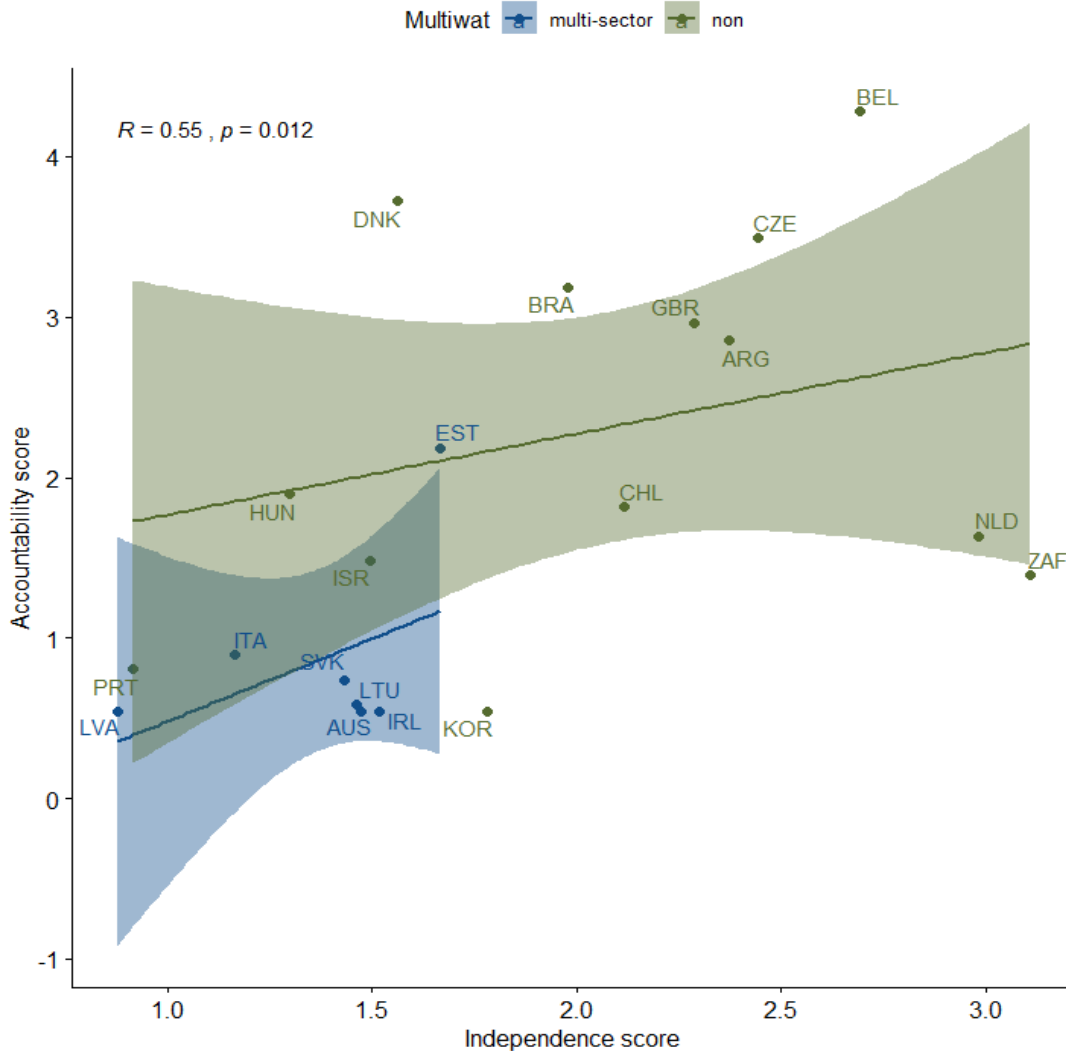
Regulating means ... reporting

Question: Is there a legislative requirement for the regulator to produce a report on its activities on a regular basis?





Greater autonomy linked to stronger accountability

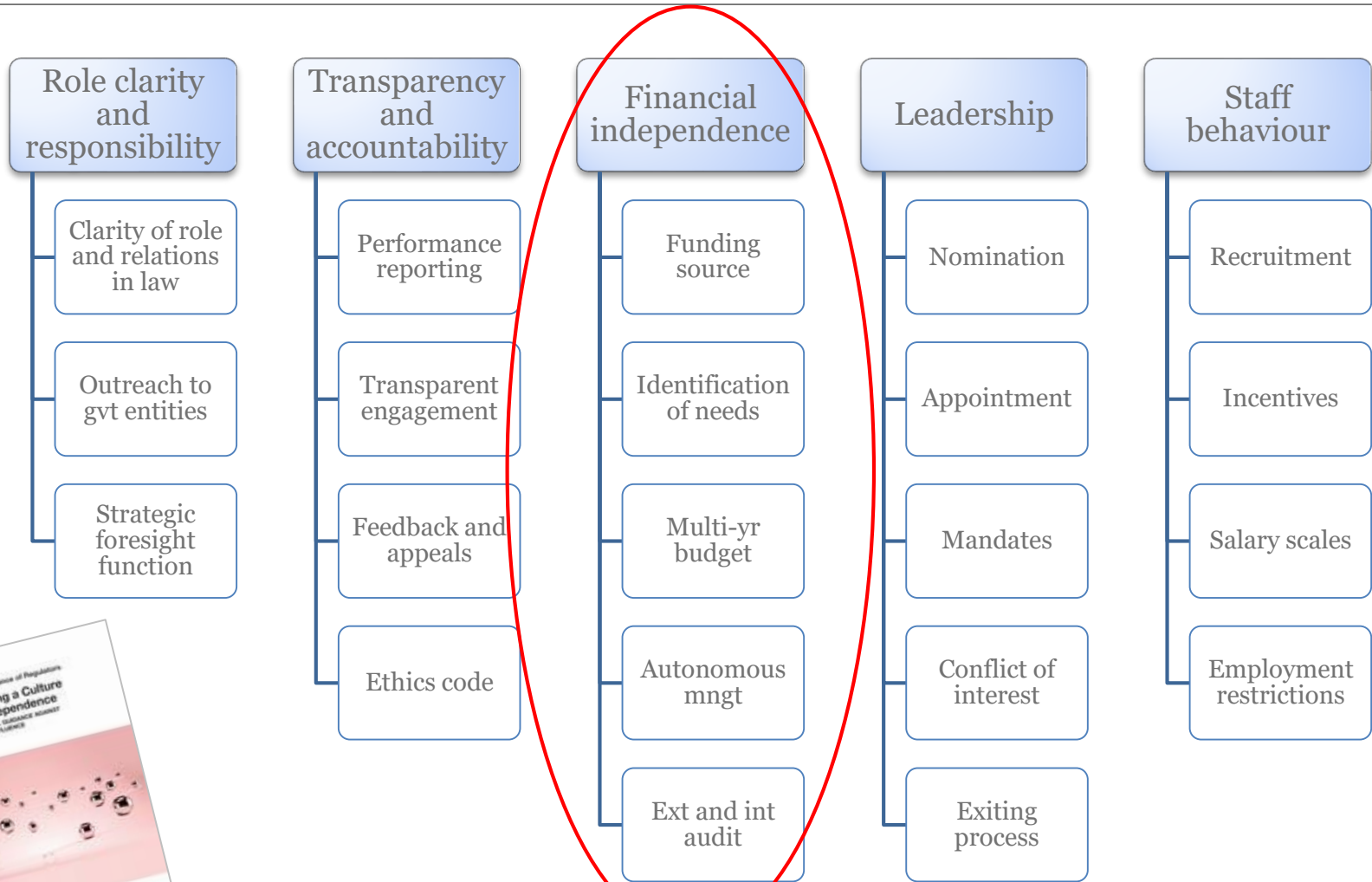


Correlations between independence and accountability scores show that greater autonomy is associated with stronger accountability structures

* N.B. lower score = better performance!



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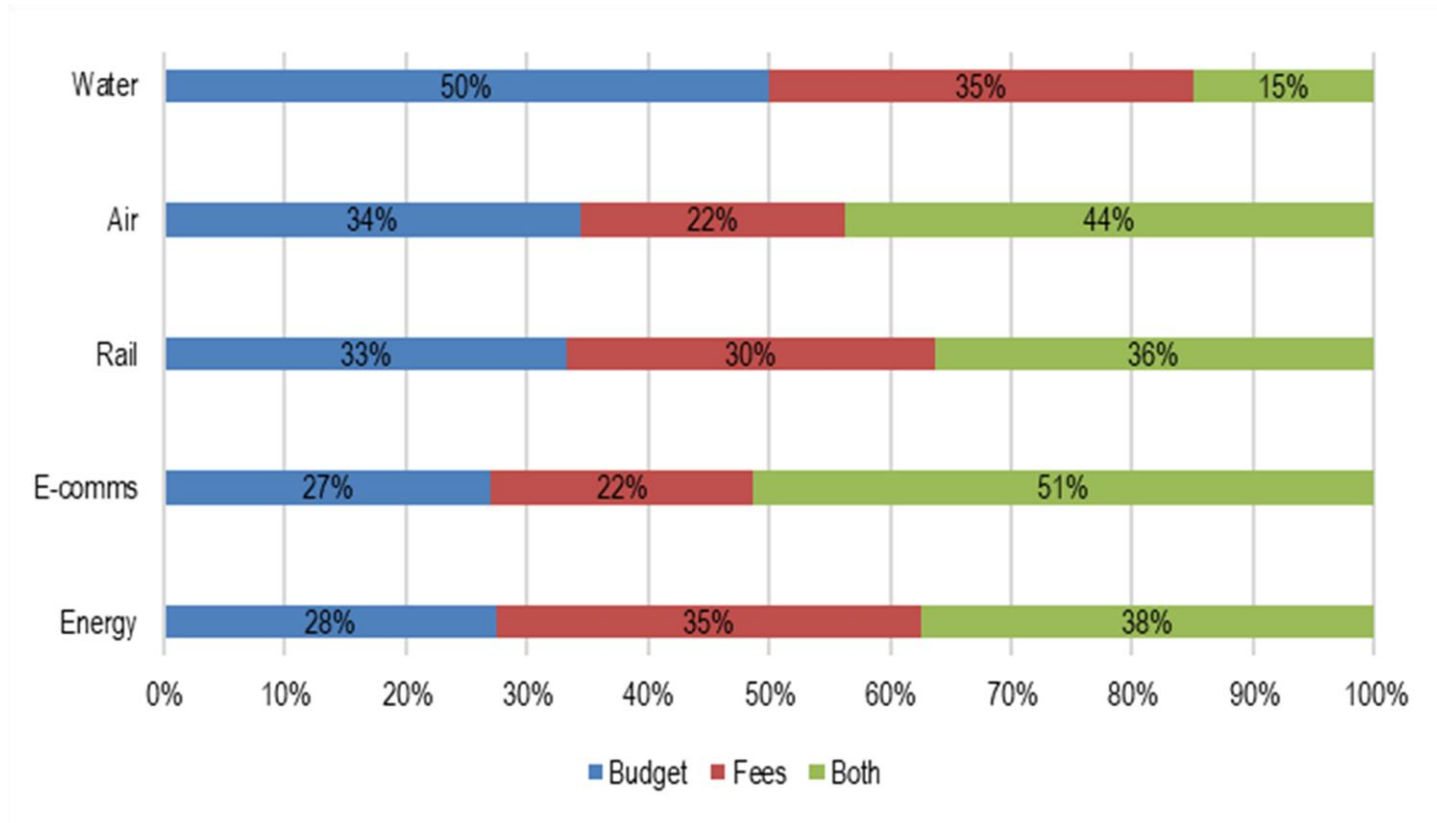


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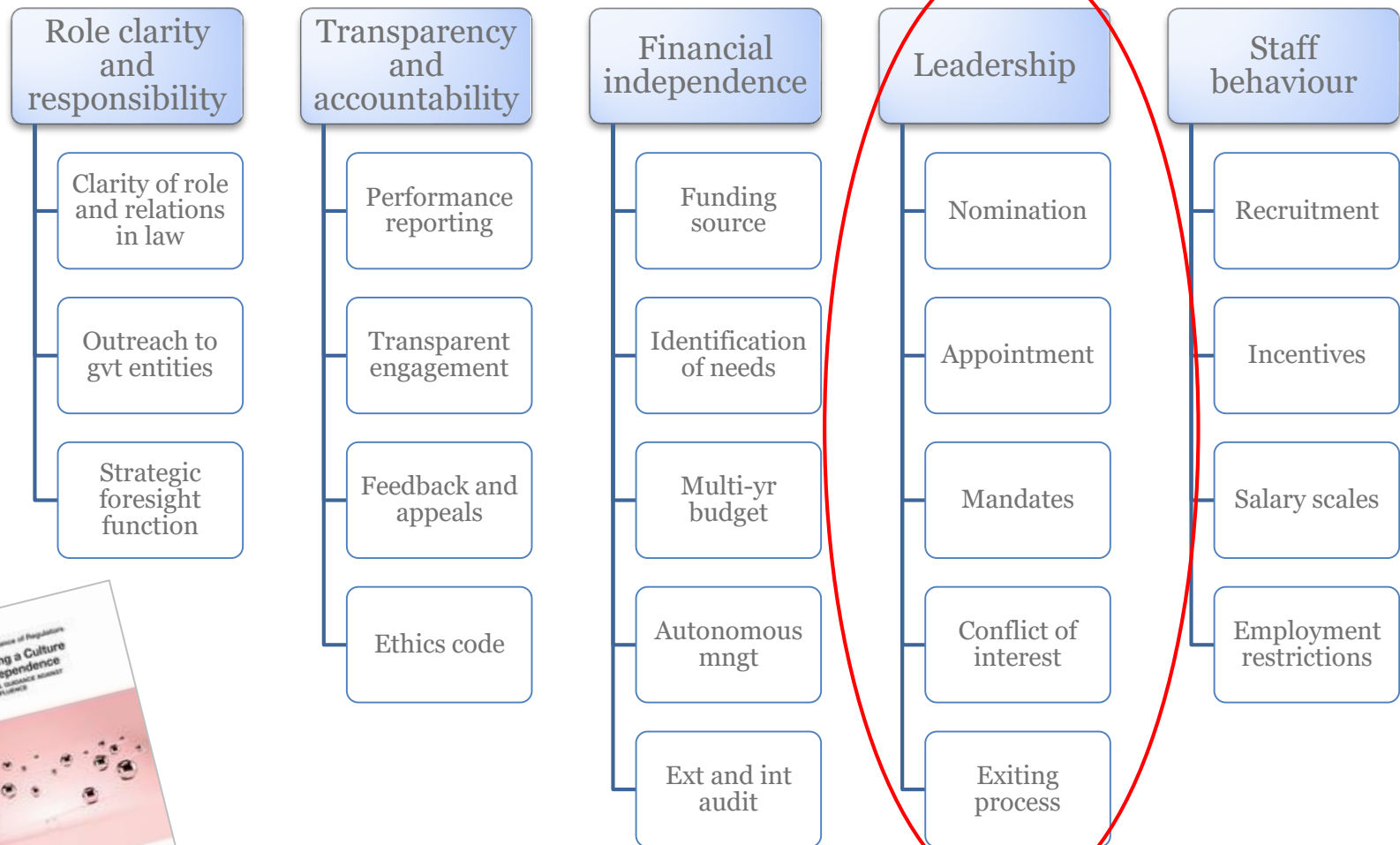
Water regulators are most dependent on state funding

Question: How is the regulator funded?





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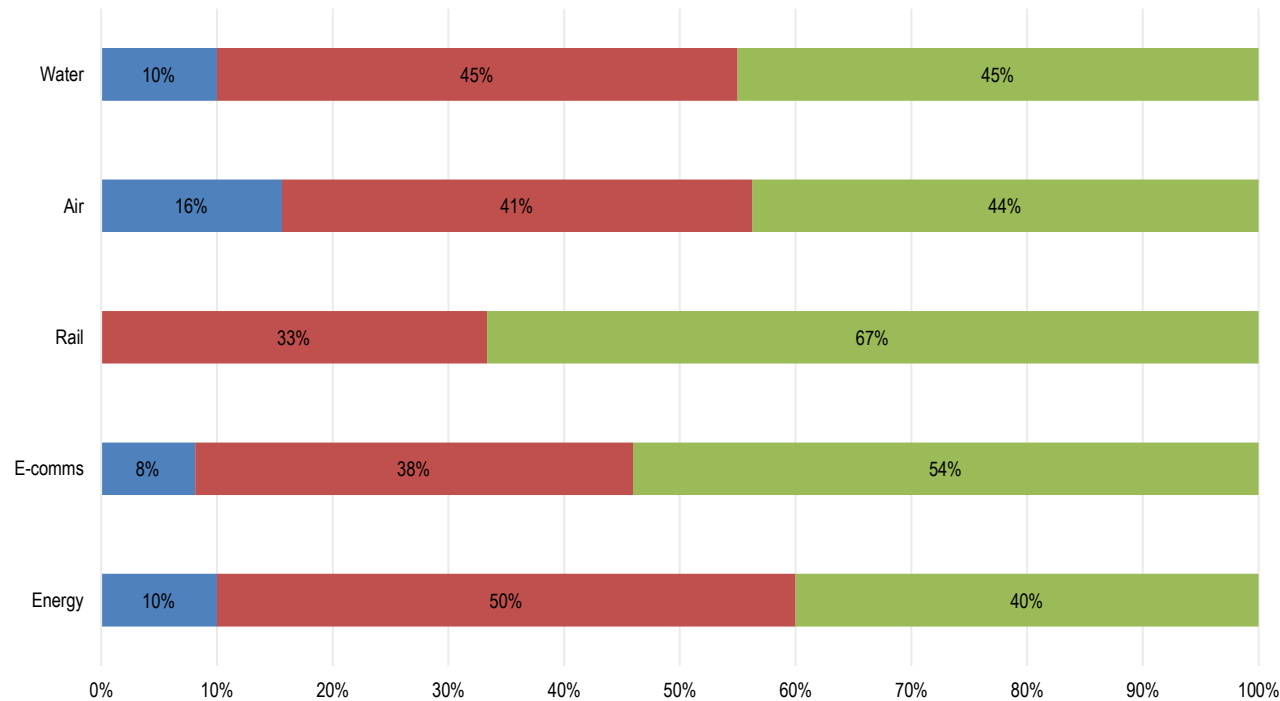


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Leadership selection is rarely public and independent

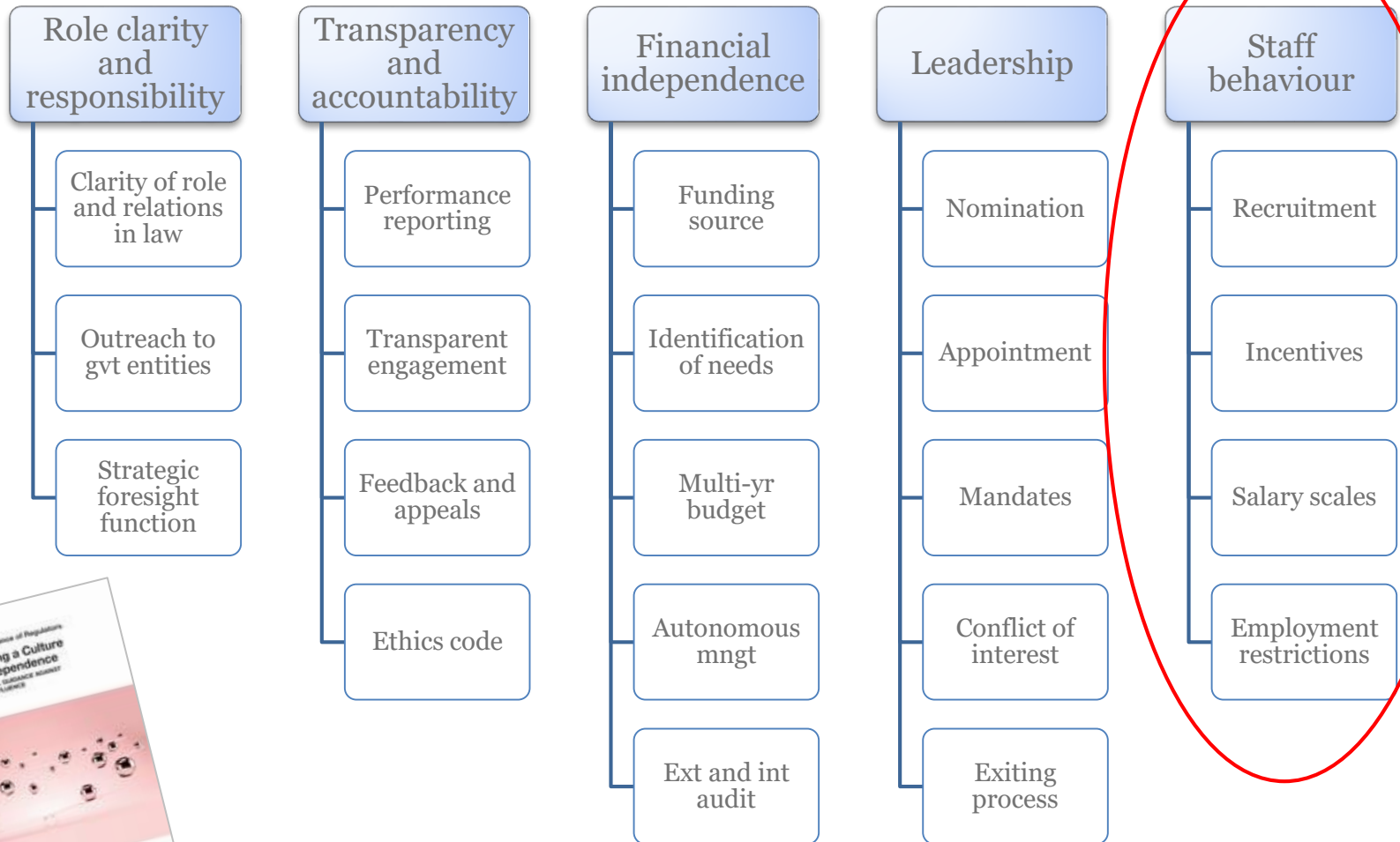
Question: What is the process for selecting the agency head/board members?



- position is publicly advertised & candidates examined by independent selection panel
- ministerial/governmental nomination based on public job ads & independent selection panel
- ministerial/governmental nomination without independent selection panel



Practical guidance by the OECD for creating a culture of independence (2017)

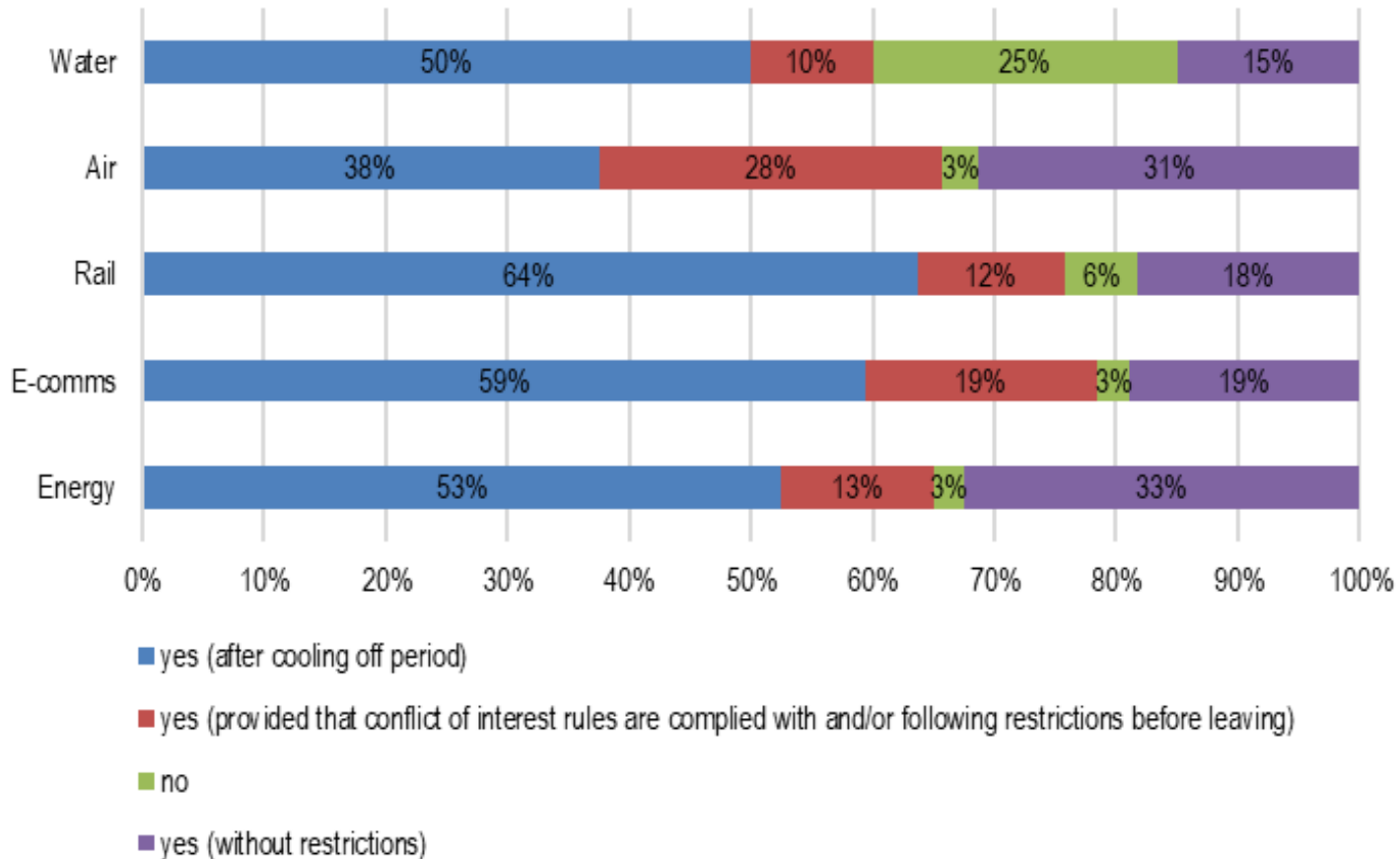


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Most regulators have employment restrictions in place

Question: Can the agency head/board members accept jobs in the government related to the sector and/or the sector after their term of office?





4. What's next?



Way forward

Continue to analyse
Governance of
Regulators data

Promote dialogue
and learning in
Network of
Economic
Regulators

Invite new
regulators to join the
next round of data
collection

Provide tailored
support and deepen
understanding of
issues via PAFER
reviews



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- ❖ OECD on regulatory policy: www.oecd.org/gov/regulatory-policy/
 - ❖ OECD Network of Economic Regulators: www.oecd.org/gov/regulatory-policy/ner.htm
 - ❖ The 2018 Indicators on the Governance of Sector Regulators: https://www.oecd-ilibrary.org/economics/the-2018-indicators-on-the-governance-of-sector-regulators-part-of-the-product-market-regulation-pmr-survey_a0a28908-en

Stay in touch:

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ANNEX



Helping regulators embed governance into organisational performance: PAFER reviews

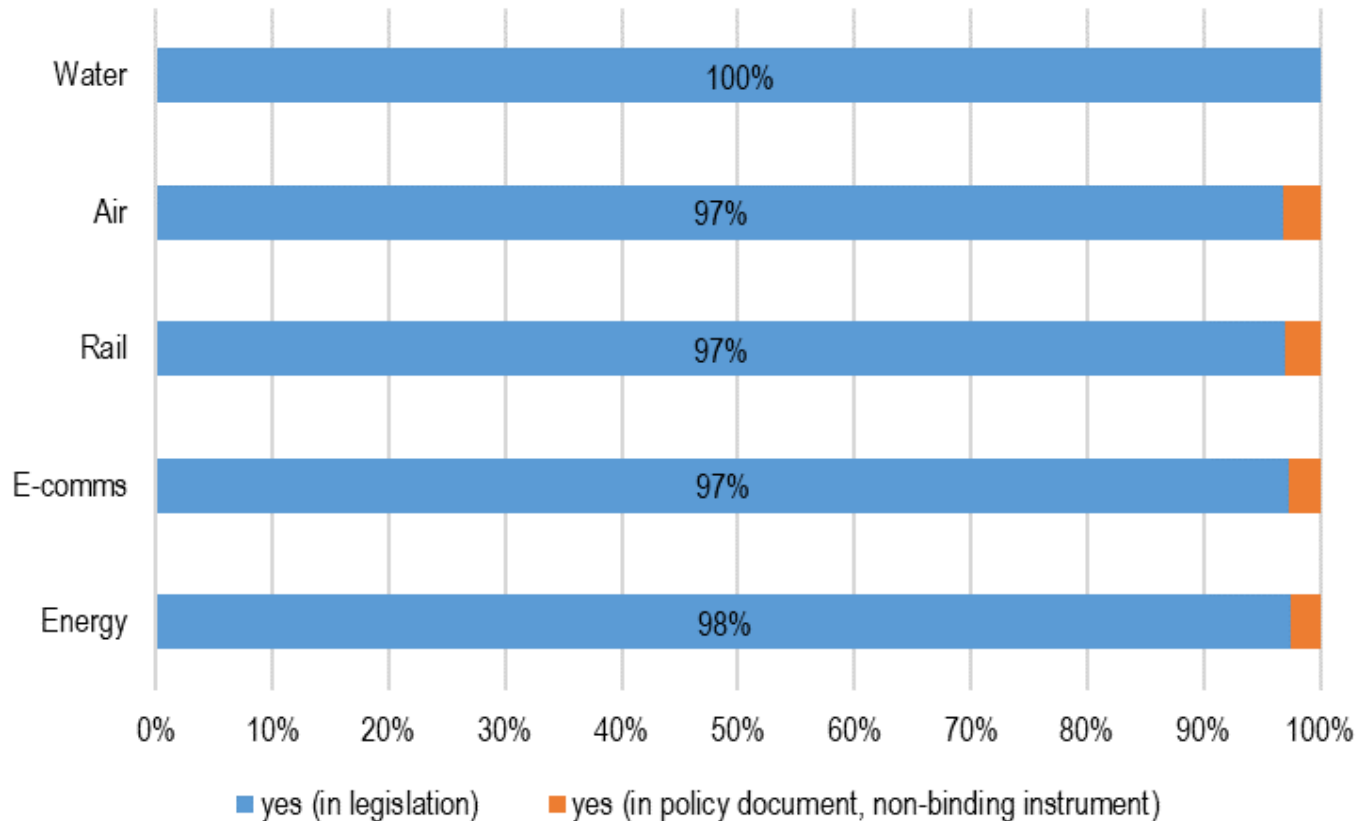


2015	Colombia – Telecommunications regulator
2016	Latvia – Public Utilities Commissions
2017	Mexico – Energy Regulatory Commission (CRE) Mexico – National Hydrocarbons Commission (CNH) Mexico – Agency for Safety, Energy and Environment (ASEA)
2018	Ireland – Commission for Regulation of Utilities (CRU)
2019	Peru – Telecommunications regulator (OSIPTEL) Peru – Energy and mining regulator (Osinergmin)
2020	Ireland – Environmental Protection Agency (EPA) Peru – Transport infrastructure regulator (OSITRAN)
Forthcoming	Portugal – Energy Services Regulator (ERSE) Brazil – Electricity Regulatory Agency (ANEEL)



Role clarity is ensured by legislation in most cases

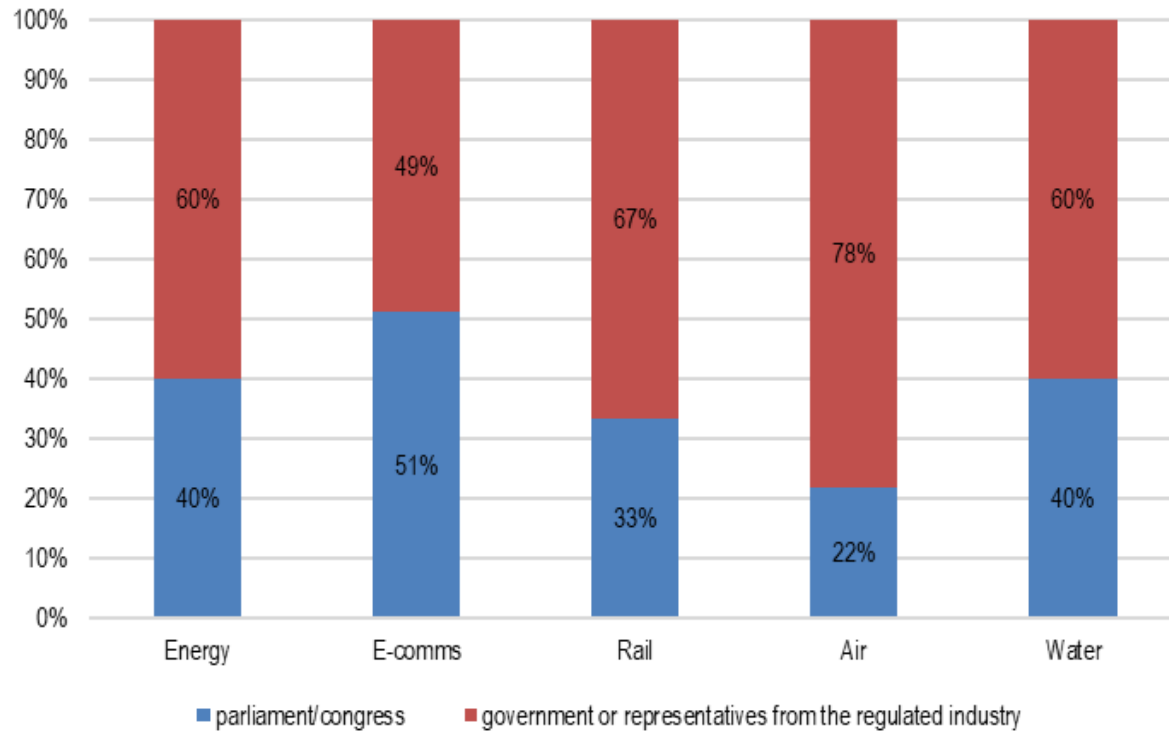
Question: Are the objectives and functions of the regulator defined?





Most regulators are accountable to government (the executive)

Question: To whom is the regulator directly accountable by law or statute?





Level of fees is set by others for half of water regulators

Question: If the regulator is financed in total or in part through fees paid by the regulated sector, who sets the level of the fees?

