

Foreword

Economic regulators exist because the sectors they regulate matter – to consumers, public and private investors, policy makers and the wider economy and society. They are instrumental in delivering good regulatory outcomes in sectors such as energy, transport, e-communications and water. They do so through balancing diverse and often competing interests, with the ultimate aim of creating a regulatory framework that allows for stability, predictability, fairness and better outcomes.

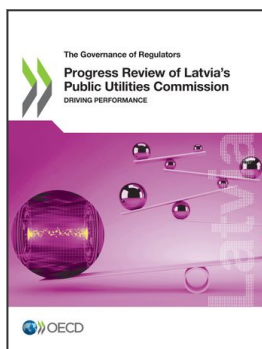
To demonstrate and improve a regulator's effectiveness, it is important to continuously assess the impacts of regulatory actions and decisions. An on-going dialogue on the regulator's performance, both internally and externally, can strengthen internal systems and processes and lead to the improvement of regulatory practices and frameworks. In this way, it builds confidence not only in the regulatory system, but the public administration as a whole.

To support regulators in this process, the OECD has developed a framework to assess organisational performance and governance structures, based on the *OECD Best Practice Principles on the Governance of Regulators*. The framework analyses regulators' internal and external governance, including their organisational structures, behaviour, accountability, processes, reporting and performance management, as well as role clarity, relationships, distribution of powers and responsibilities with other government and non-government stakeholders.

The OECD carried out a review of the Public Utilities Commission (PUC) of Latvia under the OECD's Performance Assessment Framework for Economic Regulators (PAFER), with the report *Driving Performance at Latvia's Public Utilities Commission* published in 2016 (OECD, 2016^[1]). The current progress report fulfils the 2017 legal requirement for the PUC to conduct an independent review of its activities every three years. Building on the in-depth assessment and recommendations of the initial PAFER review, the PUC invited the OECD to carry out this review.

The current report covers the four-year period 2016 to 2020, and it allowed the OECD to understand how the PUC put the 2016 OECD recommendations into practice. The review sheds light on the follow-up mechanisms and monitoring activities that regulators put in place consequent to a PAFER review. It attests to the continuous nature of the reviewing process: a progress reviews can assess if recommendations need adjusting given the dynamic context in which the regulator operates and the recommendations' practical feasibility. In addition to assessing the progress made by the PUC in implementing the OECD recommendations, the report also highlights a few new areas of focus for the regulator going forward.

This report is part of the OECD work programme on the governance of regulators and regulatory policy, led by the OECD Network of Economic Regulators (NER) and the OECD Regulatory Policy Committee, with the support of the Regulatory Policy Division of the OECD Directorate of Public Governance. The Directorate's mission is to help government at all levels design and implement strategic, evidence-based and innovative policies that support sustainable economic and social development. The report was presented to the OECD Network of Economic Regulators for comments and approval at its 16th meeting in April 2021 and was declassified by the Regulatory Policy Committee by written procedure.



From:
**Progress Review of Latvia's Public Utilities
Commission**
Driving Performance

Access the complete publication at:

<https://doi.org/10.1787/6c2ee469-en>

Please cite this chapter as:

OECD (2021), "Foreword", in *Progress Review of Latvia's Public Utilities Commission: Driving Performance*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/77c560b3-en>

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