



UDK: 336.71

DOI: 10.1515/jcbtp-2016-0001

Journal of Central Banking Theory and Practice, 2016, 1, pp. 5-23

Received: 10 June 2015; accepted: 20 August 2015

Miomir Jakšić*

** Faculty of Economics,
University of Belgrade*

*E-mail:
mjaksic@ekof.bg.ac.rs*

Role of Regulatory Bodies in the Banking and Energy Sectors

Abstract: The article discusses the status and role of regulatory bodies and the aftermaths of their independence and accountability to the public and the parliament. The author analyses different legal statuses of regulatory bodies in Montenegro and Serbia in the central banking and energy sectors and concludes that it is necessary that national constitutions, as the highest legal acts in each state, prescribe in a separate article that “Regulatory bodies are independent and accountable to Parliament”.

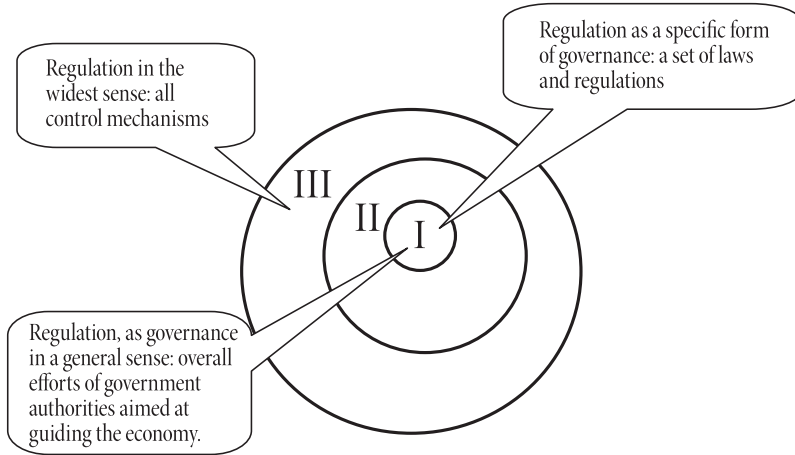
Relevant separate legal acts should closely define the procedures for establishing, enforcing, and sanctioning of possible breaching of: 1) independence of regulatory bodies, 2) accountability of regulatory bodies to the parliament, and 3) transparency of their activities.

Keywords: institutions, good governance, public sector, public services, regulation, regulatory bodies, independence, accountability.

JEL Classification: E58, H40

1. Establishing independent regulatory authorities

The picture below describes three meanings of regulation. The experience of independent regulatory authorities (IRAs) is the most similar to meaning I – “regulation as a specific form of governance: set of laws and regulations” (Jordana & Levi-Faur, 2004).



Source: Baldwin et. al., 1998

The example of Serbia examined four hypotheses on the reasons for establishing IRAs (Tomić & Jovančić, 2015, p.36).

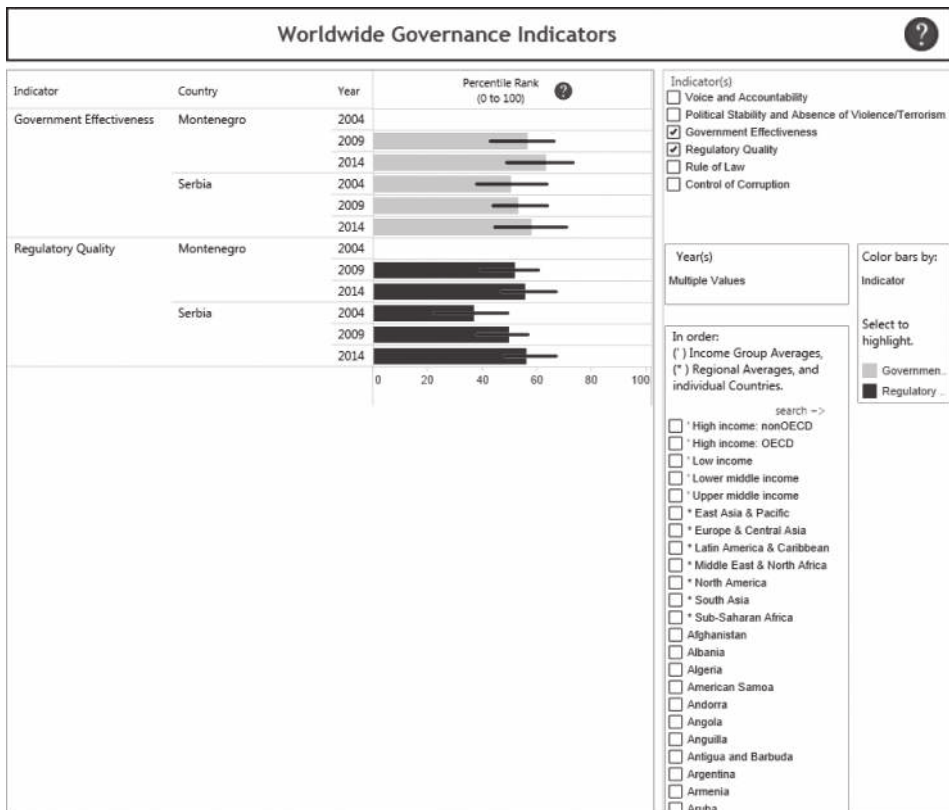
"Call" to investors	Veto players	Technical complexity	Political insecurity
<ul style="list-style-type: none"> Regulatory agencies serve as the guarantors that the Government has "tied" its own hands and given up the regulation power so investors could feel safer after investing a lot of money and starting business that the authorities will not act to the investors' detriment. 	<ul style="list-style-type: none"> In case of a fewer veto players (coalition partners), regulation as a potential resourceful source of power is less valued because players get other "more valuable" levers of power (colloquially: larger pieces of the pie). Therefore, agencies get more responsibility and independence. 	<ul style="list-style-type: none"> Technically complex issues are impossible to regulate without the knowledge of experts and a suitable environment for developing expertise over years. Therefore, ministries are rather forced to establish agencies which represent a fertile ground for expertise development. 	<ul style="list-style-type: none"> With elections approaching, the need for creating/strengthening regulatory authorities grows since they would represent one type of barrier to the opposition that could take power tomorrow.

- "Veto players" - the logic mentioned above where a higher number of veto players leads to a lower degree of regulatory authorities' independence is not sustainable in our case. To wit, Serbia records both a high number of veto players and a high level of formal independence of agencies.
- "Political insecurity" - Most of the agencies were established at the moment when there was no outlook for recent elections. This is not a relevant determinant in the concept of agencies in Serbia.
- Technical complexity - Technical complexity is not the key independent variable affecting the concept of agencies.

- d. *Openness for foreign investments* – Following this argument, it is expected that a higher independence of agencies, *ceteris paribus*, is followed by greater liberalisation of the market that also aims at better inflow of investments. However, many sectors were not liberalised long after the agencies had been established.” (Tomić & Jovančić, 2015, p. 36 etc.).

If none of four important reasons of establishing IRAs is relevant for their establishment, it may be concluded that IRAs were basically established by default on the basis of: 1) Transfer policy, 2) Policy diffusion (spreading), and 3) Political Convergence (Gilardi, 2012).

Establishing an IRA is a constituent part of the EU accession process, and their *de facto* independence and autonomy increases over time, while the social influence grows. The Worldwide Governance Indicators (WGI) that determines growth in regulatory governance indicators for Serbia and Montenegro confirms this.



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010). *The Worldwide Governance Indicators: Methodology and Analytical Issues*. The Worldwide Governance Indicators are available at: www.govindicators.org

Note: The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Worldwide Governance Indicators						
Indicator	Country	Year	Number of Sources	Governance Score (-2.5 to +2.5)	Percentile Rank (0 to 100)	Standard Error
Government Effectiveness	Montenegro	2009	6	0.00	56.46	0.26
		2014	7	0.28	63.46	0.24
	Serbia	2004	7	-0.17	50.73	0.18
		2009	9	-0.04	53.11	0.20
		2014	9	0.09	58.17	0.21
Regulatory Quality	Montenegro	2009	7	-0.04	52.15	0.19
		2014	8	0.12	55.77	0.20
	Serbia	2004	8	-0.44	37.25	0.18
		2009	10	-0.12	49.76	0.17
		2014	11	0.14	56.25	0.18

Click on any item in aggregate indicators table above to show underlying source data.

Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010). *The Worldwide Governance Indicators: Methodology and Analytical Issues*.

The Worldwide Governance Indicators are available at www.govindicators.org

Note: The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Source: <http://info.worldbank.org/governance/wgi/index.aspx#reports>, accessed on 23 November 2015.

The data above point to improved Regulatory Quality and Government Effectiveness indicators in Serbia and Montenegro, despite the values of these indicators remain low.

2. Legal and economic central bank independence

Central bank independence includes three aspects:

1. personal – appointing the Governor and managing bodies, and the establishment of decision-making procedures;

2. financial – separation of central bank's monetary policy from the government's fiscal policy;
3. political – independence in defining objectives and pursuing required policy (Jakšić & Prašćević, 2006; Fabris, 2006)

Central bank independence has to rest on the following elements:

1. Prohibition of lending to public authorities
Price stability means liberating monetary policy from traditional central bank obligation to finance fiscal deficit through lending, so the breaking of the link between central bank and government is the fundamental prerequisite.
2. Central bank's independence from government guidelines
There is no independence if a central bank receives and implements imperative government guidelines. This means that the central bank governor/management have at their disposal an unlimited mandate in terms of independent deciding on the objectives, instruments, and pursuing of monetary policy.
3. Sovereignty in foreign exchange policy
Exchange rate is an additional safeguard anchor of a sound monetary policy which means that maintaining the value of domestic currency is coupled with the adjustable exchange rate; If the central bank would have to defend at any cost the fixed rate originating from projected or realised fiscal proportions and fiscal policy, this would compromise its independence,
4. Central bank's personal independence
This is one of the principal conditions of independence because regardless of written legal provisions in legislative acts, the government lobbies that the central bank governor/management are individuals who politically and professionally support its policy and who are ready to maximally pursue it in given restricting conditions (e.g. monetary stability). (Cukierman, Miller & Neyapti, 2002; Eijffinger, 1997).

Positive effects of increased transparency include:

- Decreased uncertainty in financial markets,
- Decreased exchange rate variability,
- Decreased inflation rate,
- Decreased inflation rate variability,

- Decreased unemployment rate variability,
- Disabling government's political influence on the central bank's policy (Chortareas, Stasavage & Sterne, 2002).

Adverse effects of increased transparency imply decreasing the possibility of acting on economic activity stabilisation using monetary policy. It is impossible to cause inflationary surprise in order to stabilise the economy.

The reasons for high legal independence of central banks imposed by central bank laws in most transition countries are as follows:

- Most of these economies have faced high inflation, often even hyperinflation episodes,
- A lack of adequate market and institutional infrastructure that would provide appropriate framework to macroeconomic stabilisation,
- A lack of legal framework to carry out the transition,
- A lack of social consensus on the most important economic policy objectives and the sharing of expenses imposed by the transition among social groups,
- Un underdeveloped and unsound political system of parliamentary democracy, often burdened with political polarisation,
- An effort to eliminate political misuse of monetary policy,
- Aspiration to meet the EU accession requirements.

3. Central bank accountability

The accountability of IRAs is defined as follows: "bearers of economic policy may and will be responsible for the realisation of set objectives of economic policy which are under their responsibility" (Eijffinger, 2003, p. 115 and etc.). The IRA will be responsible to the extent the indicators of set economic performances are close to the set objectives. In democratic societies, the parliament represents the will of the citizens and thus it is crucial that the central bank is directly accountable to the parliament and the government. If the central bank is accountable to the government, then the government's accountability to the parliament is of key importance. There are three important characteristics of central bank accountability:

- deciding on the *explicit definition and ranking* of objectives of monetary policy;
- *transparency* of actual monetary policy;

- who bears *final responsibility* with respect to monetary policy (Jakšić & Praščević, 2011).

Decision-making on the most important monetary policy objectives may not be the exclusive and absolute responsibility of central bank. This is the responsibility of parliament, because the central bank's accountability decreases to the extent of the missing mandatory objectives and measures for its implementation. The evaluation of its results is the key element of its accountability. Central bank's objective(s) have to be defined clearly, and their quantification boosts central bank's accountability. This includes two players, government (G) and central bank (CB), which have profits and losses depending on the degree of temporal consistency of their policies. Each player will make efforts to minimise their loss function which is believed to represent the preferences of a society as a whole:¹

Government:
$$L^G = \frac{1}{2}\pi_t^2 + \frac{\chi}{2}(y_t - y_t^*)^2$$

Where y_t is the desired output level, and χ is the Government's weight for stabilising the output which is higher than 0. This loss is, according to the Phillips curve, a selection between inflation and unemployment, and the Lucas's equation of offer (output growth is owed to inflation acceleration and output shock) grows with the inflation acceleration and deviations of actual production from natural output level.

Let's assume the appointing of a conservative central banker who has a stronger inflation aversion than the government and whose loss function is more sensitive to inflation by ε , indicating the central banker's stronger aversion to inflation.

Central banker:
$$L^{CB} = \frac{1+\varepsilon}{2}\pi_t^2 + \frac{\chi}{2}(y_t - y_t^*)^2$$

Decisions on monetary policy are split between government and central bank as follows:

$$M_t = \gamma L^{CB} + (1 - \gamma)L^G$$

γ is **central bank independence**: if $\gamma=1$, central bank is fully independent from the government (G).

If a central banker disposes with its own information, then its loss function is modified:

¹ See in *Makroekonomska analiza*, op. cit. Carlin, W., D. Soskice, Macroeconomics – Imperfections, Institutions and Policies, Oxford University Press, 2006.

$$L^{CB} = \frac{1 + \varepsilon - x}{2} \pi_t^2 + \frac{\chi}{2} (y_t - y_t^*)^2$$

where x is the function of uniform distribution of possible shock preferences.

4. Independence, accountability, and transparency of the energy and banking regulators in Serbia and Montenegro

The following analysis deals with defining the independence, accountability and transparency in the area of central banking and energy in Serbia and Montenegro. The analysis is primarily based on legal definitions of the selected regulatory bodies and their annual reports. Information sources are given in the tables below.

Table 1

Status of central/national bank according to the Law on central/national bank		
Feature	Central Bank of Montenegro Law (OGM 40/10 of 22 July 2010, 46/10 of 6 August 2010 and 6/13 of 31 January 2013)	Law on the National Bank of Serbia The consolidated version was prepared based on the Law on the National Bank of Serbia ("RS Official Gazette", No 72/2003) and its amendments and supplements published in the "RS Official Gazette", Nos 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012 and 14/2015.
Objectives	<p>Article 4</p> <p>The main objective of the Central Bank shall be to foster and maintain the financial system stability, including fostering and maintaining a sound banking system and safe and efficient payment systems.</p> <p>The Central Bank shall contribute to achieving and maintaining price stability.</p> <p>The Central Bank shall, without prejudice to pursuing its objectives, support the pursuing of economic policy of the Government of Montenegro, acting thereby in</p>	<p>Article 3</p> <p>The primary objective of the National Bank of Serbia shall be to achieve and maintain price stability.</p> <p>Without prejudice to its primary objective, the National Bank of Serbia shall contribute to maintaining and strengthening of the stability of the financial system.</p> <p>Without prejudice to its objectives referred to in paragraphs 1 and 2 of this Article, the National Bank of Serbia shall support the pursuance of economic policy of the Government</p>

	accordance with the principles of free and open market and freedom of entrepreneurship and competition.	of the Republic of Serbia (hereinafter: the Government), operating in accordance with the principles of a market economy.
Central bank independence	<p>Article 7</p> <p>The Central Bank shall be independent in pursuing the objectives and exercising the functions under this law.</p> <p>The Central Bank, members of its bodies and employees in the Central Bank shall be independent in the performance of their functions and their activities established under this and other laws and they may not receive or seek any instruction from the government and other bodies and organisations or any other entities.</p> <p>The state and other bodies and organizations and other persons may not exert any influence on the performance and decision-making of members of the Central Bank bodies.</p>	<p>Article 2</p> <p>The National Bank of Serbia shall be autonomous and independent in carrying out its tasks as laid down by this and other law and shall be subject to oversight by the National Assembly, to which it shall also be accountable for its work.</p> <p>In carrying out their tasks, the National Bank of Serbia, the bodies of the National Bank of Serbia and the members of those bodies shall neither seek nor take instructions from government bodies and institutions, or other persons.</p> <p>Government bodies and institutions, and other persons may not threaten the autonomy and independence of the National Bank of Serbia nor seek to influence the National Bank of Serbia, the bodies of the National Bank of Serbia, or the members of these bodies in carrying out their tasks.</p>
Central bank accountability	<p>Article 8</p> <p>The Central Bank may, for the purpose of pursuing the established objectives and without prejudice to its autonomy and independence, cooperate with the Government and other government bodies and organisations, and take any actions within its authority to promote this cooperation.</p> <p>The Government shall submit to the Central Bank, upon the latter's request, data and information necessary for the achievement of objectives and the exercising of functions of the Central Bank.</p>	<p>Article 71</p> <p>The National Bank of Serbia shall submit the monetary policy programme for the forthcoming year to the National Assembly, for information purposes, by no later than 15 December of the current year.</p> <p>The National Bank of Serbia shall submit to the National Assembly, by no later than 30 June of the following year, an annual report on monetary policy, with an explanation of all the factors affecting the implementation of that policy, as well as the annual report on the stability of the financial system.</p>

The Central Bank shall submit to the Government, at the latter's request, data and information necessary for the achievement of the objectives and the exercising of functions of the Central Bank, except data and information regarding entities subject to the Central Bank supervision and/or confidentiality obligation in accordance with the law.

The National Bank of Serbia shall submit to the National Assembly, by no later than 30 September of the current year, a semi-annual report on monetary policy, with an explanation of all the factors affecting the implementation of that policy.

The National Bank of Serbia shall submit to the National Assembly, by no later than 30 June of the following year, an annual report on its activities and results.

The contents of reports from paragraphs 2, 3 and 4 of this Article shall be determined by the Statute.

The National Bank of Serbia shall publish the monetary policy programme referred to in paragraph 1 of this Article in the "RS Official Gazette" without delay.

Article 72

The Governor may be invited to attend meetings of the Government.

The Government and/or the relevant ministries shall submit to the National Bank of Serbia drafts of laws and other regulations relating to the objectives, tasks, rights and obligations of the National Bank of Serbia for the purposes of obtaining an opinion thereon.

Transparency of operations

Article 29

The Central Bank shall prescribe data, information and reports to be submitted by banks and financial institutions to the Central Bank and deadlines for their submission.

The Central Bank may disclose the submitted information and data on banks and financial institutions separately, in aggregate form or classified by banks or financial institutions or by the nature of their business, except information

considered confidential in line with the law.

Informing the Public

Article 73

The Central Bank shall, regularly and timely, inform the public on the attainment of its objectives and the exercising of its functions, and particularly on macroeconomic analysis, financial and monetary stability, monetary and credit trends, the balance of payments and it may publish reports and studies on other financial and economic issues.

Table 2

Status of energy regulator according to the Energy Law		
Feature	Regulatory Agency for Energy of Montenegro	Energy Agency of the Republic of Serbia
	Energy Law (OGM 28/10, 6/2013)	Energy Law Energy Law ("Official Gazette of the Republic of Serbia" 145/2014 of 29 December 2014)
Status	Article 24 The Regulatory Agency for Energy of Montenegro is an independent, non-profit organization functionally independent from public authorities and energy entities, which is competent in the field of energy as stipulated herein.	Article 38 The Agency is an autonomous legal entity independent from executive authorities in performing its activities, as well as from other state authorities and organizations, and legal and natural persons dealing with energy-related activities; it makes decisions on its own, independently disposes of finances approved by the financial plan, and provides professional capacities necessary for performing activities prescribed by the law. Employees and members of the Agency Council shall act independently from any market

interests, shall not accept any instructions from executive authorities or from other state authorities and organizations, or persons dealing with energy-related activities.

The independence under Paragraph 2 of this Article does not bring into question cooperation with other national bodies, implementation of the general policy adopted by the Government for issues not related to the powers and responsibilities of the Agency.

Financing of agency

Article 45

- (1) The funds for the Agency's operations shall be provided from licence fees, annual licence charges for performing energy activity, and charges for resolving disputes, which are to be specified in accordance with this Law.
- (2) The funds referred to in paragraph 1 above shall be defined in the financial plan of the Agency which is determined by the Agency's Board according to the working plan, and adopted by the Parliament according to the law.
- (3) After its adoption, the financial plan shall be published on the Agency's website.
- (4) The licence fees under paragraph 1 above shall be determined so as that their total amount shall cover the planned operating expenses of the Agency specified in the Agency's financial plan.
- (5) The amount of fees for licences referred to in paragraph 1 above to be charged to energy entities shall be determined by the Agency's Board, in line with the Agency's methodology.

Article 62

The funds for the Agency's operation shall be provided from the revenues recorded by the Agency pursuant to this Law, namely: on the basis of performing regulatory activities from a part of regulated revenues from system access determined by the methodologies under Article 50, Paragraph 1, Items 1), 2), 6), 7), 8) and 10) hereof, on the basis of the issuance of licenses for performing energy-related activities under Article 20, Paragraph 1 hereof, as well as other revenues recorded in performing activities within the Agency's competences pursuant to the law.

The revenue amount shall be adjusted to the Agency's financial plan.

The Agency may also receive funds from donations, except from donations of energy entities or persons related to such entities.

(6) The funds collected from fees shall be paid to the Agency's account.

(7) Funds that remain in the Agency's account after the expiry of the business year in which they were generated shall be transferred to the subsequent year, and the fees for the subsequent year shall be reduced accordingly.

(8) An energy entity may initiate the administrative proceeding against the Agency's decision specifying the fee to be paid by the energy entity.

Transparency of the Agency's operations

Article 46

(1) The work of the Agency shall be transparent, except in cases determined by the law regulating the treatment of secret and confidential information.

(2) General acts of the Agency shall be passed after public debates in which all interested legal and natural persons and/or their proxies who have the right to participate in the market may participate.

Article 63

The Agency shall ensure the transparency of its operations and availability of information of public interest to concerned entities, which are not deemed confidential pursuant to regulations and acts of the Agency.

Annual reports

Article 47

(1) The Agency shall submit the Annual Report on the Condition of the Energy Sector of Montenegro no later than by 30 June of the current year for the previous one.

(2) In particular, the Annual Report on the Condition of the Energy Sector of Montenegro shall contain in particular but not limited to:

- 1) energy resources and capacities;
- 2) findings of the supervision of energy entities;
- 3) investments in the energy sector;
- 4) financial operations of energy entities;

- 5) condition and activities in the electric energy market.
- (3) The Annual Report on the Condition of the Energy Sector of Montenegro shall be published on the Agency's website.
- (4) The Agency shall determine the proposal of the Financial report for the previous year and it shall appoint a representative who will participate in the Parliamentary procedure.
- (5) The relevant authority shall submit the proposal of the Financial Report and the Act on appointing the Agency's representative to the Ministry of Finance by 30 April of the current year.
- (6) The Agency shall compile other reports according to the law.

Table 3

Annual reports on operations of central/national banks		
Status	CBCG Annual Report 2013, 2014 CBCG, Podgorica, p. 70	Annual Report on Activities and Results, National Bank of Serbia, 2014, Belgrade, p. 21
Transparency	2.2.7. Public relations and transparency The CBCG publishes numerous publications: annual (Central Bank Annual Report, Financial Stability Report, Price Stability Report, Annual Macroeconomic Report); quarterly (Quarterly Macroeconomic Report, Quarterly Inflation Report) and monthly (CBCG Bulletin). In addition, the CBCG publishes Recommendations to the Government for Economic Policy, working papers and theme books.	Operational transparency of the National Bank of Serbia The strengthening of a central bank's independence and autonomy increases the responsibility it bears for the decisions and measures it takes in order to achieve its objectives and carry out its tasks. The central bank's autonomy calls for greater operational transparency, reflected primarily in the accountability to the National Assembly and to the public.

<p>All regular and occasional publications published on the CBCG website are delivered to interested government institutions, banks and other financial institutions, educational institutions, international organisations and interested journalists and scientific workers.</p> <p>The CBCG website, available in Montenegrin and English language, gives an insight into primary and secondary legislation regulating the CBCG operations. In addition, all relevant regulations, decisions, CBCG publications, as well as other important information from the CBCG domain are published.</p>	<p>By no later than 15 December of the current year, the NBS submits the monetary policy programme for the following year to the National Assembly for information purposes.</p> <p>The NBS has a financial plan that sets out the income and expenses planned for the following year. The financial plan is submitted to the National Assembly, for information purposes, by no later than 31 December of the current year.</p>
--	--

Table 4.

Annual report of energy regulator		
Feature	<p>Energy Regulatory Agency of Montenegro</p> <p>No: 15/2667-2</p> <p>Podgorica, 17 September 2015</p> <p>Proposal of the Financial report with the Annual Report of the Energy Regulatory Agency of Montenegro for 2014</p>	<p>Energy Agency of the Republic of Serbia</p> <p>Annual Report for 2014, May 2015</p> <p>Annual and Financial Report for 2014 starts on page 79</p>
Status	<p>3.12. Institutional strengthening of the Agency</p> <p>Meeting of statutory obligations and performing current operations requires continuous improvement of professional skills and capabilities of all employees, which simultaneously improves the functioning of the Agency as institution. The Agency's institutional strengthening aims at providing efficient and quality performing of entrusted tasks.</p>	<p>7.1.3 Independence and responsibility</p> <p>The Council President and members are responsible for their work to the National Assembly. At least once a year, they submit the financial report and the report on the energy sector to the Assembly. The annual report includes the data on the Agency's work during the previous year, its financial operations and the situation in the energy sector of the Republic of Serbia which is within the Agency's competence.</p>

The financial plan is approved by the National Assembly. The financial plan is submitted to the National Assembly at the latest by the end of October of the current year for the following year. Upon the approval of the National Assembly, it is published in the “Official Gazette of the Republic of Serbia”.

The Agency regularly submitted annual financial plans to the Assembly. The National Assembly approved the Agency Financial Plan for 2012. The National Assembly has not considered the 2013 and 2014 Financial Plan of the Agency.

Accountability Drafting of annual reports and plans discussed and adopted by the Parliament of Montenegro

According to the law, the Agency has to prepare reports and plans.

In 2014, the Agency prepared and submitted the following reports to the Parliament of Montenegro for discussion and approving:

1. The Proposal of Annual and Financial Report for 2013, adopted by the Parliament of Montenegro
 2. Report on the Condition of the Energy Sector for 2013, adopted by the Parliament of Montenegro
 3. Proposal of the Financial Plan with the Working Plan for 2015, adopted by the Parliament of Montenegro
-

Transparency In line with the Law on Free Access of Information, the Agency, as an administration authority, enables access to complete or partial information in its possession, except in cases of protecting the interest with the abovementioned Law. Thus, the Agency contributes to higher level of transparency of its operations.

5. Conclusion

The Analysis of the legal status of IRAs (central/national banks and energy regulators) (Tables 1 and 2) points to the following conclusions:

1. **Independence:** The independence of IRAs in the laws of Serbia and Montenegro is defined in general terms in the sense that they are independent - they neither ask for nor receive instructions from public authorities. These should also be supplemented with provisions stipulating vice versa, that the public authorities may not give instructions to regulatory authorities and that any behaviour that undermines their independence shall be contrary to the constitutional principle of independence in operations. This should be closely regulated with an article in the respective constitutions that should read as follows: "Regulatory bodies shall be independent and autonomous and they shall report to the Parliament". The relevant laws should also contain the obligation of reassessing the degree of independence (e.g. annual obligatory reassessment of the IRAs' independence) that to ensure the historical series of data and allow international comparisons. The IRAs' statutes and appropriate legal acts should lay down concrete mechanisms for measuring their independence.
2. **Accountability:** The laws define accountability in general and it is mostly confused with the two-way communication with the government and regular reporting. The accountability for achieving set annual objectives (e.g. monetary policy target) should be precisely defined. The currently lacking government's accountability for discussing and adoption of IRAs' annual reports within clearly determined deadlines should be enhanced, and the pertinent legal procedure should be clearly defined.
3. **Transparency:** It is generally defined in the form of reporting. The audience to which the IRAs should obligatorily and regularly report needs to be precisely defined (e.g. parliamentary bodies, the academic and professional audience).
4. The analysis of annual reports on the IRAs' operations – central/national banks and energy regulators) (Tables 3 and 4) points to the conclusions that could be summed up in these recommendations of the Energy Community of South-Eastern Europe regarding the organisation and competences of the Serbian energy regulator (AERS) (Energy Community Secretariat, 2014, p. 157):
 1. The competences of AERS need to be extended to the complete set of regulatory powers and objectives foreseen under the Third Energy Package.

2. The staffing level of AERS needs to be expanded in order to address the additional duties under the Third Energy Package.
3. The annual budget of AERS needs to be promptly approved by the National Assembly in order to guarantee financial independence and predictability to the regulator.
4. Staff salaries need to be competitive with salary levels of the regulated industry and should be entirely decided by the regulator's management.

References

1. Carlin, W., D. Soskice (2006), *Macroeconomics – Imperfections, Institutions and Policies*, Oxford University Press.
2. Chortareas, G., Stasavage, D., Sterne, G. (2002). “Does It Pay To Be Transparent? International Evidence from Central Bank Forecasts”, *Review of Federal Reserve Bank of St. Louis*, July/August 2002, 101-115.
3. Cukierman, A., Miller, G. P., Neyapti, B. (2002), “Central bank reform, liberalization and inflation in transition economies – an international perspective”, *Journal of Monetary Economics*, br. 49., p. 237-264.
4. Eijffinger, S. (1997). “Independent Central Banks and Economic Performance”. Cheltenham: Edward Elgar.
5. Eijffinger, S. (2003). “Central Bank Accountability and Transparency”, in *Encyclopaedia of Macroeconomics*, B. Snowden and H. Vane, ed., p. 115 and etc.
6. Energy Community Secretariat. (2014). *Annual Implementation Report*, p. 157.
7. Fabris, N. (2006). *Centralno bankarstvo u teoriji i praksi*. Podgorica: CBCG.
8. Gilardi, G. (2012). “Policy interdependence: transfer, diffusion, convergence”, May 2011, In Engeli, I. and Rothmayr, C., (eds), *Comparative Policy Studies. Conceptual and Methodological Challenges*. London: Palgrave Macmillan.
9. Jakšić, M., Praščević A. (2006). *Makroekonomska analiza*. Beograd: Ekonomski fakultet.
10. Jakšić, M., Praščević, A. (2011). *Politička makroekonomija*. Beograd: Ekonomski fakultet.
11. Jordana, J., Levi-Faur, D. (2004). “The politics of regulation in the age of governance” in the *The politics of regulation*, Cheltenham: Edward Elgar. quoted from Baldwin, R., Scott, C., and Hood, C., (eds). (1998). *A Reader on Regulation*, Oxford: Oxford University Press, pp. 1–55.
12. Tomić, S., Jovančić, A. (2015). Nastanak i nezavisnost regulatornih tela u Srbiji: domaće ili eksterne determinante?, *Političke perspektive*, 5(2), UDC 351.9(497.1), p. 36 etc.

www.aers.rs

www.cb-mn.org

www.nbs.rs

www.regagen.co.me

worldbank.org