

### Accountability arrangements of economic regulators

Ensuring that regulators are accountable for their actions can strengthen their performance and increase transparency. Many economic regulators in OECD countries are independent bodies with a strong degree of autonomy in decision making, and they hold significant powers to regulate key network sectors. Their independence supports public trust in the objectivity and impartiality of their decision making which can, in turn, strengthen the confidence of market actors to make necessary investments in the sector. However, as independent regulators are neither elected nor directly managed by elected officials, there should be a balance between independence and measures that facilitate accountability (OECD, 2014). Governments, businesses and society at large expect regulators to drive sector performance and make efficient use of their resources, without imposing unnecessary regulatory burdens. Robust accountability arrangements can help assess and demonstrate how well economic regulators are delivering this mandate. By showing greater levels of accountability and transparency, regulators can demonstrate their integrity, efficiency and effectiveness.

The 2018 OECD Indicators on the Governance of Sector Regulators map the governance arrangements of regulators across the energy, e-communications, rail transport, air transport and water sectors. On average, energy and e-communications regulators in OECD countries have the strongest accountability arrangements, while those in the transport sectors (air and rail) report the fewest arrangements in line with good practice (Table 7.10). Accountability arrangements are closer to good practice when regulators are directly accountable by law to parliament or congress, consult on their decisions with stakeholders and publish information on the performance of their organisation and the sector (Casullo et al., 2019). In some cases, these accountability mechanisms are a result of a legislative requirement for the regulator, such as the requirement to publish draft decisions and collect feedback. In other cases, regulators proactively enhance their accountability by publishing information without a legislative requirement (Figure 7.11).

The data also confirm that, in practice, independence and accountability are two sides of the same coin. Online Figure G.30. provides an overview of the independence and accountability scores of individual regulators across the energy, e-communications, transport and water sectors in OECD countries. The chart shows a statistically significant correlation between the two (with a Spearman's correlation coefficient of 0.6), meaning that accountability scores tend to be closer to good practice for regulators that are more independent. This correlation is particularly strong for energy and e-communications regulators.

#### Methodology and definitions

The OECD Indicators on the Governance of Sector Regulators form part of the work programme of the OECD Network of Economic Regulators and measure

the governance of economic regulators in the energy, e-communications, rail transport, air transport and water sectors. The indicators cover regulators in all OECD countries and in many non-OECD countries. The Secretariat derives the indicators from a questionnaire, distributed alongside the OECD's Product Market Regulation survey. In general, respondents to the questionnaire were high-level officials in regulatory agencies and/or relevant ministries. The responses undergo a rigorous data verification and validation process by the OECD Secretariat, verifying their completeness, consistency and accuracy in consultation with the respondents. The indicators are calculated by averaging equally weighted questions and sub-questions, to avoid imposing judgements about the importance of elements within the composite indicators. They are mapped on a scale from 0 (most effective governance arrangements) to 6 (least effective governance arrangements), in line with the Product Market Regulation methodology. The process of developing the questionnaire, collecting the data, validating responses, and analysing the results benefitted from the extensive support of the OECD Network of Economic Regulators. For a complete description of the methodology, see Casullo et al. (2019).

The indicators are divided into three components: independence, accountability and scope of action. This two-pager analyses the accountability component with regard to various stakeholders, including government, parliament, regulated industry and the general public.

#### Further reading

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

OECD (2014), *The Governance of Regulators*, OECD Best Practice Principles for Regulatory Policy, OECD Publishing, Paris, <https://doi.org/10.1787/9789264209015-en>.

#### Figure notes

7.10. The composite indicator is calculated as an average of component scores, ranging from 0 (the most effective) to 6 (the least effective) governance arrangements.

Grey cells denote no regulator in the dataset.

G.30. (Independence and accountability of regulators, 2018) is available online in Annex G.

The Spanish National Commission of Markets and Competition (CNMC, with indicator data in the energy, e-communications and rail transport sectors) is subject to approval of different Ministries concerning essential decisions to hire and retain its permanent staff and to design and expend its allotted budget. Budget restrictions apply in particular to human resources and the possibility to hire studies or special assistance services, like research or IT. Likewise, any modification of the organisation of the CNMC requires a legal act adopted by the Government.

7.10. Accountability indicator scores for OECD regulators by sector, 2018

Note: A higher score indicates that a regulator is further from good practice in the accountability component.

	Energy	E-communications	Rail transport	Air transport	Water
Australia	1.09	0.55	0.70	0.64	0.55
Austria	1.23	0.70	1.45	3.58	.
Belgium	1.64	0.00	4.26	4.26	4.29
Canada	2.18	3.55	2.30	2.88	.
Chile	3.51	2.96	3.84	1.29	1.82
Colombia	1.36	1.36	2.09	3.12	1.71
Czech Republic	1.30	0.34	1.96	3.52	3.49
Denmark	2.05	3.00	2.81	2.78	3.73
Estonia	1.64	.	2.18	2.10	2.18
Finland	1.82	1.36	3.27	.	.
France	1.00	0.57	1.31	3.56	.
Germany	1.25	0.70	0.55	.	.
Greece	0.00	0.65	2.56	4.38	.
Hungary	1.90	0.43	4.13	2.57	1.90
Iceland	1.35	2.00	.	.	.
Ireland	0.55	0.00	1.97	2.10	0.55
Israel	1.17	0.97	2.42	1.43	1.48
Italy	0.82	0.00	0.45	0.45	0.90
Japan	2.38	3.27	2.45	2.73	.
Korea	2.18	0.35	.	.	0.55
Latvia	0.55	0.55	2.04	2.86	0.55
Lithuania	0.58	1.09	1.09	2.81	0.58
Luxembourg	2.64	2.09	2.64	2.84	.
Mexico	1.13	0.00	2.74	2.92	.
Netherlands	1.71	1.90	1.64	1.79	1.64
New Zealand	1.64	1.71	1.40	1.17	.
Norway	2.18	2.45	2.25	2.88	.
Poland	2.75	1.94	2.56	1.25	.
Portugal	0.66	0.62	0.87	0.55	0.81
Slovak Republic	2.01	1.35	4.64	.	0.74
Slovenia	0.22	0.62	2.45	.	.
Spain	0.00	0.00	0.23	1.17	.
Sweden	2.53	3.00	2.31	2.13	.
Switzerland	2.55	1.77	1.51	2.34	.
Turkey	1.75	1.01	1.64	1.45	.
United Kingdom	0.82	1.44	0.31	2.18	2.96
United States	0.55	0.55	1.09	1.45	.
US - New York	.	.	.	.	0.73
US - Texas	.	.	.	.	3.22
<b>OECD average</b>	<b>1.48</b>	<b>1.25</b>	<b>2.06</b>	<b>2.30</b>	<b>1.69</b>

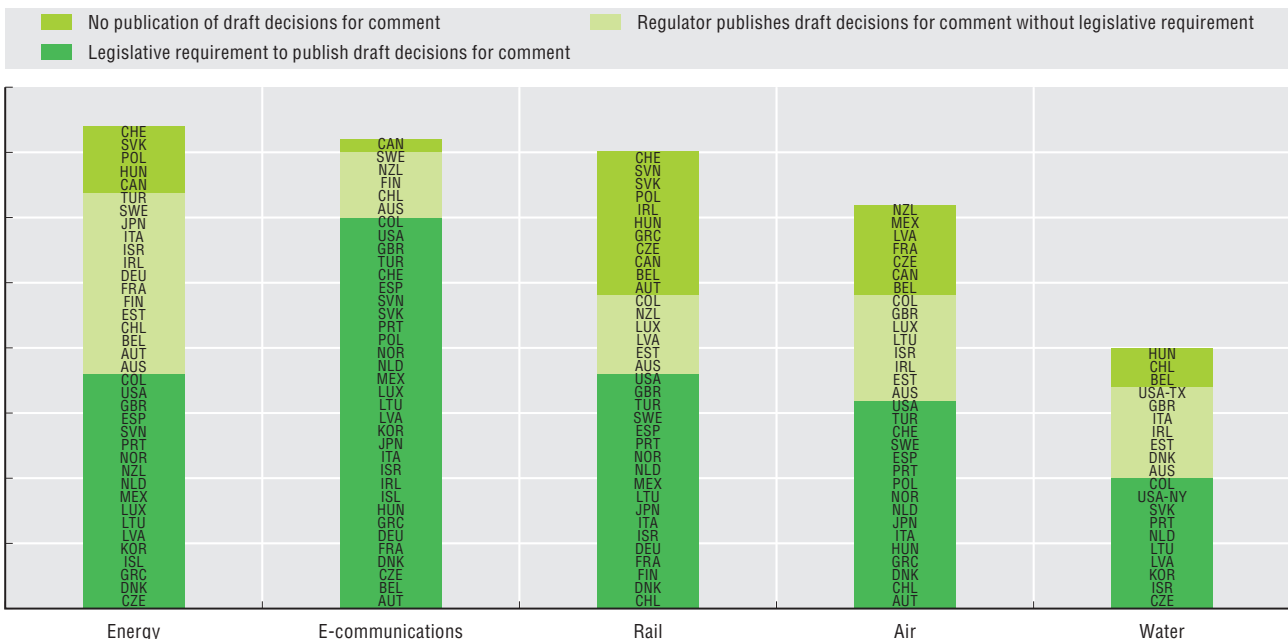
Legend



Source: OECD (2018), Indicators on the Governance of Sector Regulators (database).

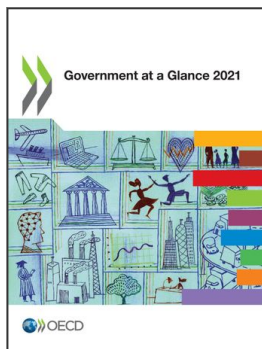
StatLink <https://doi.org/10.1787/888934258306>

7.11. Publication of draft decisions for comment by OECD regulators by sector, 2018



Source: OECD (2018), Indicators on the Governance of Sector Regulators (database).

StatLink <https://doi.org/10.1787/888934258325>



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