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**STABILITY PACT**

**SOUTH EAST EUROPE COMPACT FOR REFORM,  
INVESTMENT, INTEGRITY AND GROWTH**

**INDEPENDENT REGULATORS IN THE  
SOUTH EAST EUROPEAN COUNTRIES**



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**The Stability Pact for South Eastern Europe** is a political declaration and framework agreement adopted in June 1999 to encourage and strengthen co-operation among the countries of South East Europe (SEE) and to facilitate, co-ordinate and streamline efforts to ensure stability and economic growth in the region. (see [www.stabilitypact.org](http://www.stabilitypact.org))

**The South East Europe Compact for Reform, Investment, Integrity and Growth (“The Investment Compact”)** is a key component of the Stability Pact under Working Table II on Economic Reconstruction, Development and Co-operation. Private investment is essential to facilitate the transition to market economy structures and to underpin social and economic development. The Investment Compact promotes and supports policy reforms that aim to improve the investment climate in South East Europe and thereby encourage investment and the development of a strong private sector. The main objectives of the Investment Compact are to:

- Improve the climate for business and investment.
- Attract and encourage private investment.
- Ensure private sector involvement in the reform process.
- Instigate and monitor the implementation of reform.

The participating SEE countries in the Investment Compact are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania and Serbia and Montenegro. Building on the core principle of the Investment Compact that “ownership” of reform rests within the region itself, the Investment Compact seeks to share the long experience of OECD countries. It provides region-wide peer review and capacity building through dialogue on successful policy development and ensures identification of practical steps to implement reform and transition.

The work of the Investment Compact is actively supported and financed by seventeen OECD member countries: **Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Norway, Sweden, Switzerland, Turkey, United Kingdom and United States.** (see [www.investmentcompact.org](http://www.investmentcompact.org))

## FOREWORD

Transforming utility sectors often requires significant private investment, which depends on sectors open to market competition and characterised by stable, transparent and predictable regulations. Also, sustained growth and employment in SEE depend on competitive and environmentally sound network supplies. Independent regulatory authorities represent a useful tool in modernising the regulatory framework in order to foster private sector investment.

However, when establishing such regulatory authorities, reforms need to be organised in a sequential manner in order to address potential market failures and to reconcile conflicting interests. At an early stage of the process, governments must design, implement and monitor a national policy for the reformed sector that will provide clear objectives and medium and long-term guidelines for all stakeholders. They must ensure that a sound regulatory framework is implemented either before or simultaneously with the privatisation process. This framework should include proper rules to foster competition and assure that consumers' interests are addressed.

The situation in SEE presents specific challenges. The key issue is to balance natural monopoly and consumers' interests, and to strengthen and modernise regulatory systems to make them compatible with modern European standards. In most cases, the establishment of sectoral regulators in SEE has lagged behind the deregulation and privatisation process. The existing entities do not operate as truly independent regulatory authorities, and resource constraints limit the scope of their mission. Many countries do not have a co-ordinated institutional framework for creating and operating these sectoral regulators. This is particularly evident where the role of the regulatory authority is circumscribed and true regulatory oversight remains vested within the ministries. Authorities tend to be established in an ad hoc manner often due to an international obligation or commitment. There is a need to switch from the initial phase of emergency to the development of short to medium-term, coherent strategies for the restructuring of utilities sectors.

The report has been prepared as a background document to support the discussions at the seminar *Building Sectoral Regulators in Key Economic Sectors* organised by the Regulatory Governance Initiative, which was held in Prague on 12-13 June 2003 with the support of the Czech Government. It presents an overview of the current challenges and institutional setting in SEE with regard to independent sectoral regulators in the energy, telecommunications and competition areas, and recommends short- and long-term initiatives to SEE governments. The Regulatory Governance Initiative and the Investment Compact for South East Europe will link closely with the SEE governments and encourage the modernisation of the regulatory framework through the establishment of independent sectoral regulators.

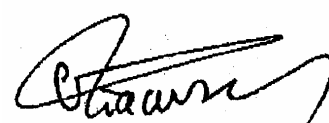
We would like to express our appreciation to the SEE country representatives, the international institutions (the European Commission, the European Bank for Reconstruction and Development and the World Bank) and donors for their excellent partnership in the work of the Regulatory Governance Initiative.



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## 1. Introduction

South East European (SEE) countries are deeply involved in the process of privatising former state-owned enterprises although not at the same pace and with the same sequencing of reforms. In this process, certain economic sectors deserve specific attention, including the utility (energy and telecommunications) and the financial sectors. In most OECD countries, these sectors are supported by specific regulation, either due to the monopolistic aspects of some operations, such as the electricity grid or the fixed telephony network, or the economy wide impacts of prudential rules, such as in the financial sector.

In several countries, public authorities also keep a large share in privately managed utilities. These multiple roles, as regulators and owners of utilities, can generate difficult trade-offs within the traditional framework of public policy, particularly when fostering private sector investment. As part of this process, SEE governments have been building market-based institutions to provide regulatory oversight in liberalised sectors and they have been separating ownership, policy development and day-to-day regulatory overview. In practice, the successful operation of independent regulatory authorities and the appropriate oversight of liberalised markets require adequate design, and balancing sufficient independence from ministries and the firms being regulated, with accountability mechanisms, which would avoid fragmentation of policies. To provide credibility, sufficient resources and skills must be dedicated to the regulators. In addition; setting up independent regulatory authorities requires that the roles of sectoral regulators, competition authorities, ministers and courts are clarified *ex ante*.

This paper addresses the policy and institutional design issues involved in ensuring a successful and timely economic transition, making the best possible use of independent regulatory authorities. The second section defines independent regulators, describes the recent trend in OECD countries in establishing sectoral regulators, and summarises the analytical work being undertaken by the OECD in this field. The third section discusses the importance of sequencing reforms in order to maximise the short- and long-term benefits of privatisation.

The fourth section provides a general overview of the utility sectors in SEE (energy and telecommunications) and discusses the institutional and legal status of the sectoral regulators established in the region. After this introduction to the region, the term “independence” is defined in section 5, and the need to balance independence with accountability is highlighted. This section also provides an overview of how SEE and Central Eastern European (CEE) OECD countries have solved the challenges of endowing regulators with sufficient independence from vested interests. Section 6 discusses horizontal design issues giving particular reference to the co-ordination between the sectoral regulator and the competition authorities, and the mechanisms to ensure co-ordination between regulators. In addition, the regional and international activities taking place in the utility sectors are also shortly discussed. Finally, Section 7 concludes and contains a set of short- and long-term policy priorities that SEE governments could consider in their efforts to provide effective market mechanisms.

## **2. Defining independent regulators**

Independent regulatory authorities, established as relatively autonomous administrative agencies entrusted with regulatory powers, are a key component of modern regulatory governance. The practical preconditions and interpretations of independence will be discussed in another chapter, but it generally means that these regulatory institutions are at arm's length from the ministries and the executive power. They are found in utility sectors with network characteristics such as energy and telecoms, and in other sectors where sector-specific prudential oversight is needed, such as financial services. The competition authorities are also included in this list, although they are not "regulators" in the traditional sense as their main task is to enforce national competition laws. However, in some countries and some sectors, they may have been given the mandate to "regulate" the market. Since most competition authorities were established long time ago, they have, in many cases, provided an institutional example for setting up new independent regulatory agencies. In this paper, we will use the term independent regulators to cover all independent regulatory authorities. When the energy and telecommunication sectors are specifically referred to, we will use the notion sectoral regulators.

The use of independent regulators has grown sharply in OECD countries during the 1980s and 1990s, particularly in Europe. This trend has recently spread to the SEE region, particularly in connection with the privatisation of former state-owned enterprises and the introduction of competition into formerly monopolistic sectors. The trend in the SEE region is also largely influenced by the European regulatory framework and guidelines for these utility sectors. The key benefits sought from independent regulators are to shield market interventions from short-term political interventions in order to ensure long-term market stability and economic objectives, and to avoid the influence and capture of particular interests, either by the entities being regulated or other non-governmental groups.<sup>1</sup> Such economic regulators are expected to ensure market discipline while protecting consumer interests, to facilitate open access to the core infrastructure of the network and to preserve social objectives. The independence of these bodies from direct political intervention has often been cited as helping to build trust among investors in newly liberalised and privatised sectors.

Setting up an institution in its own right, without properly addressing the whole market framework and including clear mandates for enforcing the competition law across sectors, may prove a costly exercise, with even higher long-term costs in terms of lost efficiency and competitiveness. Therefore, the institutional design needs to be considered carefully in order to ensure maximum cross sector flexibility and minimise the risk of capture (see Box 1). Sufficient resources also need to be allocated to allow independent regulators to perform their duties. This can pose constraints for small countries where the human and financial resources are scarce. Finally, independence does not mean that regulators should function in a vacuum, particularly in countries where the legal and judiciary infrastructure remains weak. Independence must necessarily be balanced with clearly identified requirements for accountability, including strict procedural requirements, reporting mechanisms, public consultation and substantive judicial review. Accountability involves establishing detailed laws that set out explicit objectives governing the regulators and setting specific requirements for reporting to the government or Parliament.

Careful regulatory design can help overcome these difficulties. However, it is likewise important to get the timing and sequencing of reforms right in order to maximise the short- and long-term benefits of privatisation. This will be discussed in the next chapter.

**Box 1. Independent regulators in the OECD work on regulatory reform**

Independent regulators or autonomous agencies with regulatory powers are key tools for regulatory reform. This was reflected early on in the 1997 OECD Recommendations, which advised governments to, *inter alia*, “Create effective and credible mechanisms inside the government for managing and co-ordinating regulation and its reform.” Since then, independent regulators have been considered in various ways as part of the OECD work on regulatory reform.<sup>2</sup> In its reviews of regulatory quality in 16 countries to date, OECD (2002c) “welcomed the move to establish independent bodies”, because this trend offers great potential to improve regulatory efficiency. Specialised and more autonomous regulators are likely to yield faster and higher quality regulatory decisions and are characterised by more transparent and accountable operations. Where they have been most effective and credible, their independence and roles have been based on a distinct statute with well-defined functions and objectives.

However, independent regulators are not immune to risks. They may slow structural change and obstruct convergence between sectors when they have been defined in a too narrow way, or lead to institutional rigidities. They may also contribute to fragmenting government policies and actions, particularly in the case of competition policy, and it is therefore important to ensure well-functioning horizontal co-ordination mechanisms. In addition, independent regulators are also not necessarily exempt from any risk of capture. In addition, when setting up independent bodies, accountability is not automatically ensured. Accountability may be improved by setting out explicit objectives and requirements for reporting to Parliament and government, such as procedural requirements and substantive judicial review.

It is crucial to address key institutional design issues in order to reap the full anticipated benefits of setting up independent regulators as well as to minimise risks. This has led to a call for “comprehensive” reviews of the independent regulatory bodies to identify problems and develop consistent solutions.<sup>3</sup> More work by the OECD to monitor and assess best practices in designing these important regulatory institutions is underway to assist countries in ensuring that they yield the expected benefits in terms of market performance, while respecting norms of transparency and accountability.

### **3. Link with the privatisation process and the sequencing of reforms**

Experience in a wide range of economies, over and beyond those in transition, shows that privatisation is more likely to produce increased efficiency and equity if embedded in a set of conceptually appropriate, well-functioning legal and economic institutions that promote, monitor and render transparent markets operations. When these are not available, an inadequate sequencing of reforms may be detrimental for effective reforms. Stiglitz (1999) mentions that “privatising in the absence of a sufficient, market-supporting institutional infrastructure, was a serious mistake that could and did lead more to asset stripping than wealth creation.”

Privatising network industries in transition countries in advance of competition enhancement and proper regulation poses great risks to efficiency gains, consumer welfare and the political acceptance of reform. But delaying divestiture until good regulatory structures are in place might also be very costly, especially in the light of the slow pace of institutional reform in many SEE countries.<sup>4</sup> Based on the experience from CEE, SEE countries are advised to sequence reforms by prioritising the establishment of accompanying policies and institutions, as is the case for example in the energy sector:<sup>5</sup>

- **Policy development.** To provide medium/long-term guidelines for all stakeholders, a national policy for the reformed sector should set clear objectives and reduce uncertainties. In this respect, it is likewise important that state and entity laws are harmonised.

- ***Establishing regulatory frameworks.*** The legal and regulatory framework should be designed to encourage viable and efficient markets through licensing, pricing, service control and clear requirements to foster competition and protect consumers' interests. Regulatory frameworks should build on the high-quality concepts of transparency, efficiency and accountability. These should be administered, monitored and enforced by independent regulatory bodies.
- ***Preparing for privatisation.*** The ultimate aim of restructuring is to establish decentralised and efficient market operators. The successful restructuring of state-owned companies requires the design and implementation of a national, customer-oriented privatisation plan for creating autonomous joint-stock companies and unbundling monopolistic activities. Privatisation and sale to strategic investors should only take place after the legal and regulatory framework has been set up and once conditions for competition are in place.

#### 4. The utility sectors in South East Europe

After years of economic turmoil, the countries in SEE face major challenges in achieving the market reforms necessary to rebuild their economies. An efficient infrastructure in network industries is vital for economic recovery, as well as for the stability of the region and its future inclusion in the EU. It influences a country's economic competitiveness and potential growth. In addition, investment and technology respond and flow to those economies where the perceived opportunities are high and risks are low. Global competitive forces are therefore fostering new challenges to reform-minded governments.

##### *Energy*<sup>6</sup>

The pace of regulatory reforms and institution building has generally been slow in the SEE energy sectors. Low energy prices, poor management and high operating losses have undercut the viability of these sectors. They have discouraged vertically state-owned monopolies from investing and adequately maintaining the systems. Companies often operate out-dated equipment that cannot be properly maintained due to lack of spare-parts and funds. Compliance with EU requirements has recently pushed the reform process forward on crucial aspects such as regulation and environment issues, but so far very little progress has been achieved in establishing effective institutions and policies in most SEE countries. However, as was highlighted in the previous chapter, the absence of a comprehensive development strategy could be a major obstacle to initiating successful reforms in the energy sector. Box 2 summarises EU recommendations and guidelines for establishing energy regulators in transition economies, which highlight and support energy policy formulation, institutional and capacity building as well as a demand side approach. The EU has still to fully incorporate these recommendations and guidelines in its projects in the region, which have mainly focused on large-scale electricity supply infrastructure and regional energy trade.

In most of the SEE countries, the supply of gas and electricity is managed commercially by a vertically integrated public enterprise. In **Bulgaria**, some of the fully owned enterprises are now open for privatisation and others have already been privatised. Gas is not produced in the country, but the transmission and distribution of gas are undertaken by a number of enterprises, which are subject to licensing and regulations. From April 2000, **Macedonia** has started a process of defining the legal framework for privatising the existing public enterprise Elektrostopanstvo (for the production and distribution of electric energy). The new Energy Law aims to establish an Energy Commission as a regulatory body in 2003. Within the framework of the CARDS program, technical assistance was given for preparing the Energy Law and establishing the independent regulatory commission. However, a change of government has delayed the process, and government influence is still great. In **Albania**, the current law does not facilitate third party access to the electricity grid. However, a draft

law on “The Electricity Power” is to be sent to Parliament, which will allow independent operators to enter the network. The same applies to **Macedonia**.

**Box 2. EU recommendations and guidelines for establishing sectoral regulators in energy in transition economies**

The European Commission (EC) has elaborated different guidelines, strategies and programmes for technical assistance in the energy sector of non-EU countries.<sup>7</sup> The relevant section of the “Reference Framework” stresses:

- An appropriate legislative and regulatory framework
- The formulation of energy policies and detailed rules for implementing them
- Demand-side co-operation is undoubtedly the most promising avenue of approach
- Giving priority to energy efficiency in policy formulation and implementation

In addition, the EC has developed a specific framework programme for each SEE country for the period 2002 to 2006 highlighting the need for formulating energy policies in parallel with building institutions and capacities in the public administration. For instance, the Country Strategy Paper for the Federal Republic of Yugoslavia adopted early 2002 detailed the following priorities for the energy sector:<sup>8</sup>

“Assistance will also be needed on the demand side to promote a more rational pattern of energy consumption. In Montenegro and in Serbia, investment is needed to optimise existing energy generation and distribution infrastructure. Major investments needs in production and distribution utilities will be financed with IFI involvement. This however needs to be facilitated by an adequate energy sector strategy. The institutional capacity and the policy making and regulatory aspects of the sector – involving government, utility company and municipal authority levels - need to be addressed as a matter of priority in order to ensure appropriate restructuring of the sector”. The specific objectives are to encourage the relevant authorities:

1. To strengthen the institutional capacities at ministry level;
2. To restructure the relevant state owned companies (KEK, EPCG and EPS), so they may eventually run as commercially viable and transparent organisations, and to align with the Community orientations on electricity market liberalisation;
3. To ensure adequate pricing tariffs on energy units which are in line with EU best practices to cover the running costs of the sector;
4. To rationalise energy exchange to and from other parts of the FRY and with the wider region, including consistency with the trans-European energy network connection strategy; and
5. To attempt to decrease the demand made on electricity production.

The 1999 Energy Sector Development Strategy of **Croatia** included the following objectives: increased energy efficiency, integration into international markets, supply diversification (notably owing to renewable energy), realistic energy prices and environmental protection. In 2002, the Government drafted a new energy strategy to take into account the development of reforms in the energy sector. The institutional build-up includes (a) an Energy Department within the Ministry of Economy, (b) the Statistical Office, (c) Croatian Energy Regulatory Council (CERC), (d) the Oil Stocks Agency and (e) the Energy Institute “Hrvoje Pozar”.

The main objectives of the new **Bulgarian** energy strategy include restructuring energy monopolies prior to market opening, privatising distribution companies, phasing out cross-subsidies by 2005, decreasing energy intensity, and positioning the country as a regional energy hub. The new and re-staffed Ministry of Energy and Energy Resources has responsibility for implementing the new energy strategy. Following the strategy, the Parliament adopted a new Energy Act in the fall of 2002.

The State Energy Regulatory Commission (SERC), the independent regulator, will enforce the Act and has already decided on price increases for electricity, gas and heat.

In the first stage, reforms in **Serbia and Montenegro** focused on price rebalancing. Energy laws have been drafted and are in the process of being adopted by the national Parliaments. In parallel, the objectives of the energy policy have been drafted. Independent agencies for energy regulation and energy efficiency have been established in Serbia but will need clear objectives to operate efficiently. In **Bosnia and Herzegovina** (BiH), the absence of an overall energy policy and a weak institutional structure have led to a stagnation of reforms. Public institutions are weak or have not yet been established (statistical office, regulator and energy agency) although the energy monopolies have reinforced their domination. Transparency of the market and operators remains insufficient.

In the mid-1990s, the regulatory environment in Europe changed (Box 3). The EU adopted two directives, on electricity in 1996 and on natural gas in 1998. These established minimum standards for the regulation and structure of the respective sectors in the Member States. The directives are of direct importance to the SEE countries seeking access to the EU markets.<sup>9</sup> However, implementing the directives requires sustained and thorough reforms to establish market fundamentals.

**Box 3. The European directives on electricity and gas**

**The electricity and gas directives:**

- Establish a timetable for removing legal restrictions on larger consumers choosing their energy suppliers (Art 19 Electricity, Art 18 Gas);
- Require all electricity undertakings and natural gas undertakings to produce audited accounts and either publish them or make them publicly available (Art 14(2) Electricity, Art 13(2) Gas);
- Require “accounting unbundling” of the monopoly and the potentially competitive parts of vertically integrated companies (Art 14(3) Electricity, Article 13(3) Gas);
- Require that access to the monopoly parts of the sectors be objective, transparent and non-discriminatory (Arts 8, 16 Electricity) or at least non-discriminatory (Art 7 Gas) and with the objectives of fair and open access, achieving a competitive market in natural gas and avoiding any abuse of a dominant position (Art 23(2) Gas);
- Allow Member States to choose between independent regulation and negotiation on the terms and conditions of access (Art 16 Electricity, Art 14 Gas);
- Restrict legal barriers to entry into generation (Arts 4-6 Electricity) or natural gas facilities (Arts 4-5 Gas);
- Require the designation of Transmission System Operators with certain powers and obligations, including independent management from other businesses (Art 7 Electricity).

**The gas directive:**

- Makes provision for the long-term take-or-pay natural gas contracts in that a utility could apply for a temporary derogation if it “encounters or considers it would encounter serious economic and financial difficulties because of its commitments accepted in one or more gas purchase contracts.” (Art 25 Gas);
- Provides bases for refusal to grant access to natural gas infrastructure (lack of capacity, granting access would prevent the utility from carrying out assigned public-service obligations, or the utility would suffer serious economic and financial difficulties with take-or-pay contracts), but require substantiated reasons to be provided. If the basis of the refusal is lack of capacity or connection, and it is economical or a potential customer is willing to pay, then the Member States may take measures to ensure that the refusing undertaking makes the necessary enhancements. (Art 17 Gas);
- Instructs that, “Member States shall create appropriate and efficient mechanisms for regulation, control and transparency so as to avoid any abuse of a dominant position, in particular to the detriment of consumers, and any predatory behaviour. These mechanisms shall take account of the provisions of the Treaty, and in particular Article 86 thereof.” (Art 22 Gas).

## ***Telecommunications***

For the SEE countries to leap frog to a new stage of telecom development, top priority should be given to establishing a legal and regulatory framework for privatising the state monopoly operator of the telecom market that encourages and provides long-term support for investment (see Box 4). Regulatory reform is thus needed to provide the necessary security for investment, structural reform and market opening.

### **Box 4. EU and WTO recommendations and guidelines for reforming the telecom sector**

The process of liberalisation in SEE has been linked with efforts to introduce harmonised regulatory principles that ensure consistent market entry opportunities for telecommunications operators. The trend in establishing independent regulators has been accelerated by the WTO Agreement on Basic Telecommunications Services, which was signed on 15 February 1997 and came into effect on 5 February 1998, and the EU ONP Framework Directive. The key features of both frameworks are independent national regulatory authorities, transparent licensing regimes, controls on dominant or major suppliers, competitively neutral universal service obligations, and cost oriented interconnection. These elements should form the basis of the regulatory framework for SEE constituents.

The Reference Paper to the WTO Agreement contains many important pro-competitive regulatory principles, which apply to signatories of the agreement. In the Reference Paper, the article on the nature of the regulatory body states that “The regulatory body is separate from, and not accountable to, any supplier of basic telecommunications services. The decisions of and the procedures used by regulators shall be impartial with respect to all market participants.” This principle is linked to that of non-discrimination, that is, the regulatory body should not have any relationship with any telecommunication operators, and the market should be fair to all players. However, in spite of the reference to “independent regulators”, the principle does not impose any specific administrative structure for regulation on the signatories. Therefore, as long as a Ministry has no direct relationship with an operator, even the Ministry can be considered an independent regulator.

The EU Directive on a common regulatory framework for electronic communications networks and services is slightly more restrictive. It requires member countries to establish an independent regulatory authority in the telecommunications sector whose objectives and principles are in harmony with the EU and that is functionally and legally separated from all telecommunications service providers.

The fixed phone lines are generally less liberalised than the mobile phone services. In **Albania**, for example, Alb Telecom is a state-owned enterprise managed commercially to offer fixed phone services. The two privately owned companies, AMC and Vodafone, share the mobile phone market. However, the recently passed Telecommunications Law (8618/00) facilitates the access of new operators to the network.

The main supplier of telecommunications in **Moldova**, Moldtelecom, is still owned by the State. In spite of several attempts to privatise it (in 1999 to the Greek Telekom), most of the consultancy agencies have failed to complete the process. The most recent plan, in 2002, to sell Moldtelecom to a Russian telecommunication firm failed again as the Government disagreed strongly with the price offered by the Russian firm, and suspended the results of the tender. Today, Moldtelecom is a state enterprise acting in accordance with the market rules and constraints, and the regulatory agency (ANRTI) operates in the field setting up the maximum/minimum taxes applied for its services. Although the Government has provided some important advantages to Moldtelecom until the end of 2002, the situation changed in 2003 when the right to provide IPS (Internet Phone Services) was also recognised for various private firms operating in the country. Previous restrictive regulations (excepting Moldtelecom) were cancelled. Two mobile operators exist, Voxtel and MoldCell. Although

both were established as a result of foreign direct investment, Moldtelecom has some shares in the financial structure of Voxtel.

## 5. Independence and accountability

Independence and accountability will only be ensured if they are explicitly guaranteed by the regulatory system itself, and are not merely based on the assumption that good practice and goodwill of individual regulators will arise automatically. For this reason, it is important for SEE countries to institutionalise independence firmly from the outset. At the same time, independence needs to be balanced by accountability and requirements for performance assessment.

However, many SEE governments still lack the capacity and the resources to design and implement new policies and strategies for the utility sectors. In contrast to CEE countries, which have achieved impressive progress in utility market reforms and will join the EU in 2004 (see tables in annexes), most SEE countries are only in the initial phase of undertaking such a comprehensive reform process. The definition of policy objectives and institutions is crucial at this early stage and could benefit from experience in other countries. Although the main focus of this paper is on the SEE region, experiences from early reformers in other transition economies are referred to when relevant. It should be noted also that these reforms have been undertaken and implemented in a relatively short time period in CEE. In addition, even a number of Western European countries have implemented these reforms in the past 5 to 10 years. Therefore, closing the gap does not at all seem to be insurmountable for SEE countries.

### *Securing proper conditions for independence*

Independence in relation to the rest of the policy-making process can be achieved through various formal and informal arrangements. Much depends on the political cost of reversing or ignoring an independent regulator's decision or counsel. This is mainly a question of the level of commitment and trust: rules versus discretion. In certain countries, independent regulators have only an advisory role and the decision is ultimately in the hands of elected officials. However, if at the same time there are formal requirements for the advice of the regulator to be made public, and if there should be reasons for the public decision to depart from this advice, then the outcome is very close to that of a fully independent regulator. In fact, these types of arrangements are more a matter of institutional context and constitutional arrangements across countries.

An increasing number of independent regulators have been established in SEE countries (see Annex 1). In general, independent regulators were established earlier in the banking and competition fields than in the utility sectors. One of the more recent initiatives in the banking sector comes from **Bulgaria**, where the Financial Supervision Commission was established as an independent regulatory body comprised of the former State Securities Commission, the former Insurance Supervision Agency and former State Social Insurance Supervision Agency. In **BiH** (BiH) and **Macedonia**, telecom regulations are still under the authority of the relevant ministry. In the energy sector, **Albania** was the first SEE country to establish an independent sectoral regulator; with the Regulatory Entity on Electricity defined by law in 1996.

The regulatory framework for the energy sector in **BiH** is under significant change. The National Energy Regulatory Commission (NERC) is expected to be established this year, and two separate Entity Energy Regulatory Commissions are also under preparation. The NERC will be responsible for regulating electricity transmission, the Independent System Operator and international trade. Regulation of the rest of the electricity industry (economic regulation of electricity distribution and electricity trading activities) will be in the hands of the two Entity Commissions. A Joint Ministerial

Steering Group from the Federation of BiH (FBiH) and the Republic of Srpska (RS), and a full time Joint Working Group with representation from the relevant ministries and industry organisations will be established to lead and supervise the implementation of the reform program in the electricity industry. One of the main tasks will be the drafting, passage and the effective implementation of this complex scheme. Furthermore, defining a national policy and strengthening the institutional set-up would support the reform process.

### *Independence and financing*

An important practical issue is to ensure that the regulator receives sufficient financial resources for its mission to be fulfilled, and that the funding mechanisms do not impact on its independence. Several possible arrangements exist, including directly levying taxes on the regulated entities instead of relying on public funds. In most cases, the independent regulator's budget has to be approved or endorsed by the government before acceptance of the national budget by the legislative body. Annex 2 provides data on budget and financial resources allocated to the regulators in each of the four selected sectors.

*Financial sector* regulators are usually partly self-financed through licensing fees and charges. A significant amount comes from public funds. The **Croatian** Securities Commission, for example, is financed from the state budget but also receives grants from the British Know How Fund and USAID, in addition to some funds from World Bank technical assistance loans. The *competition agencies* are generally partly or fully financed by public funds. In the *energy sector*, the picture is somewhat more mixed. The **Albanian**, **Moldovan** and **Romanian** regulators are fully financed by fees, charges and other contributions. In **Albania**, the degree of independence is strengthened since fees and charges are determined by the regulator, the Regulatory Entity on Electricity. The same is the case in the *telecommunications sector*, where only the **Croatian**, **Moldovan** and **Romanian** regulators are financially independent from the state budget. In the establishment phase, funds for the **Serbian** Energy Regulatory Agency will be allocated from the state budget. Later, the Agency will be financed from fees and charges.

### *Human resource requirements*

Independent supervisory authorities need to be able to recruit staff with the appropriate qualifications, to establish their authority and independence, and to match the technical competence of the regulated parties. Staff in the regulatory bodies is generally recruited under civil service rules (see Annex 2) and is subject to regular civil service pay. However, some flexibility in implementing the remuneration schemes of the civil service might help to retain the adequate level of expertise as well as to minimise the risk of capture. A notable example is seen in the **Croatian** Energy Regulatory Council, where a partial exemption to the regular civil service pay has been granted. Salaries of the board members are in line with state officials. However, staff members have salary higher than civil servants with comparable education, experience and duties.

The number of staff varies greatly between sectors and across countries. This is due to the supervisory structure chosen by individual countries (integrated, separated, partly included in the relevant ministry or the National Bank, etc.). Financial sector regulators and competition authorities generally have higher staff numbers than the sectoral regulators of energy and telecom. The number of staff in SEE regulatory agencies is low relative to comparable institutions in CEE. In addition, there are important economies of scale and fixed costs in setting up independent regulatory bodies. This poses a specific challenge for the very small countries, as is the case for a number of SEE countries, in comparison with larger countries such as **Poland**, **Hungary** or the **Czech Republic**. Therefore, the

regulatory framework has to take into account both the scarce financial and human resources in smaller countries, and perhaps reap the benefits of economies of scale wherever possible.

The head of the regulatory agency is generally free to appoint staff as long as they have the appropriate qualifications. One exception stems from the **Macedonian** Energy Regulatory Commission, where the staffing policy is determined by the Ministry of Economy. Typically, there is a set of selection criteria: citizenship, professional expertise, independence, integrity, etc. Also, there must be no conflict of interest. This means that staff of the agency cannot be members of the Government, Parliament or be officials in local authorities and businesses.

### *Institutional features*

In general, ***governance structures*** for independent regulators in SEE involve boards, councils or commissions headed by a chairman (see Annex 3). The decision making power in these boards is most often exerted in a collegial way, which offers the possibility of internal discussions before adopting a decision, increases the decision's legitimacy and reinforces independence. This is also an advantage given the complexity of the problems that regulators must solve, which justifies not only the involvement of several people but also the representation of several types of expertise.

Key aspects to ensure independence are the ***selection and nomination process*** and the conditions for ***reappointment and removal*** from office. For example, independence is strengthened if the head of the body can be removed from office only in case of official misbehaviour, and not for disagreement with a president's or a minister's policy. In most of the SEE countries, the head(s) of the independent regulator is (are) appointed by the Parliament, Council of Ministers or the President based on the recommendation of the relevant ministry or the National Bank. The remaining board or commission members are appointed by the responsible minister based on nominations by the chairman. The only independent regulator where the responsible minister directly appoints the head is to be found in the **Macedonian** Energy Regulatory Commission. In cases where the regulator is a ministerial agency, the head is typically appointed by the responsible minister. This is the case in **Albania**, where the head of the Directory for Competition is appointed by the Minister of Economy. And in **Hungary**, the President of the Energy Office is directly appointed and removed by the Minister of Economic Affairs.

Independence is also enhanced if the decision making body is composed of commissioners who are appointed by different administrative and legislative branches of the government. This is the case in the **BiH** Council of Competition, where the Council of Ministers appoints three members, FBiH appoints two, and RS appoints one. The initial appointment of the Council of Competition shall include an additional (seventh) councillor appointed by the EU. Another interesting example comes from **Poland**, where the head of the Insurance and Pension Funds Supervisory Office is appointed by the Prime Minister upon the joint request of two ministers, one competent in financial institutions and the other competent in social security.

A guaranteed ***term of office*** for the head of the regulatory body is another key element to ensure the independence of the regulator. With a guaranteed term of office, the head of the regulatory body can exercise regulatory power without being undermined by short term political interests. Conversely, if the head of the regulatory body is a civil servant, who can be replaced by the minister at any time, the regulator's independence is weak. SEE regulators are usually appointed for 4-6 years with the opportunity to have the contract renewed once or twice. In several cases, the head of the regulatory agency is appointed for an indefinite term. This is particularly the case in **Serbia**, where all regulators have indefinite terms of office. However, these agencies are in the process of transformation and it is not yet clear for how long heads will be appointed in the future.

Where *individual instructions* exist, they most often confirm the independence of the regulators. In addition, they are more frequent in the banking sector than in other economic sectors. Instructions to the **FBiH** Banking Agency, for example, state that “within the scope of its operations, and in accordance with the law, the Agency is fully independent.” The same is the case in the Communications Regulatory Agency, where it is explicitly stated that “neither the Council of Ministers, or individual ministers, nor any other person shall in any way interfere in the decision-making of the Agency in individual cases.” In **Bulgaria**, on the other hand, the Governor of the National Bank may exert some instructive powers over the Banking Supervision Department. Also, in the **Romanian** National Authority for Regulation in Communications, the specialised ministry may intervene in the application of the regulations under certain conditions. Finally, in the **Czech Republic**, the head of the Banking Supervision Department may receive instructions from the National Bank but shall neither seek nor take instructions from the Government.

### *Balancing independence and accountability*

Balancing independence with accountability is one of the conditions of success in setting up independent regulators. In most countries, the design of the public governance arrangements and the rule-making power remain the responsibility of elected officials, while enforcing specific cases is left to independent regulators. Replacing direct political accountability based on ministerial responsibility with managerial or technical accountability between regulators, ministries and Parliament is a true challenge. The parliamentary oversight can be very loose, allowing the regulator too much or inappropriate discretion. This is particularly true when existing parliamentary staff is overburdened and cannot adequately support parliamentary review functions in relation to complex, technically driven regulatory missions. On the other hand, accountability requirements should not compromise the necessary operational independence of the regulators. A highly interventionist Parliament may have the effect of driving the regulator towards making specific market decisions not linked to its regulatory mission.

Accountability can be achieved through a proper system of checks and balances, a set of control instruments – legislative and executive oversight, procedural requirements, public consultation, publication of and access to information – and substantial judicial review. In addition, clearly defined objectives, professional and peer review, transparency and public participation can enhance accountability without compromising the agency’s independence. Several challenges exist, such as providing a detailed articulation of goals, permitting trade-offs and instituting a review of regulatory decisions sufficiently rigorous to ensure regulators abide by their enabling legislation. However, too strict requirements for accountability could also be inefficient by reducing regulatory discretion, or effectively transferring it to the Parliament or the courts.

Most regulators in SEE countries present annual reports of their activities to the relevant ministry (or the Central Bank for banking regulators), the Parliament or the Council of Ministers (see Annex 4). One notable exception is from **Macedonia**, where the Anti-Monopoly Commission issues an opinion every second year only, which is delivered to the Government and thereafter to the Parliament. The Parliament may then express its opinion within a period of 60 days. Based on the response, the Commission may issue an additional opinion. Finally, the Ministry of Economy may take action. At the other side of the spectrum is the requirement of the **Albanian** Directory of Competition to report monthly to the Ministry of Economy and the Secretary of European Integration, and to provide weekly reports to the General Secretary of the Minister of Economy. Frequent reporting is also the case in the **Czech Republic**. The Securities Commission reports annually to the Government and Parliament, semi-annually to the Budgetary Committee of the Chamber of Deputies, and quarterly to the Ministry of Finance. In many countries, these reports are made public. In **Bulgaria**, reports from sectoral

regulators are not only made public, but the Commission on Protection of Competition is also obliged to publish an Information Bulletin.

Assessing the performance of a regulator is also an important element in ensuring accountability. In certain cases, the performance of the regulator is reviewed by external auditing agencies. In **Bulgaria**, for example, the budget performance and the annual financial reports of the Financial Supervision Commission are audited by the Central Audit Office. The same is the case in the **Czech Republic** Energy Regulatory Office, where the annual report to the Cabinet and Parliament features a financial statement for the previous year and the office's performance. However, the performance assessment needs to be conducted not only in strict financial terms, from the perspective of the expenditure of public funds, but also in a broader way, to check that the regulator provides high quality regulation (see Box 5) and reaches the broad policy objectives that justified its establishment.

**Box 5: Devolving powers to independent regulators for high quality regulation**

Devolving powers needs to be accompanied by the same requirements for regulatory quality as those which apply to the general rule-making. These requirements are expressed in the 1997 OECD recommendations. They can apply to the regulator itself, as part of an *ex post* evaluation, or to the individual regulations, as part of an *ex ante* assessment (e.g. by using Regulatory Impact Analysis). In the case of independent regulators, where the amount of pure rule-making remains limited, regulatory quality can best be expressed through the following requirements derived from the OECD reference checklist for regulatory decision making:

- Do the benefits of regulation justify the costs?
- Is the distribution of effects across society transparent?
- Is the regulation clear, consistent, comprehensible and accessible?
- Have all interested parties had the opportunity to present their views?
- How will compliance be achieved?

*The organisation of appeals*

Designing balanced appeal or review mechanisms for sectoral regulators is particularly challenging. It requires weighting the need to ensure that the regulators act within their legislative remit and follow required procedures with the desire to allow them to exercise appropriate discretion in applying their unique expertise consistently over time. Providing for judicial review is one way to achieve this balance. However, this also requires a functional judiciary, which operates with strict deadlines. Courts are presumably independent from direct political oversight and well able to interpret and apply enabling legislation to specific challenges to regulators' decisions. The ministerial appeal differs from judicial appeals, as ministers may have the power to "overturn" a decision, while the scope of judicial appeal is usually more limited.

Maintaining the authority of elected officials in appeals could be justified by defending the ultimate public interest or, in some cases, deciding between conflicting higher level interests in a political way that would be beyond the sectoral regulator's remit. First, ministers exercise a policy-making authority encompassing interests that go beyond merely ensuring the smooth functioning of the sector concerned. For issues that go beyond the interests of regulation, ministers could have responsibility for policy-making decisions. Second, regulations work well when they are aimed at promoting a specific interest, such as opening up a sector to competition. When two legitimate interests are in conflict, such as competition and safety or social aspects, choosing between them is a policy decision the regulator is not ideally suited to make. *This is an example of a point where I feel a*

*need for clarification. Thus, I assume this does not mean that a Minister should be able to overturn an individual decision applying competition law on grounds related to other policy areas. In some OECD Member countries they can, but as a rule they don't, and I would say systems where such decisions are only subject to judicial review by courts are generally seen as the most satisfactory model. On the other hand, when we are talking about reform of rules and structures, as well as interventions ex ante, there is clearly a need for balancing different policy interests at a politically accountable level.*

Maintaining ministerial authority does not rule out abolishing the possibility of appealing the regulators' decisions to ministers or Parliament on a restricted basis, under cases of major importance and fundamental interest. At the same time, the rule-making power should be clearly identified as belonging to the ministry, in situations where major political trade-offs exist. By leaving regulators only with the authority to make individual decisions, the minister can exercise the power to set regulations, and thus ensure that higher policy interests prevail.

In the majority of SEE countries, the sectoral regulator's decision cannot be overruled except through a court decision. In addition, while the court can nullify the decisions of the independent regulator, it cannot impose a new decision on the issue. However, ministerial appeals are still very frequent. For example, appeals of decisions made by the **Macedonian** Securities and Exchange Commission are directed to the Ministry of Finance. This is still also the case in some CEE countries. In **Hungary**, the Minister of Transport, Communications and Water Management can overturn decision of the Communications Authority in case of appeal. The Minister's decision can then be appealed before the court. However, the Hungarian financial regulator's decisions can currently only be challenged in courts, and are not subject to appeal at ministerial levels.

In some cases, the proper appeal institution has been made contingent on the exact circumstances of the decision under appeal. This is particularly so in **Albania**. Regarding the Insurance Supervision Commission, appeals are directed to the Minister of Finance in cases of disciplinary sanction or fines. Also, court appeals of decisions made by the Regulatory Entity on Electricity are permitted only if appeals challenge decision-making procedures and not the decision itself. Moreover, appeals regarding the decisions of the Telecommunications Regulatory Entity related to revoking or changing the licence conditions should be made before the Minister. Others should be brought to court. In **BiH**, the Brcko District (BD) Department of Utilities, an Appellate Commission makes decisions in the second-instance administrative procedure and some appeals against the Communications Regulatory Agency in BiH have been made at the House of Human Rights.

## **6. Horizontal design**

The horizontal design issues need to take a broad perspective. Improved horizontal design contributes to a strengthened regulatory system, a lighter regulatory burden and a more focussed use of public resources in regulatory governance.

### ***Co-ordination with other units***

Co-ordination among regulators can take three general forms:

- Ensuring that a common doctrine can be applied to give enterprises within a particular sector a legal certainty as to the various regulations they have to comply with;
- Ensuring that the time frame for certain decisions respects the autonomy of each regulator, while not penalising the private company due to unnecessary delays or contradictions;

- Minimising the burden of compliance with regulatory standards.

The best way to ensure a common doctrine is to hold regular meetings and public hearings. The legislator can contribute to this by standardising the annual reports submitted by regulators. This will facilitate comparison and harmonisation between regulators. Annex 5 describes the co-ordination between the regulators and other authorities. In most cases, utility regulators co-ordinate with the line ministry or the Ministry of Economy, or both. This is not necessarily a problem in terms of ensuring independence: if the regulator is not hierarchically dependent on the responsible ministry, it still has to enter in dialogue with the concerned parties, including ministries. When regulators grant authorisations or impose sanctions, they are applying the general regulations adopted by the ministry and co-ordination is necessary. In the financial sector, co-ordination typically takes place between the regulator on the one hand and the Central Bank and the Ministry of Finance on the other hand. In addition, the **Albanian** Insurance Supervision Commission is permitted to exchange information with other regulatory entities that control stock exchanges, financial markets, market competition, financial investments, etc.

In all the areas where the regulators have regulatory responsibilities that might impact consumers, a regular dialogue needs to be established with the relevant consumer organisations. However, these need to be developed and capable of taking part in the debate. The **Romanian** Electricity and Heat Regulatory Authority has one of the most elaborated co-ordination mechanisms. The Authority co-ordinates with the Competition Council, the Office for Consumers Protection, public institutions, ministries, NGOs, unions and economic agents active in the field of electric and thermic energy.

However, co-ordination between sectoral regulators continues to be more the exception rather than the rule in SEE countries. Co-ordination mechanisms seem to be more elaborated in the CEE countries where these institutions have developed their practice throughout history. For example, the **Czech** Energy Regulatory Office co-ordinates with the Office for the Protection of Competition, other regulatory bodies, the Industry and Trade Ministry and the Energy Inspectorate, and it also participates in Parliament Club sessions of the House of Deputies.

### ***The specific relationship with the competition authority***

A strong relationship and proper co-ordination with the competition authority is crucial as utility markets shift from monopoly to competition. In general, the sectoral regulator is responsible for technical regulation as well as sector-specific economic and social regulation. All SEE countries now have competition authorities with a broad multi-sectoral mandate in charge of anti-competitive behaviour and mergers. Therefore, a significant degree of overlap might exist between regulators and competition authorities. This is particularly true in jurisdictions where abuse of dominance prohibitions can be applied to control high pricing by dominant firms and where the essential facilities doctrine can be used, under certain conditions, to require access to various installations and networks, which are expensive or impossible to duplicate. In this case it is important that a co-ordination mechanism is implemented in order to resolve competition issues when there is an overlap. Formal and informal consultations are also highly recommended.

The situation is much more difficult when the sectoral regulator is required to follow non-economic objectives such as media diversity. In that situation, the trade-offs between two highly desirable but competing social objectives seem to reflect the case where a possibility of appeal at the political level would be desirable. Appendix 1 clearly shows that the objectives of independent regulators are often ambiguous and contradicting. The objective of the **Bulgarian** State Energy Regulatory Commission, for example, is to balance the interests of energy enterprises and consumers, stimulate efficiency, ensure the equal treatment of all agents and promote competition.

In many SEE countries, co-ordination with the competition authorities has not been formalised and is generally lacking. For example, in **Moldova, Montenegro and Romania**, the telecom regulators have the mandate to promote and ensure fair competition. However, in neither of these cases has it been reported that there is any mandatory co-ordination with the competition agencies. It is therefore important to further encourage co-operation among competition authorities and regulators. This will not only save on resources, but it will also help ensure overall policy coherence.

The countries in CEE have explicitly tackled this issue. Rather than trying to avoid overlapping objectives between the independent regulator and the competition authorities, the existence of significant overlaps has been balanced with explicit co-ordination mechanisms between the two institutions. One notable example comes from **Hungary**, where the Competition Authority has signed a Memorandum of Understanding and Co-operation with the Communications Authority and the Energy Office. A similar agreement exists in a number of OECD countries, such as in the Netherlands, France or Norway.

### ***Regional and international initiatives in the utility sectors***

The international and regional levels provide another key instrument of broader co-ordination in the utility sectors. Technical assistance projects are underway to promote the liberalisation of the SEE retail electricity markets by 2008, in compliance with EU directives on internal energy markets. Supported by large technical assistance programmes, another aim of the donors is to build a Regional Energy Market (REM), which will integrate the electricity markets of the region into the internal EU market by 2008. Last November, the SEE energy ministers, together with the EC and the Stability Pact, signed a Memorandum of Understanding, which describes goals and activities for the realisation of a REM and its integration by 2008. The REM has substantial potential to improve the reliability and security of supply, achieve economies of scale and enhance complementarities between systems. Furthermore, the use of the most cost effective capacities and the reduction of existing base-load overcapacity should provide lower generation costs. A similar liberalisation plan is proposed for natural gas.

It is encouraging to note that in Athens, the SEE countries agreed to prepare an energy policy document by June 2003, and the World Bank will, in the first quarter of 2003, produce a regional energy study with a least cost plan, which should provide guidelines for investment and particularly for rehabilitation. The EC and World Bank have also established, a joint structure, SEERECON (Economic Reconstruction and Development in South East Europe), which covers infrastructure, including energy.

In addition, the SEE Electricity Regulation Forum (SEEREF or Athens Forum) was established to facilitate and support reforms, in particular to assist the creation of independent regulators and energy legislation. The SEEREF relies on the support of the Western Europe Electricity Regulator Association (CEER) and the Energy Regulators Regional Association (ERRA), which has already established a sub-regional group. The ETSO (European Transmission System Association) is involved in activities related to high-voltage transmission.

The successful establishment of a REM will require effective and comprehensive domestic reforms in many SEE countries in order to lead to market liberalisation, regional convergence and stabilisation. Technical interconnection without viable and transparent markets and legal compatibility between electric systems will be insufficient for market opening and integration. CEE countries gave priority to domestic reforms during the 1990s, notably regulation (price adjustment) and energy sector restructuring. They have recently initiated preparations for an opening of the domestic electricity market after 10-12 years of active and thorough reforms, which have firmly established national

strategies and institutions. The success of domestic reforms and the full interconnection of the regional grids are prerequisites to prepare the UCTE interconnection, domestic markets opening and regional integration in the medium-term. Regional organisations such as SUDEL, the association of SEE national grid operators, might contribute to fulfil these objectives.<sup>10</sup>

The proposal to extend liberalisation and regional integration to natural gas would require less advanced reforms, since it is relatively small, non-interconnected and dependent on a single supplier.

**Box 6. Regional co-operation in telecommunications**

SEE countries have taken steps to co-ordinate regulatory frameworks in the region through the Stability Pact and the Investment Compact. The Investment Compact outlines a long-term agenda of legal, regulatory and institutional reforms to establish fair and non-discriminatory treatment of domestic and foreign investors with full protection of their property rights, not only by the letter of the law but also by its administrative implementation and judicial enforcement. Under the Stability Pact, the region has launched an E-South Eastern Europe Initiative to address the issue of building a modern information society. The initiative emphasises reforms of policy and regulatory frameworks, which are necessary to meet EU guidelines on electronic communications. A regional policy conference held by the Initiative (the 2002 Belgrade Conference on Telecoms for Development) concluded that the most fundamental prerequisite for success in the information society is universal and inexpensive access to the communications network infrastructure. This means that countries in the region must co-ordinate their telecommunications policies to pave the way for privatisation in the entire region, to facilitate cross-border service provision and, perhaps, to prepare for eventual integration of their markets. The conference also proposed several specific recommendations to direct the transition to EU standards. Notably, governments must immediately take steps to:

- De-monopolise their telecommunications sectors and promote easy firm creation;
- Create tax incentives for the investment in information and communications technology;
- Harmonise national legal frameworks with the EU model (in particular with the “eEurope 2005” goals);
- Promote stable legal and regulatory environments;
- Assure the full independence of regulatory bodies.

## **7. Conclusion**

The absence of an overall policy framework as well as an inadequate sequencing of reforms highlight the potential risks of fragmented reforms in key economic sectors. In most cases, setting up sectoral regulators in SEE has lagged behind the deregulation and privatisation process. The existing entities often do not operate as truly independent regulatory authorities, and resource constraints limit the scope of their mission. Many countries do not have a co-ordinated institutional framework for creating and operating these sectoral regulators. This is particularly evident where the role of the regulatory authority is circumscribed and true regulatory oversight remains vested within the ministries. Authorities tend to be established in an *ad hoc* manner often due to an international obligation or commitment.

There is therefore a need to switch from the initial phase of emergency to the development of short to medium-term, coherent strategies for the restructuring of utilities sectors. The lack of reforms could negatively impact on the economic recovery in SEE countries and probably contribute to increased political tension. Based on the experience of CEE countries in effective market reforms, policy-makers in SEE are encouraged to consider the following priorities:

- Establishing, developing and implementing strong and well-designed policies and related action plans for the reform of key economic sectors;
- Reinforcing the role and capacities of the government in implementing market reforms and promoting good governance;
- Progressively separating policy functions from regulatory enforcement and the functioning of the utility sectors;
- Accelerating the restructuring of state owned enterprises to ensure transparency and accountability and improve economic, social and environmental performance; and establishing a market-based sector to promote investment before market opening.

The implementation of reforms could also be derived from similar principles that apply to OECD countries (see OECD 2003b). These include:

- Strengthening of the independence and the authority of the sectoral regulators;
- Clarifying the institutional framework and the functional responsibility;
- Strengthening of the framework for accountability;
- Monitoring the performance of the sectoral regulators.

The last item involves tools for assessing performance. The purpose of performance assessment is to measure whether the actions taken by regulators have been satisfactory and have led to the expected results in view of their powers and independence. This refers to *ex post* evaluation, assessing the returns on the resources invested in regulators and more broadly, how well they performed their duties in the light of their general mandate and objectives. Performance assessment needs to be conducted at regular time intervals in order to feed into the reform process. As SEE countries have limited experience with such an assessment, they could also benefit from the broader experience of OECD countries in this field.

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## 9. Endnotes

<sup>1</sup> The notion of independent regulators is explained in greater details in OECD (2003a), *Independent Regulators, Political Challenges and Institutional Design*. See also OCDE (2002b).

<sup>2</sup> OECD (2003b), *Regulators Reform in Norway: Modernising Regulators and Supervisory Agencies*; OECD (2002a), *Distributed Public Governance: Agencies, Authorities and other Government Bodies*; OECD (2002b), *Improving the Institutional Basis for Sectoral Regulators*; OECD (1999a), *Telecommunications Regulations: Institutional Structures and Responsibilities*; OECD (1999b), *Relations between Regulators and Competition Agencies*; and International Energy Agency (2001), *Regulatory Institutions in Liberalised Electricity Markets*.

<sup>3</sup> See OECD (2002c), *Regulatory Policies in OECD Countries: From Interventionism to Regulatory Governance*.

<sup>4</sup> See Nellis (2003), *Privatisation in Transition Economies: Institutional and Regulatory Issues*.

<sup>5</sup> For more information, see International Energy Agency (2003), *Energy Policy in South East Europe: Developments and IEA contributions*. These observations are based on the reform experiences from Central Eastern Europe.

<sup>6</sup> Contribution from the International Energy Agency (various years) including the paper *Energy Policy in South East Europe: Developments and IEA Contribution*. For more information, please consult [www.iea.org/about/nmccee.htm](http://www.iea.org/about/nmccee.htm).

<sup>7</sup> See, for example, European Commission (2002a), *Energy Co-operation in Developing Countries*.

<sup>8</sup> European Commission (2002b), *F. R. Yugoslavia: Country Strategy Paper 2002-2006*.

<sup>9</sup> Please note that these directives are currently under revision by the European Parliament. This version presents results from information collected from open sources by the OECD Secretariat.

<sup>10</sup> See IEA (2003), *Cooperation in the South East European Electricity Sector* prepared for the OECD Forum on Trade in Services in South Eastern Europe, Bucharest, 24 - 25 June 2003. See also [www.iea.org/about/nmccee.htm](http://www.iea.org/about/nmccee.htm).

## Annex 1.

### GENERAL DESCRIPTION OF REGULATORY AUTHORITIES IN SEE AND SELECTED OECD COUNTRIES

#### Competition

Name	Date	Laws	Objectives	Institutional and legal status
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Directory of Competition	2001	Law (8044/95) on Competition: (a new draft-law is under approval)	Regulate and monitor monopolies, improve legal and regulatory frameworks for competitive markets	Ministerial Department (Ministry of Economy). The new draft law is laying foundation for the establishment of an Independent Competition Authority
<b>BiH</b> The Council of Competition	To be established	Law on Competition (30/01); Law on Consumer Protection (17/02); Law on Industrial Property (3/02)	Maintain and stimulate economic competition; ensure free determination of prices for goods and services by competition	Independent regulatory body
<b>FBiH</b> Office of Competition and Consumers Protection	To be established	Law on Competition (30/01); Law on Consumer Protection (17/02); Law on Industrial Property (3/02)	Ensure the application of the Competition Law as well as of the law regulating the matter of consumer protection	Under ministerial control (ministries in charge of trade establish individual offices as separate organisational units)
<b>FBiH/RS</b> Office of Competition and Consumers Protection	To be established	Law on Competition (30/01); Law on Consumer Protection (17/02); Law on Industrial Property (3/02)	Ensure the application of these laws within their territorial jurisdiction	n.a
<b>Bulgaria</b> Commission on Protection of Competition	1991	Protection of Competition Act	Ensure protection and conditions for the promotion of competition and free initiative in the economic area	Independent regulatory body
<b>Croatia</b> Agency for the Protection of Market Competition	1997	Laws on the Protection of Market Competition (48/95, 52/97, 89/98); Bylaw (30/97) on Regulation on Administration of the Register of Concentrations	Protect free and effective competition by prevention of, and protection against, abuses of monopolistic and dominant positions of entrepreneurs in the market	Independent regulatory body
<b>Macedonia</b> Anti-Monopoly Office & Anti-Monopoly Commission	2000	Competition Law or Anti-monopoly Law (80/99)	Promote economic efficiency and consumer welfare, by monitoring collusion and regulating monopolies and mergers	Independent advisory body
<b>Moldova</b> National Agency for the Protection of Competition (not yet created)	2000	Law (1103/00) on the Protection of Competition	Create free market economic relations and a friendly environment for entrepreneurship; prevention, limitation and restriction of anti-competition activities	Permanent authority in public administration, autonomous legal entity
<b>Romania</b> Competition Council	1996	Competition Law (21/96)	To protect, maintain and stimulate competition and the normal competitive environment, and so promote the interests of consumers. Ban through decisions anti-trust practices (expressed or implicit mutual agreements, anti-trust association decisions or concerted practices, abuse of dominant position); surveillance and control (through decisions) of economic concentrations; authorising state aids and limiting the anti-competition impact generated by the state intervention when granting state aids	Autonomous administrative authority with legal status as an entity

<b>Romania</b> Competition Office	1996	Government Decree (775) based on the Competition Law (21/96) provisions with the subsequent changes	Investigative powers in competition infringements, restrictive agreements, abuse of dominant positions and concerted practices; price control; monitoring, inventorying, reporting state aids	Specialised government body with prerogatives in the application of the strategies and promotion of competitive policies
<b>Serbia</b> Antimonopoly Commission	1997	Decree on the Establishment of the Antimonopoly Commission (44/97, 60/00); Antimonopoly Law (29/96)	To protect competition through identification and prevention of the efforts or intentions of market participants to limit or eliminate competition by prohibited actions or behaviour	Collegiate management body within the Ministry of Economy and Domestic Trade
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Office for the Protection of Competition www.compet.cz	1996; (1991-established as the Office for the Protection of Competition; 1992-replaced by Ministry of Economic Competition; 1995-Ministry converted into Office for the Protection of Competition)	Act on Scope of Office for the Protection of Competition(96); Proceedings before the office (71/67); Act on the Protection of Competition (01)	Promote competition and protect against factors distorting competition, in accordance with trends in competition law	Independent regulatory authority, State administrative body
<b>Hungary</b> Hungarian Competition Authority (GVH) www.gvh.hu/index	1990	Competition Act; EU Trade Act; Act on Business Advertising Activity; Act on Price Regulation; Electricity Act; Gas Supply Act; Block Exemption Regulations etc.	Economic efficiency, social progress, fairness and freedom of competition	Independent regulatory body, State administrative body
<b>Poland</b> Office for Competition and Consumer Protection (OCCP) www.uokik.gov.pl	1990, 2001 (replaced Anti-monopoly Office)	Competition and Consumer Protection Act (01)	Ensure conditions for the development and protection of competition; prevent competition restricting practices and anticompetitive concentrations of entrepreneurs and associations	Ministerial agency, Central government administrative body, supervised by Prime Minister
<b>Slovak Republic</b> Antimonopoly Office www.antimon.gov.sk	2001	Laws on Organisation of Ministries and Other Bodies (90); Act (136/01) Collection of Laws	Promote and protect the economic competition; create conditions for its further development; prevent the growth of monopolistic or dominant entities that restrict competition	Independent regulatory authority, Central government administrative body
<b>Slovenia</b> Competition Protection Office www.sigov.si	1994	Prevention of the Restriction of Competition Act; Law on the Protection of Competition	Supervise application of the laws; monitor and analyse market conditions to promote the development of fair and free competition; conduct procedures and issue decisions in accordance with the laws; submits opinions to the National Assembly and the Government	Ministerial agency

## Energy

Name	Date	Laws	Objectives	Institutional and legal status
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Electricity Regulatory Entity (ERE)	1996	Law (7970/95) on Regulation of the Electricity Power Sector; Law (7962/98) Electrical Energy Sector; law (7963/95) on Privatisation of the Hydropower Sector	Establish and maintain equilibrium in the electricity power sector; approval of tariff and price, licensing of companies in electrical energy and monitoring of their activities	Independent regulatory body
<b>BiH:</b> National Electricity Regulatory Commission (NERC)	2003 (expected)	Law on Electricity Transmission, Regulator and System Operator (02)	Transmission of electricity, transmission system operations and foreign trade in electricity and in accordance with international norms and standards	Independent, non-profit institution
<b>FBiH/RS</b> Ministry of Economy, Energy and Development (Sector for Energy and Electric Power Utility; Sector for Oil and Gas and Sector for Mining)	n.a.	Law on Electric Power Utility	n.a.	Ministerial agencies (Ministry of Energy and Mining)
<b>FBiH</b> Department of Utilities (Electric Power Division)	2000	Law on the Executive Authority of the BD (2/00, 5/01, 9/01, 12/01, 16/01, 17/02)	n.a.	n.a.
<b>Bulgaria</b> State Energy Regulatory Commission (SERC)	1999	Energy and Energy Efficiency Act; Constituent Regulation for the SERC and its administration	Balance the interests of energy enterprises and consumers, stimulate the efficiency, ensure the equal treatment of all agents and promote competition	Independent regulatory body
<b>Croatia</b> Croatian Energy Regulatory Council (CERC)	2002	Energy Law (68/01); Law on Regulation of Energy Activities (68/01, 108/01); Law on Electricity Market (68/01); Law on Gas Market (68/01); Law on Oil Market (68/01)	Ensure transparent and non-discriminatory functioning of energy markets and energy activities subject to public service obligation	Independent regulatory body
<b>Macedonia</b> Energy Regulatory Commission	2003	Energy Law (47/97, 40/99, 98/00); adopted the EU Energy Charter Treaty (16/98)	Regulate energy market and to control prices	Independent regulatory body
<b>Moldova</b> National Energy Regulatory Agency (NERA)	1997	Decision of the Government (574/99) on the Approval of the Regulation and the Budget of the National Agency for the Regulation of Energy System	Ensure the functioning of a complex system of regulatory measures and policies in the energy sector	Autonomous legal entity and permanent authority of the central public administration
<b>Montenegro</b> Ministry of Economy	n.a.	Energy Law under preparation	n.a.	Ministry
<b>Romania</b> Electricity and Heat Regulatory Authority (ANRE)	1998	Emergency Ordinance (29/98) regarding the establishment, organisation and functioning of ANRE, approved by Law (99/00) with subsequent modifications (Emergency Ordinance 300/00, Law 789/01, Emergency Ordinance 64/03)	Create and apply the system of national compulsory regulation necessary to the efficient functioning of energy markets (electricity and CHPs-electricity and heat cogeneration)	Autonomous, non-profit institution with legal personality, co-ordinated by the Prime Minister
<b>Romania</b> Natural Gas Regulatory Authority (ANRGN)	2000	Law (791/01) approving the Government Ordinance (41/00) regarding the setting up, organisation and functioning of ANRGN; Law (463/01) approving the Government Ordinance (60/00) regarding the regulation of activities developed	Elaborate, apply and monitor the regulatory system, necessary for operating the sector and natural gas market on terms of efficiency, security, competition, transparency and	Autonomous, public institution with legal personality, co-ordinated by the Prime Minister

		in natural gas sector	consumers and environment's protection	
<b>Romania</b> National Romanian Regulator of Communal Services (ANRSC)	2002	Law on municipal services (326/01), Law on organisation and functioning of ANRSC (373/02), Government Ordinance on organisation and of functioning of district heating services (73/02) and any law specific for municipal services	Regulate, monitor and control at central level activities from municipal services, including district heating services, which is provided by: (a) direct administration, through departments organized within local public authorities, or through municipal services with legal personality under local public authorities; or (b) delegated administration, when local public authorities transfer, total or partial, the tasks and the accountability referring to district heating services' administration and operation. The transfer may be done to one or more service operators, based on an administration delegation contract	Public autonomous institution with a legal personality, co-ordinated by the Prime Minister
<b>Serbia</b> Energy Regulatory Agency	2003	Draft of an Energy Law	Spur the development of the energy market; harmonise activities of energy supply agents	Independent legal entity
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Energy Regulatory Office www.eru.cz	2001	Act (458/00)	Support competition and protect consumers' interests in the energy sector while meeting requirements for energy supply	Central authority of State administration
<b>Hungary</b> Energy Office (MEH) www.eh.gov.hu	1994	Energy Law (97); Economic Activity Law, Gas Act (03)	Ensure companies perform their licensed activities with reasonable profit; protect consumer interests; settle complaints; stimulate competition; economic efficiency	State administrative agency with independent responsibilities and jurisdiction on a national level, controlled by the Government and supervised by the Minister of Economy
<b>Poland</b> Office for Energy Regulation (ERA) www.ure.gov.pl	1997	Energy Law (97); Economic Activity Law	Provide consumers with competitive prices and greater choice; promote competition and balance the interests of energy suppliers and consumers	Central government organ
<b>Slovak Republic</b> Regulatory Office for Network Industries (URSO) www.urso.gov.sk	2001	Act (276/01) Collection of Laws	Grant permits; survey entities subject to regulation; regulate prices; decide on business conditions and access to networks; supervise structures and facilities	State administration office and budgetary institution
<b>Slovenia</b> Energy Agency of Slovenia (ERA)	2000	Energy Law (99)	Control the functioning of the electricity and natural gas markets	Independent regulatory body

## Financial

Name	Date	Laws	Objectives	Institutional and legal status
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Insurance Supervision Commission (ISC)	1996	Law (8081/96) on Insurance and Reinsurance Activities, Decision of the Council of Ministers (229/99)	Protect the interests of the insured: policy holders and beneficiaries of the insurance	Independent regulatory body
<b>Albania</b> Banking Supervision Department	1992	Law (8365) on Banks	Ensure the stability of the banking system and protect the interest of depositors	Regulatory body within the Bank of Albania.
<b>FBiH</b> Banking Agency (FAB)	1996	Law on the Banking Agency (9/96, 27/98, 20/00, 45/00, 58/02 and 13/03); Law on Banks (39/98; 32/00; 48/01; 27/02; 41/02; 58/02 13/03)	Enhance a safe, stable market oriented banking system	Independent, non-profit legal entity
<b>FBiH</b> Bank-Deposit Insurance Agency	2002	n.a.	n.a.	Established to replace former entities' Agencies
<b>FBiH</b> Securities Council	2003	n.a.	n.a.	An unofficial body established to coordinate entities' Securities Commissions
<b>FBiH</b> Securities Commission	1999	Law on the Securities Commission (39/98, 36/99); Law on Securities (39/98, 36/99); Law on Funds Management Companies and Investment Funds (41/98, 39/99); Law on Business Companies (23/99)	Develop, regulate and monitor capital markets and protect investors' interests	n.a.
<b>Bulgaria</b> Banking Supervision Department	1997	Bulgarian National Bank Act; Banks Act; Bank Bankruptcy Act	Ensure the stability of the banking system and protect depositors' interests	Independent regulatory body within the National Bank
<b>Bulgaria</b> Financial Supervision Commission	2003	Financial Supervision Commission Act; Public Offering of Securities Act; Insurance Act; Mandatory Social Security Code; Supplementary Voluntary Pension Insurance Act; Regulation for the Organisation and Activities of the Financial Supervision Commission	Protect the interests of investors, the insured and the beneficiaries, as well as to ensure the stability, transparency and confidence in the financial markets	Independent regulatory body comprised of the former State Securities Commission, the former Insurance Supervision Agency and former State Social Insurance Supervision Agency
<b>Croatia</b> Securities Commission	1996	Law on the Securities Market (Official Gazette 84/02); Law on Procedures of Takeovers of Joint Stock Companies (84/02); Law on Investment Funds (109/95, 107/95, 12/96, 114/01); Privatisation Investment Funds Law (109/97, 114/01)	Organise and supervise the securities market (issuance and trading of securities, as well as to control the activities of individuals and legal persons involved in that)	Permanent, independent legal person based on Securities Law
<b>Macedonia</b> Supervisory Department at the National Bank of Macedonia (NBM)	1992	Law for the NBM (26/92, 29/93, 26/96, 07/99); Law for Supervisory Standards (25/93, 80/93, 29/94, 53/96, 27/98)	Provide prudential oversight and control operations of banks and saving houses	Independent advisory body, department in the NBM
<b>Macedonia</b> Securities & Exchange Commission	1992	Law for Securities and Exchange	Control implementation of all standards for exchange of securities	Independent regulatory body
<b>Montenegro</b> Securities Commission	2002	Law on Securities	n.a.	Independent regulatory body
<b>Romanian</b> National Securities Commission (RNSC)	1994	Law (514/02) regarding the approval of the Statute of the Romanian National Securities Commission (539/02)	Develop, regulate and monitor capital markets and protect investors' interests, reduce risks and prevent fraud	Autonomous administrative authority with legal personality

<b>Serbia</b> Securities Commission	1990	Securities Law (26/95, 28/96, 59/98); Law on Exchanges, Exchange Operations and Exchange Intermediaries (90/94); Regulations on the Provision of Conditions for the Functioning of the Financial Market (2/96, 8/98, 68/98)	Regulate and supervise the securities market	Independent regulatory body
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Banking Supervision Department, Czech National Bank (CNB) www.cnb.cz	1992	Act (6/93); Banking Act (92)	Maintain price stability and support Government policies; supervise the activities of banks, foreign bank branches and any consolidated financial institutions	Independent regulatory body
<b>Czech Republic</b> Czech Securities Commission www.sec.cz	1998	Securities Commission Act (98); Stock Exchange Act (92); Investment Companies and Funds (92); Securities Act (92); Bonds Act (90)	Strengthen the faith in the instruments of the capital market; protect investors; assure market transparency; fight financial crime; prepare for EU integration; train investors; support issue activity	Independent regulatory body and administrative authority
<b>Hungary</b> Hungarian Financial Supervisory Authority (HFSA) www.pszaf.hu	2000	Hungarian Financial Supervisory Authority Act (99); Act on Credit institutions and financial enterprises (96); Public Warehouses (96); Capital Market Act (01); Insurance Act (95); Pension Acts (93) concerning Voluntary Funds and (97) concerning Private Pension Funds; Act of Private Equity Funds	Maintain confidence and stability in the financial sector; raise public awareness; protect consumers; prevent abuse	Independent supervisory body
<b>Poland</b> General Inspectorate of Banking Supervision (GINB) www.nbp.gov.pl	1998	Banking of Law (97); National Bank Act (97)	Assure stability of banking system; supervise compliance with standards; periodic assessments of banks' economic status; provide opinions on supervisory principles and methods	Executive agency of the Commission for Banking Supervision (CBS) which is an independent regulatory entity in the national bank; scope on implementation of decisions taken, and tasks determined by the CBS
<b>Poland</b> Insurance and Pension Funds Supervisory Office (KNUiFE) www.knuife.gov.pl	2002	Insurance Activity Act (90); Law on Organisation and Operation of Pension Funds (97)	Assure the proper functioning of the insurance market; protect the interests of the insured persons; assure the transparency of funds activities	Central government administrative authority, replacing the Office for Insurance Supervision (PUNU) and the Office for Pension Funds Supervision (UNFE)
<b>Poland</b> Public Procurement Office (PPO) www.uzp.gov.pl	1995	Public Procurement Act (94)	Conduct proceedings in fair, just and transparent manner; disseminate the general conditions and standard forms of public procurements contracts and set the rules and standard for proceedings	Central organ of state administration; independent unit within the government
<b>Poland</b> Securities Exchange Commission (SEC) www.kpwig.gov.pl	1991	Law on the Public Trading of Securities (97)	Supervise the observance of fair trading and competition rules; ensure universal access to accurate information; ensure that the securities market operates smoothly; protect investors	Central government administration organ with independent responsibilities
<b>Slovak Republic</b> Financial Market	2002	Act (96/02) on Supervision over the Financial Market	Supervise compliance with this Act and special laws;	Independent supervisory authority

Authority (FMA) www.uft.sk			conduct proceedings related to capital markets and insurance; issue permits and other decisions	
<b>Slovenia</b> Banking Supervision Department (Bank of Slovenia) www.bsi.si	1991	Bank of Slovenia Act (58/02); Banking Act (7/19, 59/01)	Protect depositors in the banking system and to ensure the stability of the banking sector	Legal person, governed by public law and wholly owned by the state; financially and administratively autonomous
<b>Slovenia</b> Insurance Supervision Agency www.a-zn.si	2000	Insurance Act (13/00, 91/00, 21/02)	Supervise insurance undertakings in terms of risk management, rules stipulated by the Insurance Act and other legislation	Legal entity; autonomous and independent
<b>Slovenia</b> Securities Market Agency www.a-tvp.si	1994	Securities Market Act (56/99)	Supervise compliance with relevant laws and regulations; create conditions for the efficient operation of the securities markets; inspire investors' confidence in markets	Legal entity; autonomous and independent

## Telecommunications

Name	Date	Laws	Objectives	Institutional and legal status
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Telecommunication Regulatory Entity (TRE)	1998	Law (8618/00) on telecommunications	Supervise the regulatory framework set by the Law and by development policies from the Council of Ministers	Public, non-budgetary registered independent regulatory body
<b>FBiH</b> Ministry of Communications and Transport	2002	Law on the Council of Ministers (02) and Law (33/02) on Communications - Enacted by the High Representative	n.a.	Ministry
<b>FBiH</b> Ministry of Transport and Telecommunications (Department for Communications)	n.a.	Law on Administration (26/02)	n.a.	Ministerial agency (Ministry of Transport and Telecommunications)
<b>FBiH</b> Communications Regulatory Agency (CRA)	2001	Law on Communications (33/02) - Enacted by the High Representative	Promote a market-orientated and competitive communications sector for the benefit of all citizens	Independent, non-profit institution with the status of a legal person under the laws of BiH
<b>FBiH/RS</b> Ministry of Transport and Communications (Assistant Minister for Telecom, MTAC)	n.a.	Law on Telecommunications (19/96, 71/02)	n.a.	n.a.
<b>Bulgaria</b> Council of Electronic Media	2001	Radio and Television Act; Telecommunications Act; European Convention on Transfrontier Television (ratified by the Parliament)	Protect public interests; uphold freedom, pluralism of expression and of information, and independence of radio and TV operators	Independent regulatory body
<b>Bulgaria</b> Communications Regulation Commission	2002	Telecommunications Act; Radio and Television Act; Postal Services Act; Electronic Document and Electronic Signature Act	Implement policy adopted by the Council of Ministers; take due account of public interests, state sovereignty and national security	Independent regulatory body
<b>Croatia</b> Telecommunication Council	2002	Telecommunications Laws (76/99, 128/99, 68/01, 109/01); Bylaw (84/95); Regulations (88/01) regarding telecommunications	Provide users with a possibility of wide choice and optimum relationship between quality and price of services; support the development of an information society	Independent regulatory body
<b>Croatia</b> Radio and Telecommunications Council	2000	Telecommunications Act (76/99, 128/99, 68/01, 109/01)	Provide users of telecommunication services with a possibility of wide choice and optimum relationship between quality and price of services	Independent regulatory body
<b>Macedonia</b> Council for Radio & TV Broadcast	2000	Law for Radio and TV Broadcasting	Issue broadcasting licences; follow-up quality in broadcasting; ensure fair legal work of RTV stations	Independent regulatory body
<b>Macedonia</b> Directorate for Telecommunications	2000	Telecommunications Law (22/98, 28/00, 04/02)	Enact Government policy in the field of telecommunications; enforce Telecom Law	Ministerial agency (Ministry of Transport and Telecommunications)
<b>Moldova</b> National Regulatory	2000	Government Decision (843/00) on the Statutory Regulation of the Agency	Ensure the universality of laws implementation, interoperability of the	Central public authority

Agency for Telecommunications and Informatics			networks and services of telecommunications and informatics; protection of the customers/users and promotion of loyal/fair competition	
<b>Montenegro</b> Agency for Telecommunication	2001	Law on Telecommunications	Create a fair regulatory regime for promoting investment, competition, users protection and security of high quality services	Independent regulatory body
<b>Romania</b> General Inspectorate for Communications and Information Technology (GICIT)	2002	Government Decision (180/02) creating the GICIT through reorganisation of the Inspectorate General of Communications (158/02); Law (591/02) regarding a framework for electronic communications regulation; Government Decision (1594/02) regarding GICIT's activities.	Promote competition in order to make available high quality services and equipment; ensure proper costs in accordance with the market	Public institution with legal personality under the Ministry of Communications and Information Technology
<b>Romania</b> National Regulatory Authority for Communications (NARC)	2002	Government Decision (880/02) on NARC; Law (591/02) establishing a framework for communications regulation	Promote competition and protection of consumers rights and interests, in conditions of transparency, impartiality and objectiveness	A Public Institution with legal personality under the Government
<b>Serbia</b> Republican Telecommunications Agency	To be established	Telecommunications Law	Create conditions for an efficient implementation and improvement of the telecommunications policy	Independent regulatory body
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Council for Radio and Television Broadcasting www.rtv.cz	1992	Act (231/01)	Supervise, maintain and further development programming and information	Independent regulatory body
<b>Czech Republic</b> Telecommunications Office www.ctu.cz	2000	Act (151/00)	Regularise telecommunication activities to sustain a competitive environment	Central authority of State administration with independent responsibilities and jurisdiction
<b>Hungary</b> Hungarian Communication Authority (HIF) www.hif.hu	1993	Communications Act (01); Government Decree (248/01); Korm on the HIF (X11.18)	Promote active and efficient market; protect consumer interests; promote fair and controlled competition	Central, public administration agency under Ministry of Communications and Informatics
<b>Poland</b> Office of Telecommunications and Post Regulation (URTiP) www.urtip.gov.pl	2002	Telecommunication Act (00)	Assure universal access to telecommunications services; protect the interests of the users; further fair and effective competition; develop a modern telecom infrastructure; organise numbering, spectrum management and orbital resources; protect state interests	Central administration authority; replaced URT, Office of Telecommunications Regulation established in 2001
<b>Slovak Republic</b> Office of Telecommunications www.teleoff.gov.sk	2000	Telecommunication Act (00)	Create and maintain conditions for a competitive environment in the telecom market; supervise compliance with telecom regulations, technical standards and international agreements	A state-budget funded organisation

**Note:** The information in these tables has been obtained from an OECD questionnaire completed by consultants in each South and Central Eastern European country.

## Annex 2.

### RESOURCES OF REGULATORY AUTHORITIES IN SEE AND SELECTED OECD COUNTRIES

#### Competition

Name	Staff	Staffing policy	Budget	Financial source
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Competition Department	9	Subject to regular civil service pay and recruitment policy	n.a.	Public funds; part of the budget of the Ministry of Economy
<b>BiH</b> The Council of Competition	n.a.	Subject to regular civil service pay and recruitment policy	0.31 mil €	Public funds
<b>FBiH</b> Office of Competition and Consumers Protection	3 to 5	Subject to regular civil service pay and recruitment policy	n.a.	n.a.
<b>FBiH/RS</b> Office of Competition and Consumers Protection	n.a.	Subject to regular civil service pay and recruitment policy	n.a.	n.a.
<b>Bulgaria</b> Commission on Protection of Competition	93	Civil Servant Act. The administrative structure and the number of the staff are fixed in a regulation, which the Commission itself adopts based on available funding	n.a.	Public funds
<b>Croatia</b> Agency for the Protection of Market Competition	20	Ministry of Economy. There is a set of criteria to be satisfied in the selection process: academy degree, experience, expertise, independency, integrity, absence of conflict of interests, etc. Staff can not be members of the Government, Parliament, officials in local authorities and business	1.1 mil €	State budget
<b>Macedonia</b> Anti-Monopoly Office & Anti-Monopoly Commission	n.a.	Forms and systems of retribution and salaries are established by the NAPC Administrative Council. Members of the Council must avoid any conflict of interest with firms supervised by the NAPC	n.a.	Public funds
<b>Moldova</b> National Agency for the Protection of Competition (not yet created)	275	The staff in charge with price-policy and protection of competition, employed in the Ministry of Finance, both in the central and the local structure, shall be transferred to the Competition Office for official reasons	243,100 €	Public funds
<b>Romania</b> Competition Office	70	Competition Council and Law 50/95. Council members must have appropriate qualifications	n.a.	Charges, fees and public funds
<b>Romania</b> Competition Council	215 provided in the organisational chart	Subject to regular civil service pay and recruitment policy	1.3 mil €	Public funds
<b>Serbia</b> Antimonopoly Commission	11	The Commission consists of two bodies. The first brings decisions at its sessions (consists of the Chairman and 6 members) and the second is its technical service	n.a.	Public funds, USAID, OECD

		unit (consists of 11 employees), which receives applications on the basis of which it exercises control, collects and processes the relevant data, conducts research on and analyses the market, hears the parties to the proceedings and, if necessary, maintains co-operation with other government bodies or competent institutions and independent and specialised institutions from which it may seek the opinion, and proposes decision-making to the Commission		
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<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Office for the Protection of Competition	120	Civil Servant Act and aligned with those of ministries	2 mil €	State budget
<b>Hungary</b> Hungarian Competition Authority (GVH)	121	Civil Service Act and regulations of the President of GVH	4.85 mil €	State budget
<b>Poland</b> Office for Competition and Consumer Protection (OCCP)	188	Civil Servant Act	n.a.	State budget
<b>Slovak Republic</b> Antimonopoly Office	75	n.a.	n.a.	State budget
<b>Slovenia</b> Competition Protection Office	n.a.	Civil Service Act	n.a.	State budget

## Energy

Name	Staff	Staffing policy	Budget	Financial source
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Electricity Regulatory Entity (ERE)	12	Determined by the Board	n.a.	Fees and charges determined by the Entity
<b>BiH</b> National Electricity Regulatory Commission (NERC)	n.a.	n.a.	n.a.	n.a.
<b>FBiH/RS</b> Ministry of Economy, Energy and Development (Sector for Energy and Electric Power Utility; Sector for Oil and Gas and Sector for Mining)	5 per sector	Subject to regular civil service pay and recruitment policy	0.6 mil € (entire Ministry)	The budget of RS
<b>FBiH</b> Department of Utilities (Electric Power Division)	80 (division), 208 (total)	n.a.	n.a.	The budget of BD
<b>Bulgaria</b> State Energy Regulatory Commission (SERC)	85	Determined by the Civil Servant Act and the Constituent Regulations of the Council of Ministers	n.a.	Fees, charges and public funds
<b>Croatia</b> Croatian Energy Regulatory Council (CERC)	7	Staff of the Energy Institute “Hrvoje Požar” performs expert assignments for the Council. Partial exemptions of the regular civil service pay. Salaries of the board members are in line with state officials. Staff salaries are higher than in civil service. Commissioners may not perform any other activities that may give rise to any conflict of interest	2 mil €	Fees, charges and public funds
<b>Macedonia</b> Energy Regulatory Commission	5	Determined by the Ministry of Economy. Appropriate qualifications and absence of conflict of interests etc. are required	n.a.	State budget
<b>Moldova</b> National Energy Regulatory Agency (NERA)	26	n.a.	273,300 €	Fees, charges and taxes
<b>Montenegro</b> Ministry of Economy	n.a.	n.a.	n.a.	Public funds
<b>Romania</b> Romanian Electricity and Heat Regulatory Authority (ANRE)	100	Personnel hiring is based on vacancy, by contest organised in the conditions of the law, for an undetermined period. Personnel is hired and dismissed in accordance with the organisation and functioning regulation of ANRE, with collective employment contract, and in accordance with the law	n.a.	Fees, charges and contributions from economic agents and individuals or companies
<b>Romania</b> Natural Gas Regulatory	64	Personnel hiring is based on vacancy, by contest organised in the conditions of the law, for an	1.6 mil €	Fees and contributions from regulated companies

Authority (ANRGN)		undetermined period. Personnel is hired and dismissed in accordance with the organisation and functioning regulation of ANRGN, with collective employment contract, and in accordance with the law		
<b>Romania</b> National Romanian Regulator of Communal Services (ANRSC)	58	Personnel are hired by contest for an undetermined period. Personnel is hired and dismissed in accordance with the organisation and functioning regulation of ANRSC, with collective employment contract, pursuant with the law	415000 €	Licenses and authorisations, from the contribution of municipal services operators and from other sources, in accordance with the law
<b>Serbia</b> Energy Regulatory Agency	n.a.	The Council of the Agency adopts the Statute by which the number and composition of its employees are determined	n.a.	In the initial phase, funds will be allocated from the state budget, but later the Agency will be financed from fees and charges

<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Energy Regulatory Office	76	Civil Servant Act and aligned with those of ministries	4.5 mil €	State budget
<b>Hungary</b> Energy Office (MEH)	95	Civil Servant	5.9 mil €	Levies and fees
<b>Poland</b> Office for Energy Regulation (ERA)	131	Civil Servant	7.3 mil €	State budget (however funds have come from annual fees paid by licensed companies to the state budget)
<b>Slovak Republic</b> Regulatory Office for Network Industries (URSO)	41	n.a.	0.6 mil €	State budget
<b>Slovenia</b> Energy Agency of Slovenia (ERA)	24	Determinate by systemisation act as civil servants	1.8 mil €	Network charges

## Financial

Name	Staff	Staffing policy	Budget	Financial source
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Insurance Supervision Commission (ISC)	22 full-time 4 part-time	Subject to the labour code	n.a.	Self financed, fees and charges fixed by the Minister of Finance
<b>Albania</b> Banking Supervision Department	26 full time	Subject to the Labour Code, Code of Conduct of the Bank of Albania, Regulation on Working Relationships with the staff of the Bank of Albania	No specific budget	Revenues coming primarily from Forex Investments and finance of budget deficit
<b>FBiH</b> Banking Agency (FAB)	43	Citizenship, professional expertise and high moral qualities are required for appointment as a Board member or director. A member of the Board cannot also be staff of the Agency. The Director, the Deputy Director and the Agency staff cannot be employed in any other institution or firm	n.a.	Revenues from licensing, supervision and other activities and public funds
<b>FBiH</b> Bank-Deposit Insurance Agency	n.a.	n.a.	n.a.	n.a.
<b>FBiH</b> Securities Council	n.a.	n.a.	n.a.	n.a.
<b>FBiH</b> Securities Commission	19	n.a.	0.5 mil €	Fees for services
<b>Bulgaria</b> Banking Supervision Department	n.a. (1047 in the National Bank)	No defined policy	n.a.	Public funds
<b>Bulgaria</b> Financial Supervision Commission	197	Civil Servant Act. The administrative structure and the number of the staff of the Commission are fixed in a regulation adopted by the Commission itself	n.a.	Fees and charges plus public funds
<b>Croatia</b> Croatian Securities Commission	27	Partial exemptions of the regular civil service pay. Director's salary is in line with state officials, but staff members have salary higher than civil servants. Members of the Council receive monthly remuneration	0.6 mil €	Financed from State budget, but also receives grants from the British Know How Fund, USAID, and World Bank technical assistance loans
<b>Macedonia</b> Supervisory Department at the National Bank of Macedonia (NBM)	12	Employees and NBM council members must have appropriate qualifications and cannot be members of the Government, Parliament or officials in local authorities and businesses	n.a.	Budget from NBM
<b>Macedonia</b> Securities & Exchange Commission	6	Independent	n.a.	Fees from security exchange
<b>Montenegro</b> Securities Commission	n.a.	n.a.	n.a.	n.a.
<b>Romania</b> Romanian National Securities Commission (RNCS)	140	Work Code and RNCS established conditions and principles of personnel payment, in accordance with the level of salary of similar positions and functions on the financial market	n.a.	Transactions commissions, tariffs, fees and charges

<b>Serbia</b> Securities Commission	27	The number and composition of its employees are determined by Statute	n.a.	Autonomous financing
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Banking Supervision Department, Czech National Bank (CNB)	100-150	Staff enjoys partial exemptions		Budget allocation made from the CNB
<b>Czech Republic</b> Czech Securities Commission	128	Aligned to those of ministries	3.3 mil €	State budget
<b>Hungary</b> Hungarian Financial Supervisory Authority (HFSA)	494	Partial exemptions from regular civil service pay and recruitment policies	35.2 mil €	Fees and levies paid by the supervised institutions
<b>Poland</b> General Inspectorate of Banking Supervision (GINB)	n.a.	n.a.	n.a.	n.a.
<b>Poland</b> Insurance and Pension Funds Supervisory Office (KNUiFE)	n.a.	n.a.	n.a.	Collection of 0.14% of the gross collection premiums of insurance establishments and up to 0.14% of fund contributions in a given year
<b>Poland</b> Public Procurement Office (PPO)	65	Civil Servant policies	n.a.	State funds and special funds collected from entry fees, charges, publishing proceeds and any interest income
<b>Poland</b> Securities Exchange Commission (SEC)	n.a.	n.a.	n.a.	Fees, charges and examination fees
<b>Slovak Republic</b> Financial Market Authority (FMA)	n.a.	Established by Council and Committee	n.a.	Contributions of supervised entities, fees and state budget
<b>Slovenia</b> Banking Supervision Department (Bank of Slovenia)	52	Staff of the Bank of Slovenia enjoys full exemption from the regular civil service pay and recruitment policy	n.a.	Fees and charges
<b>Slovenia</b> Insurance Supervision Agency	26	Rules applicable to civil servants salary and recruitment policy apply	n.a.	Fees, charges and other income; reserve funds; state budget
<b>Slovenia</b> Securities Market Agency	38	Rules applicable to civil servants salary and recruitment policy apply	n.a.	Fees, charges and other income; reserve funds; state budget

## Telecommunications

Name	Staff	Staffing policy	Budget	Financial source
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Telecommunication Regulatory Entity (TRE)	30	Determined by the Head Council	n.a.	Fees and charges
<b>FBiH</b> Ministry of Communications and Transport	n.a.	Subject to regular civil service pay and recruitment policy	n.a.	The Budget of BiH
<b>FBiH</b> Ministry of Transport and Telecommunications (Department for Communications)	38 (Ministry) 7 (Department)	Subject to regular civil service pay and recruitment policy	597,640 € (entire Ministry)	The Budget of FBiH
<b>FBiH</b> Communications Regulatory Agency (CRA)	78	Determined by the Law on Civil Service and the regulations adopted by the Council of the Agency	1.9 mil €	Fees, grants and state grants
<b>FBiH/RS</b> Ministry of Transport and Communications (Assistant Minister for Telecom, MTAC)	3	Subject to regular civil service pay and recruitment policy	301,920 €	The budget of RS
<b>Bulgaria</b> Council of Electronic Media	73	Determined by Civil Servant Act and regulations adopted by the Council	n.a.	Fees, charges and public funds
<b>Bulgaria</b> Communications Regulation Commission	237	Determined by Civil Servant Act and regulations adopted by the Commission	n.a.	Fees, charges and public funds
<b>Croatia</b> Telecommunication Council	6	Civil Service Act. Board members must have citizenship and appropriate qualifications. Members of the board can choose whether to work full time for the Council or to receive monthly remuneration. Chairman has to be full-time employee of the Council	0.8 mil €	Fees and charges
<b>Croatia</b> Radio and Telecommunications Council	n.a.	The members of the Council are compensated. They have to be citizens with appropriate qualifications. Members of the Council cannot be engaged in other activities, which may present a conflict of interest. The administrative tasks for the Council are performed by the Telecommunication institute	n.a.	State budget
<b>Macedonia</b> Council for Radio & TV Broadcast	15	Set by Government and Parliament. Staff must have appropriate qualifications and they can not be members of the Government, Parliament, officials in local authorities and businesses	n.a.	Fees, charges and public funds
<b>Macedonia</b> Directorate for Telecommunications	12	Set by the Ministry of Transport and Communications. Staff must have appropriate qualifications and they can not be members of the Government, Parliament, officials in local authorities and businesses	n.a.	Public funds, fees and charges

<b>Moldova</b> National Regulatory Agency for Telecommunicati ons and Informatics	25	Board members must be citizens with appropriate qualifications. The General Director of the Agency hires or dismisses new staff members with the agreement of at least one of the Administrative Council's Members	227,600 €	Fees and charges
<b>Montenegro</b> Agency for Telecommunicatio n	25	n.a.	n.a.	Fee for issuing licences
<b>Romania</b> General Inspectorate for Communications and Information Technology (GICIT)	200	n.a.	n.a.	Fees, charges, tariffs and taxes
<b>Romania</b> National Regulatory Authority for Communications (NARC)	155	Hiring personnel is made on vacant positions, by contest accordingly to the law and based on the contest methodology approved by the NARC president, following the criteria of abilities professional competencies	5,996,785 €	Extra-budgetary revenues
<b>Serbia</b> Republican Telecommunicatio ns Agency	n.a.	Determined by the Statute of the Agency adopted by the Managing Board	n.a.	Fees and public funds
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Council for Radio and Television Broadcasting	n.a.	Staff enjoys partial exemptions	1.17 mil €	State budget contribution
<b>Czech Republic</b> Telecommunicatio ns Office	486	Aligned to those of ministries - civil service pay scales	63.3 mil €	State budget plus revenues from fees and licenses
<b>Hungary</b> Hungarian Communication Authority (HIF)	473	Civil Service Act and Labour Act	n.a.	Industry fees and charges
<b>Poland</b> Office of Telecommunicatio ns and Post Regulation (URTiP)	616	Civil Service Act	13,7 mil €	State budget
<b>Slovak Republic</b> Office of Telecommunicatio ns	n.a.	n.a.	n.a.	n.a.

**Note: The information in these tables has been obtained from an OECD questionnaire completed by consultants in each South and Central Eastern European country.**

### Annex 3.

## INDEPENDENCE OF REGULATORY AUTHORITIES IN SEE AND SELECTED OECD COUNTRIES

### Competition

Name	Head: board, individual	Appointment of heads	Terms	Individual instructions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Directory of Competition	Commission on Competition. Members are Directors from the various directorates within the Ministry of the Economy	Appointed by the Minister of the Economy	n.a.	n.a.
<b>BiH</b> The Council of Competition	President and 6 other members	The Council of Ministers appoints 3 members; FBiH appoints 2; RS appoints 1. The initial appointment shall include an additional (seventh) Councillor appointed by the EU. The Council itself elects a President. The Council of Ministers may dismiss members	6 years – renewable once; President has a 1 year, non-renewable, term	Not applicable. The Council has exclusive competence to decide if there are certain forms of prohibited competition practices
<b>FBiH</b> Office of Competition and Consumers Protection	n.a.	n.a.	n.a.	Ministries set the rules of internal governance and classification of assignments
<b>FBiH/RS</b> Office of Competition and Consumers Protection	n.a.	n.a.	n.a.	n.a.
<b>Bulgaria</b> Commission on Protection of Competition	Board of 11, including a Chairman, 2 Vice-Chairmen and 8 members	The 11 members are elected and dismissed by the Parliament	5 years, with possible re-election	None
<b>Croatia</b> Agency for the Protection of Market Competition	Individual: Director of the Agency. Advisory body, the Council, consisting of 8 members, assists Director	Both the Director and the President are approved by Parliament	4 and 5 years respectively	Ministry of Economy/independent
<b>Macedonia</b> Anti-Monopoly Office & Anti-Monopoly Commission	Administrative council of 7 including a Director and 2 Vice-Directors	Appointed in their positions by the Parliament, at the specific recommendation of the Committee of Economy and Legal Committee	5 years	Regulation of the National Agency for the Protection of Competition
<b>Moldova</b> National Agency for the Protection of Competition (not yet created)	Managed by the Head of the Competition Office, a State Secretary, with 3 subordinate directors	n.a.	Undetermined period	n.a.

<b>Romania</b> Competition Council	1 President (rank of minister), 3 Vice-Presidents (rank of secretary of state) and 6 competition counsellors (rank of undersecretary of state)	Appointed by the President of Romania	5 years - renewable twice	n.a.
<b>Romania</b> Competition Council	The Head of the Competition Office with rank of secretary of state	Appointed by the Government	n.a.	n.a.
<b>Serbia</b> Antimonopoly Commission	Chairman and 6 members	The Chairman and members of the Commission are appointed and relieved from duty by the Federal Government, at the proposal of the Federal Ministry of Economy and Domestic Trade	n.a.	n.a.

<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Office for the Protection of Competition	Individual: Chairperson	Appointed by the President of the Czech Republic on the proposal of Government, must have expertise in relevant areas, must be politically independent	6 years – renewable but not more than 2 consecutive terms; dismissal is not possible	No possibility offered to minister(s)
<b>Hungary</b> Hungarian Competition Authority (GVH)	Individual: President; Council is the decision-making body within the office	By the President of the Republic on nomination by Prime Minister; Council members appointed by Head with approval of Prime Minister	6 years, 1 renewal	n.a.
<b>Poland</b> Office for Competition and Consumer Protection (OCCP)	Individual: President	Selected by way of a contest and appointed or dismissed by the Prime Minister; Vice-Presidents are appointed and dismissed by the Prime Minister upon motion of the President of OCCP; must have appropriate qualifications and be politically independent	5 years, no renewal; dismissal is not possible; may not hold other office	None; Minister may overrule in some merger cases
<b>Slovak Republic</b> Antimonopoly Office	Individual: Chairperson; also Council	Appointed and recalled by the President on the proposal of the Government; Council members appointed by Government on proposal by Head; must have citizenship and legal expertise for Council members	5 years - one renewal; dismissal not possible for policy reasons, may not hold other office	n.a.
<b>Slovenia</b> Competition Protection Office	Individual: Director; also Consultative Committee	Director appointed by government; committee appointed by government on proposal from Director; members must have appropriate qualifications	No specific provisions	None

## Energy

Name	Head: board, individual	Appointment of heads	Terms	Individual instructions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Electricity Regulatory Entity (ERE)	Board of 5	Appointed and removed by Parliament based on nomination by the Government	4 year - renewable twice	n.a.
<b>BiH:</b> National Electricity Regulatory Commission (NERC)	Commission	Appointed by Parliament	n.a.	n.a.
<b>FBiH/RS</b> Ministry of Economy, Energy and Development (Sector for Energy and Electric Power Utility; Sector for Oil and Gas and Sector for Mining)	n.a.	n.a.	n.a.	n.a.
<b>FBiH</b> Department of Utilities (Electric Power Division)	n.a.	Department heads are appointed by the Mayor	n.a.	n.a.
<b>Bulgaria</b> State Energy Regulatory Commission (SERC)	A board of 7, including a Chairman, a Vice-Chairman and 5 members	Appointed by the Prime Minister based on nominations from the Council of Ministers	5 years – renewable once	None
<b>Croatian</b> Energy Regulatory Council (CERC)	A board of 5 Commissioners including a Chairman and Deputy Chairman	Appointed and dismissed by Parliament upon Government proposal	5 years with one renewal. The first Commission is appointed for 2 years	No
<b>Macedonia</b> Energy Regulatory Commission	President	Appointed by the Ministry of Economy	4 years	Independent
<b>Moldova</b> National Energy Regulatory Agency (NERA)	Administrative Council consisting of 3 directors	Appointed by the Government, one is appointed as a General Director	6 years, once every 2 years is one of these directors is replaced by the Government	Decision of the Government (71/97) on the NERA
<b>Montenegro</b> Ministry of Economy	Individual	Appointed by the Prime Minister	Indefinite period	n.a.
<b>Romania</b> Electricity and Heat Regulatory Authority (ANRE)	President and Vice-President	Appointed by the Prime Minister	n.a. (5 years proposed in the Energy Law which is in the approval process)	n.a.
<b>Romania</b> Natural Gas Regulatory Authority (ANRGN)	President and Vice-President	Appointed by the Prime Minister	Indefinite period	n.a.
<b>Romania</b> National Romanian Regulator of Communal Services (ANRSC)	President	Appointed by the Prime Minister, based on the formal proposal of the public administration minister, in accordance with the law	n.a.	Co-ordinated by the Prime Minister, in accordance with the law
<b>Serbia</b> Energy Regulatory	n.a.	Appointed by the National Assembly at the proposal of the	Indefinite period	n.a.

Agency		Government		
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Energy Regulatory Office	Chairman	By the Government	5 years - renewable	No possibility offered to minister(s)
<b>Hungary</b> Energy Office (Magyar Energetika Hivatal, MEH)	President, Vice-Presidents, director of administration	Appointed and removed by the Prime Minister at the proposal of the Minister of Economic Affairs	6 years	From Government through Economic Affairs Ministry
<b>Poland</b> Office for Energy Regulation (ERA)	President and Vice-President	Appointed and dismissed by the Prime Minister upon motion of the Minister of Economy or motion of the President of ERA	5 years	n.a.
<b>Slovak Republic</b> Regulatory Office for Network Industries (URSO)	Council of 6 including a Chairman and Vice-Chairman	Appointed by the President. Council elects among its members a Chairman and Vice-Chairman	6 years	n.a.
<b>Slovenia</b> Energy Agency of Slovenia (ERA)	Director and Deputy Director	By the Government	5 years	n.a.

## Financial

Name	Head: board, individual	Appointment of heads	Terms	Individual instructions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Insurance Supervision Commission (ISC)	Chairman, two Vice- Chairmen, four members.	The chairman is appointed by the Council of Ministers. The Vice-Chairmen and other members are appointed by the Minister of Finance based on nominations by the Chairman	Indefinite period	n.a.
<b>Albania</b> Banking Supervision Department	Director of Department who reports directly to the Second Deputy Governor	The Director is appointed from the Supervisory Council of Bank of Albania	Indefinite period	n.a.
<b>FBiH</b> Banking Agency (FAB)	The Management Board consists of 5 members. A Director and Deputy Director head operations	Appointed and dismissed by Parliament on the Government's recommendation	5 years with possible reappointment	Within the scope of its operations, and in accordance with the law, the Agency is fully independent
<b>FBiH</b> Bank-Deposit Insurance Agency	n.a.	n.a.	n.a.	n.a.
<b>FBiH</b> Securities Council	n.a.	n.a.	n.a.	n.a.
<b>FBiH</b> Securities Commission	n.a.	In the first term, the Commissioners were appointed by the Federation President with the consent of the Federation Deputy President. The appointment was made by the Decision on Appointment of the Securities Commission (7/99). For the first two terms, the OHR is to appoint a foreign expert as a Commissioner. For its first term, the Commission consists of 5 members	n.a.	n.a.
<b>Bulgaria</b> Banking Supervision Department	Headed by a Deputy Governor	Elected by Parliament, on a motion by the Governor of the Bulgarian National Bank	6 years	The Governor of the National Bank may exert some instructive powers
<b>Bulgaria</b> Financial Supervision Commission	A board of 7, including a Chairman, 3 Vice-Chairmen (each responsible for the securities, insurance and pension funds industry, respectively) and 3 other members	The Parliament elects and dismisses the 7 members	6 years	None
<b>Croatian</b> Securities Commission	Board, 5 members	Parliament, upon Government proposal	6 years	None
<b>Macedonia</b> Supervisory Department at the National Bank of Macedonia	Director of board	Appointed by the Council of NBM	5 years	Governor and Council of NBM

(NBM)				
<b>Macedonia</b> Securities & Exchange Commission	President of Commission	Approved by Parliament	4 years	Independent
<b>Montenegro</b> Securities Commission	Individual	Appointed by Parliament	Indefinite period	n.a.
<b>Romanian</b> National Securities Commission (RNSC)	Council of 7 members, including 1 President, 2 Vice-Presidents and 4 Commissioners	Appointed and dismissed by Parliament based on proposals from the Economic Commission of the Senate, the Commission for Economic Policy, Reform and Privatisation, and the Commissions on Budget, Finance and Banks	5 years – renewable once	n.a.
<b>Serbia</b> Securities Commission	Chairman, 4 members and a secretary	The Commission is accountable to the Government for its work	Indefinite period	n.a.

<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Banking Supervision Department, Czech National Bank (CNB)	Individual head	Head of Banking Supervision appointed by the Board	6 years - one renewal	Governor or Board of CNB may instruct the Head; Neither shall seek or take instructions from Government
<b>Czech Republic</b> Czech Securities Commission	Presidium headed by a Chairperson and 4 other members	Appointed by the President the Chairperson and members on the proposal of the Government	5 years - one renewal	Chairperson is obliged to attend governmental or parliamentary proceedings when requested
<b>Hungary</b> Hungarian Financial Supervisory Authority (HFSA)	Individual head	Appointed and recalled by Parliament upon proposal by the Prime Minister. Vice-Presidents are appointed by the Prime Minister, upon proposal of the President of the HFSA in consent with the Minister of Finance	6 years - renewable	None
<b>Poland</b> General Inspectorate of Banking Supervision (GINB)	General Inspector	Appointed and recalled by the President of the NBP acting in the agreement with Minister of Finance	n.a.	Instructed by the CBS
<b>Poland</b> Insurance and Pension Funds Supervisory Office (KNUiFE)	Commission including a Chairman and Vice-Chairman	Appointed by the Prime Minister upon the joint request of two ministers, one competent for financial institutions and the other competent for social security	5 years	Members of the Commission include the Chairman of the SEC, the President of the Office for Protection; in advisory capacity the Commissioner of the Insured, a representative of the President of the Republic, and the General Inspector of Banking Supervision
<b>Poland</b> Public Procurement Office (PPO)	Chairman	Appointed and dismissed by the Prime Minister upon request of the minister competent to deal with matters of public administration	Indefinite	n.a.
<b>Poland</b> Securities Exchange Commission (SEC)	Chairman, 2 Deputies and 7 other members from ministries, the National Bank and regulatory bodies	Appointed and dismissed by President of the Council of Ministers upon the motion of the minister in charge of financial institutions in agreement with the President of the National Bank and relevant parliamentary committees	5 years with renewal	n.a.
<b>Slovak Republic</b> Financial Market Authority (FMA)	Council of 5, Supervisory Committee of	Appointed and recalled by the Government on the basis of proposals from the Finance	5 years for council; 6 years - 1 renewal for committee	None

	5 and 1 General Director	Minister		
<b>Slovenia</b> Banking Supervision Department (Bank of Slovenia)	Governor of the BoS and the Governing Board of the BoS	Nominated by the President and appointed by the National Assembly	6 years with renewal	None
<b>Slovenia</b> Insurance Supervision Agency	A Director and a Council of Experts consisting of a President and 6 members	Director, and the members and president of the Council are appointed and dismissed by the Government upon proposal of the minister responsible for finance	5 years - renewal possible	None
<b>Slovenia</b> Securities Market Agency	A Director and a Council of Experts consisting of a President and 8 members	Director, and the members and president of the Council are appointed and dismissed by the Government upon proposal of the minister responsible for finance	5 years - renewal possible	None

## Telecommunications

Name	Head: board, individual	Appointment of heads	Terms	Individual instructions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>				
<b>Albania</b> Telecommunication Regulatory Entity (TRE)	The Head Council consists of an Executive Director and 4 other members	Appointed by the Parliament based on the proposals of the Council of Ministers	5 years - renewable twice	n.a.
<b>FBiH</b> Ministry of Communications and Transport	n.a.	n.a.	n.a.	n.a.
<b>FBiH</b> Ministry of Transport and Telecommunications (Department for Communications)	n.a.	n.a.	n.a.	n.a.
<b>FBiH</b> Communications Regulatory Agency (CRA)	7 member council including a Chairman and Vice-Chairman, and a Director General heading the agency	Appointed by Parliament based on nominations by the Council of Ministers. The members elect a Chairman and a Vice-Chairman amongst themselves. The Director General is appointed by the CRA Council based on nominations by the Council of Ministers	4 years - renewable once	CRA is fully independent in decision making. Neither the Council of Ministers, nor individual Ministers nor any other person shall in any way interfere in the decision-making of the Agency in individual cases
<b>FBiH/RS</b> Ministry of Transport and Communications (Assistant Minister for Telecom, MTAC)	n.a.	n.a.	n.a.	n.a.
<b>Bulgaria</b> Council of Electronic Media	A board of 9, including a Chairman	5 members are elected by the Parliament. 4 are appointed by the President	6 years- renewable twice	None
<b>Bulgaria</b> Communications Regulation Commission	A board of 5 members including a Chairman and a Vice-Chairman	The Chairman is appointed and dismissed by decision of the Council of Ministers. The Vice-Chairman and 2 members are elected and dismissed the Parliament. 1 member is appointed and dismissed by the President	5 years- renewable twice in consecutive terms	None
<b>Croatia</b> Telecommunication Council	A board of 7 including a Chairman	Parliament, upon Government proposal	5 years (first term 2 years)	None
<b>Croatia</b> Radio and Telecommunications Council	Board, consisting of 9 members	Parliament appoints and dismisses the board upon Government proposal	5 years	None
<b>Macedonia</b> Council for Radio & TV Broadcast	Director of board	Approved by Parliament	4 years	Independent
<b>Macedonia</b> Directorate for Telecommunications	Director of board	Appointed by the Government	5 years	Ministry of Transport and Communications
<b>Moldova</b> National Regulatory Agency for	Administrative Board, consisting of a Director and 2	Appointed by the Government	4 years	Law (520/95, 842/00); Decision of the Government (843/00) on the Approval of the Regulation of the NARTI

Telecommunications and Informatics	Vice-Directors			
<b>Montenegro</b> Agency for Telecommunications	Individual	Appointed by the Government	Indefinite period	n.a.
<b>Romania</b> General Inspectorate for Communications and Information Technology (GICIT)	General manager and Council	The General Manager and the members of the Council are appointed and dismissed by the Minister of Communications and Information Technology	Indefinite period	n.a.
<b>Romania</b> National Regulatory Authority for Communications (NRAC)	President and Vice-President	Management structure appointed by the Government	Undetermined period	The specialised ministry may decide certain categories of frequency free for usage, submitted to the general authorisation rules regarding the access and the usage conditions, when this procedure is technically possible
<b>Serbia</b> Republican Telecommunications Agency	The Managing Board consists of the Chairman and 4 members	Elected and relieved from duty by the National Assembly	n.a.	n.a.
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>				
<b>Czech Republic</b> Council for Radio and Television Broadcasting	Council including a Chairperson, 3 Vice Chairpersons and 9 others	Appointed and removed by the Prime Minister based on proposals made by the House of Deputies; Chairperson elected by Council	6 years	No possibility for minister(s) to give direct instruction
<b>Czech Republic</b> Telecommunications Office	President	Appointed by the Government on proposal of Minister of Transport and Communication	4 years - one renewal	No possibility for minister(s) to give direct instruction
<b>Hungary</b> Hungarian Communication Authority (HIF)	President (also President of the Communications Arbitration Committee)	Appointed and dismissed by the Prime Minister, on suggestion by the Minister of Communications and Informatics	6 years	Relation of the Minister and the NRA is stipulated also in Act IV of 1957 on General Rules of State Administration Procedures
<b>Poland</b> Office of Telecommunications and Post Regulation (URTiP)	President	Appointed, upon a motion of the Minister of Communication, by the Prime Minister	5 years	n.a.
<b>Slovak Republic</b> Office of Telecommunications	Chairman and Vice-Chairman	Elected and removed by the National Council on the proposal of the Government, the Vice-Chairman is appointed and removed by the Government	6 years - one renewal	n.a.

**Note:** The information in these tables has been obtained from an OECD questionnaire completed by consultants in each South and Central Eastern European country.

## Annex 4.

### ACCOUNTABILITY OF REGULATORY AUTHORITIES IN SEE AND SELECTED OECD COUNTRIES

#### Competition

Name	Accountability mechanism	Appeal of decisions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Directory of Competition	Reports monthly to the Minister of Economy and the Secretary of European Integration; weekly reports to the to General Secretary of the Minister of Economy	Before a court of competent jurisdiction within 30 days from the date of publication of decision
<b>BiH</b> The Council of Competition	Reports to the Parliamentary Assembly	Before the Court within 30 days from the date of publication of decision
<b>FBiH</b> Office of Competition and Consumers Protection	Reports to the Parliament	n.a.
<b>FBiH/RS</b> Office of Competition and Consumers Protection	Reports to the National Assembly of RS	n.a.
<b>Bulgaria</b> Commission on Protection of Competition	Reports annually to Parliament and publishes an Information Bulletin	Before the Supreme Administrative Court
<b>Croatia</b> Agency for the Protection of Market Competition	Reports annually to Parliament	Before the Court
<b>Macedonia</b> Anti-Monopoly Office & Anti-Monopoly Commission	Reports to the Government and Parliament every two years	Before the Appellation Court, Supreme Court or the Constitutional Court
<b>Moldova</b> National Agency for the Protection of Competition (not yet created)	Will report annually to Parliament and will publish reports in the Monitorial Official Bulletin. Sitings will be held under transparent conditions and invitations to attend these sittings will be send to interested parties in advance	n.a.
<b>Romania</b> Competition Office	Reports to the Government	Through the administrative contentious procedure at the Court of Appeal
<b>Romania</b> Competition Council	Independent: each year the Council draws up an annual report of activity which, after having been approved, is made public	Appeal to the President of the Council, the Court of Appeal Bucharest and the Supreme Court of Justice
<b>Serbia</b> Antimonopoly Commission	Accountable to the Federal Ministry of Economy and Domestic Trade	Appeals sent to the Federal Ministry of Economy and Internal Trade and eventually to the courts
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Office for the Protection of Competition	Informative annual report on activities to government and parliament; bound only by government resolutions setting legislative tasks; must publish regulatory guidelines and decisions	Decision by the Office can be appealed and challenged in the courts
<b>Hungary</b> Hungarian Competition Authority (GVH)	Informative annual report on activities and finances to Parliament; no formal obligations to Government; reports to competent Parliamentary Committee or gives expert advice in subjects related to competition upon request; produces bulletin, policy positions and decisions	Decisions can be appealed at the Budapest Metropolitan Court
<b>Poland</b> Office for Competition and Consumer Protection (OCCP)	Under supervision of Prime Minister; informative reports on activities and finances to the Council of Ministers; no formal obligations to Parliament; must publish decisions; produces Official Journal with policy notes, studies	Before the District Court in Warsaw
<b>Slovak Republic</b> Antimonopoly Office	Informative annual report to Government on activities and competition developments; no formal obligations to Parliament; must publish decisions, bi-weekly bulletin	A Council may review decisions and appeals and decisions of the Council may be appealed in court
<b>Slovenia</b> Competition Protection Office	The Director of the Office is accountable to the government; informative annual reports on activities to government; no obligations to Parliament; orders, decisions must be published in Gazette	Before the Administrative Court

## Energy

Name	Accountability mechanism	Appeal of decisions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Electricity Regulatory Entity (ERE)	Annual budget and financing report is submitted to the Government and Parliament	Court appeals permitted only in the case of appeals regarding decision making procedures and not the decision itself
<b>BiH</b> National Electricity Regulatory Commission (NERC)	n.a.	n.a.
<b>FBiH/RS</b> Ministry of Economy, Energy and Development (Sector for Energy and Electric Power Utility; Sector for Oil and Gas and Sector for Mining)	National Assembly of RS	n.a.
<b>FBiH</b> Department of Utilities (Electric Power Division)	Assembly of DB	Appellate Commission makes decisions in the second-instance administrative procedure
<b>Bulgaria</b> State Energy Regulatory Commission (SERC)	Reports annually to the Council of Ministers	Decisions are subject to appeal in accordance with the general administrative law
<b>Croatia</b> Croatian Energy Regulatory Council (CERC)	Reports annually to the Government and to Parliament	In some cases appeals may be made to the Ministry of Economy. Other appeals must be made before the Administrative Court
<b>Macedonia</b> Energy Regulatory Commission	Report to the Ministry of Economy	To the Ministry of Economy or to the Courts
<b>Moldova</b> National Energy Regulatory Agency (NERA)	Reports annually to the Government and publishes the report in the Official Monitor	Decisions can be contested in court in accordance with national legislation
<b>Montenegro</b> Ministry of Economy	n.a.	n.a.
<b>Romania</b> Romanian Electricity and Heat Regulatory Authority (ANRE)	Until June 29, 2003 – under co-ordination of the Ministry of Industry and Resources. From June 30, 2003 – ANRGN and ANRE are co-ordinated by the Prime Minister through the Minister of Economy and Trade (former Minister of Economy and Commerce)	Before the Appeal Court
<b>Romania</b> Natural Gas Regulatory Authority (ANRGN)	Until June 29, 2003 – under co-ordination of the Ministry of Industry and Resources. From June 30, 2003 – ANRGN and ANRE are co-ordinated by the Prime Minister through the Minister of Economy and Trade (former Minister of Economy and Commerce)	Before the Appeal Court
<b>Romania</b> National Romanian Regulator of Communal Services (ANRSC)	Until June 29, 2003 – under co-ordination of the formal Ministry of Public Administration. From June 30, 2003 ANRSC is co-ordinated by the Prime Minister	Before the Appeal Court
<b>Serbia</b> Energy Regulatory Agency	Reports annually to the National Assembly. Undergoes yearly audit	No appeal
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Energy Regulatory Office	Annual report to the Cabinet and Parliament - featuring the financial statement for the previous year and the office performance	Decision can be appealed before the Chairperson while errors of fact or law can be appealed through the courts
<b>Hungary</b> Energy Office (MEH)	Annual reports to Parliament; under Ministry of Economic Affairs	Before the courts
<b>Poland</b> Office for Energy Regulation (ERA)	Reports annually to Minister of Economy	Before the District Court in Warsaw
<b>Slovak Republic</b> Regulatory Office for Network Industries (URSO)	n.a.	n.a.
<b>Slovenia</b> Energy Agency of Slovenia (ERA)	Informative annual reports on activities to Government; no obligations to Parliament. Orders and decisions must be published in the Gazette	Before the Administrative Court

## Financial

Name	Accountability mechanism	Appeal of decisions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Insurance Supervision Commission (ISC)	Reports to the Ministry of Finance and the Council of Ministers	In the case of disciplinary sanction or fine, appeals are directed to the Minister of Finance
<b>Albania</b> Banking Supervision Department	Reports to the Supervisory Council of the Bank of Albania	Appeals are directed within 8 days to the Governor, otherwise to the Court
<b>FBiH</b> Banking Agency (FAB)	Monthly reports to the Central Bank. Reports yearly to President and Parliament. Audited yearly by federal auditing agency	A complaint concerning any decision of the Agency may be submitted to the Director of FAB
<b>FBiH</b> Bank-Deposit Insurance Agency	n.a.	n.a.
<b>FBiH</b> Securities Council	n.a.	n.a.
<b>FBiH</b> Securities Commission	Parliament of FBiH	n.a.
<b>Bulgaria</b> Banking Supervision Department	Reports semi-annually and annually to Parliament. Reports are published	Licensing decisions subject to appeal in accordance with the general administrative law. Decisions to revoke a license, however, become effective immediately and cannot be appealed
<b>Bulgaria</b> Financial Supervision Commission	Reports annually to Parliament. The Central Audit Office in advance audits the budget performance and the annual financial reports	Most of the decisions of the Commission are not subject to appeal
<b>Croatia</b> Croatian Securities Commission	Annual reports to Parliament and Government	No complaints may be made against the decisions of the Direction, but a dissatisfied party may go to the Administrative Court
<b>Macedonia</b> Supervisory Department at the National Bank of Macedonia (NBM)	Reports to the Council of NBM and Ministry of Finance	To the Council of NBM or to the Courts
<b>Macedonia</b> Securities & Exchange Commission	Reports to the Government	To the Ministry of Finance
<b>Montenegro</b> Securities Commission	Reports to Parliament	n.a.
<b>Romania</b> Romanian National Securities Commission (RNSC)	Reports to Parliament	n.a.
<b>Serbia</b> Securities Commission	Reports to the Government	Before the Federal Court
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Banking Supervision Department, Czech National Bank (CNB)	CNB must report to the Chamber of Duties semi-annually	Court hearings
<b>Czech Republic</b> Czech Securities Commission	Reports annually to Government and Parliament; semi-annual reports to the Budgetary Committee of the Chamber of Deputies; quarterly reports to Finance Ministry	Commission appeals may be appealed to the Presidium; no appeals permitted against a first-level Presidium decision
<b>Hungary</b> Hungarian Financial Supervisory Authority (HFSA)	Reports annually to Government; publishes an annual report; the Government Control Office (KEHI) and the State Audit Office (ASZ) supervises the whole range of HFSA activities (this power is limited to budgetary issues exclusively)	Before the Court

<b>Poland</b> General Inspectorate of Banking Supervision (GINB)	n.a.	Before the Supreme Administrative Court
<b>Poland</b> Insurance and Pension Funds Supervisory Office (KNUiFE)	Supervised by the minister competent for financial institutions	Before the Supreme Administrative Court
<b>Poland</b> Public Procurement Office (PPO)	Supervised by the minister competent to deal with matters of public administration; reports annually to the Council of Ministers	Before the Supreme Court of Administration; appeals may be filed to the Chairman and shall be reviewed by a panel of three arbiters; appeals against the verdicts of the panel may be taken to the Regional Court
<b>Poland</b> Securities Exchange Commission (SEC)	n.a.	Appeals may be lodged to the Supreme Administrative Court
<b>Slovak Republic</b> Financial Market Authority (FMA)	Semi-annual reports to the Government	Before the Council. Council decisions can be appealed in court
<b>Slovenia</b> Banking Supervision Department (Bank of Slovenia)	Reports to the National Assembly at least once every six months	Decisions may be appealed in court; the Supreme Court in a panel of five judges issues decision in the procedure of judicial protection
<b>Slovenia</b> Insurance Supervision Agency	Annual reports to the National Assembly on activities and state of the market	Decisions may be appealed in court; the Supreme Court in a panel of five judges issues decision in the procedure of judicial protection
<b>Slovenia</b> Securities Market Agency	Annual reports to the National Assembly on activities and state of the market	Decisions may be appealed in court; the Supreme Court in a panel of five judges issues decision in the procedure of judicial protection

## Telecommunications

Name	Accountability mechanism	Appeal of decisions
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Telecommunication Regulatory Entity (TRE)	Reports annually the Council of Ministers and to Parliament	Before the Minister, regarding the decisions related to revoking or changing the licence conditions, or before the court
<b>FBiH</b> Ministry of Communications and Transport	Parliamentary Assembly of BiH and Council of Ministers	n.a.
<b>FBiH</b> Ministry of Transport and Telecommunications (Department for Communications)	Parliament of FBiH	n.a.
<b>FBiH</b> Communications Regulatory Agency (CRA)	Reports annually to the Council of Ministers. Subject to annual audits	Before the Council of the Agency and legal review of the decision can be initiated before the State Court of BiH. Some appeals were made at House of Human Rights
<b>FBiH/RS</b> Ministry of Transport and Communications (Assistant Minister for Telecom, MTAC)	National Assembly of RS	n.a.
<b>Bulgaria</b> Council of Electronic Media	Publishes an Annual Report and an Information Bulletin	Before the Supreme Administrative Court
<b>Bulgaria</b> Communications Regulation Commission	Reports annually to the Parliament, the President, the Council of Ministers and the Council of Electronic Media. The report must also be published	Decisions of the Commission concerning licenses are subject to appeal before the Supreme Administrative Court
<b>Croatia</b> Telecommunication Council	Reports to the Parliament and Government; under administrative control of the Ministry of Maritime Affairs, Traffic and Communications	Ministry of Maritime Affairs (errors of law) or to the Administrative Court
<b>Croatia</b> Radio and Telecommunications Council	Reports to the Parliament	Before the Administrative Court
<b>Macedonia</b> Council for Radio & TV Broadcast	Report to the Parliament and Government	Before the Appellation Court, Supreme Court or the Constitutional Court
<b>Macedonia</b> Directorate for Telecommunications	Annual reports to the Ministry of Transport and Communications	Before the Appellation Court, Supreme Court or the Constitutional Court
<b>Moldova</b> National Regulatory Agency for Telecommunications and Informatics	Under administrative control and financial oversight of the Government. Annual audits submitted to Government. The budget approved by the Government is published in the Official Monitor Bulletin	To the Ministry or before a court
<b>Montenegro</b> Agency for Telecommunication	Reports to the Government. Annual financial report to the independent auditing company appointed by the Government	Before the Court of Appeals
<b>Romania</b> General Inspectorate for Communications and Information Technology (GICIT)	Under the Ministry of Communications and Information Technology	No appeal
<b>Romania</b> National Regulatory Authority for Communications (NRAC)	Reports to the Government	Before a court
<b>Serbia</b> Republican Telecommunications Agency	Reports annually to the Government and the Assembly. Subject to an annual audit by an independent certified auditor	Before a competent court

<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Council for Radio and Television Broadcasting	Reports annually to Prime Minister and Deputies	Appeals permitted on the merits of the decision - fully re-examining it
<b>Czech Republic</b> Telecommunications Office	Annual Reports to Cabinet and the Ministry of Transport and Communication	Some decisions can be appealed before the President; otherwise through the courts
<b>Hungary</b> Hungarian Communication Authority (HIF)	Annual report to Government on finances, activities and state of communications markets	Before the central agency, the President of the Authority or before the courts
<b>Poland</b> Office of Telecommunications and Post Regulation (URTIP)	Annual report to the Minister of Communication	Administrative procedure; the District Court in Warsaw against SMP and financial penalties decisions
<b>Slovak Republic</b> Office of Telecommunications	n.a.	n.a.

**Note:** The information in these tables has been obtained from an OECD questionnaire completed by consultants in each South and Central Eastern European country.

## Annex 5.

### CO-ORDINATION OF INDEPENDENT REGULATORS WITH OTHER BODIES IN SEE AND SELECTED OECD COUNTRIES

#### Competition

Name	Sectors under authority	Co-ordination with other authorities
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Directory of Competition	All sectors	No legal enforcement for cooperation with other regulators
<b>BiH</b> The Council of Competition	All economic agents and their acts within BiH territory or a part of it, including acts done abroad and having effects on the BiH territory	n.a.
<b>FBiH</b> Office of Competition and Consumers Protection	All economic agents, administrative and other bodies in the territory	n.a.
<b>FBiH/RS</b> Office of Competition and Consumers Protection	Competition; consumer protection; industrial products protection	n.a.
<b>Bulgaria</b> Commission on Protection of Competition	Industry, telecommunications, state aid, financial markets, etc.	The Commission must be rendered assistance by all public administration entities and representatives (e.g. the National Statistics Institute) and those subject to investigations
<b>Croatia</b> Agency for the Protection of Market Competition	All sectors (to a limited extent over public utilities). No control over the application of the Law on Protection of Market Competition, under specified conditions to contractual relations in the labour, collective contracts, commission agents and agents - principal relations	Established Cooperation Committees with bodies that regulate specific competition issues and it also cooperates with the Chamber of Commerce, the Statistical Office and the Central Depository Agency
<b>Macedonia</b> Anti-Monopoly Office & Anti-Monopoly Commission	All state-owned and private firms engaged in commercial activity including the energy sector, water, other public utilities (excl. air carriers, railways and public transportation, companies in transport and logistics, the National Bank, loan and credit institutions, insurance companies, associations for intellectual property rights, and public interest activities)	The Government and Parliament
<b>Moldova</b> National Agency for the Protection of Competition (not yet created)	All sectors	Authorities of the central and local public administration bodies
<b>Romania</b> Competition Office	All economic sectors, except for the labour market and the labour relationship and the monetary market and the securities market, to the extent that free competition in these markets is subject to special regulations	Competition Council
<b>Romania</b> Competition Council	All economic sectors, except for the labour market and the labour relationship and the monetary market and the securities market, to the extent that free competition in these markets is subject to special regulations	Competition Office, sectoral regulators, ministries, other public institutions, the Courts of Law, business community
<b>Serbia</b> Antimonopoly Commission	All economic agents holding a monopoly/dominant position on the market	n.a.
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Office for the Protection of Competition	Most business and commercial sectors, focusing on anti-monopoly, state aid and public procurement	Energy Regulatory Office; other regulatory bodies; the Ministries of Industry and Trade; Finance; Labour and Social Affairs

<b>Hungary</b> Hungarian Competition Authority (GVH)	All sectors, except for those excluded from the scope of the Competition Act by law	Memorandum of understanding/co-operation with the Communications Authority; with the Hungarian Energy Office mandated by law
<b>Poland</b> Office for Competition and Consumer Protection (OCCP)	All sectors dealing with competition issues	Head of the National Centre of Criminal Information; territorial self- government authorities; national and international social consumers organisations; the President of URTiP
<b>Slovak Republic</b> Antimonopoly Office	All sectors	EU, international bodies, Ministry of Economy
<b>Slovenia</b> Competition Protection Office	All sectors	EU, international bodies

## Energy

Name	Sectors under authority	Co-ordination with other authorities
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Electricity Regulatory Entity (ERE)	Electricity	n.a.
<b>BiH</b> National Electricity Regulatory Commission (NERC)	Electricity market: transmission, control and trading will be organised on the state level; generation and distribution at the entity level	BiH PA HoR Committee on Transport and Communications (CTC)
<b>BiH/RS</b> Ministry of Economy, Energy and Development (Sector for Energy and Electric Power Utility; Sector for Oil and Gas and Sector for Mining)	Energy sector: production and transmission	n.a.
<b>BiH</b> Department of Utilities (Electric Power Division)	n.a.	n.a.
<b>Bulgaria</b> State Energy Regulatory Commission (SERC)	Electricity, heating and natural gas	All state bodies, companies of the energy sector and public officials
<b>Croatian</b> Energy Regulatory Council (CERC)	Electricity, gas, oil and oil derivatives	A Co-operation Committee is established with Agency for the Protection of Market Competition; also coordinates with the Energy Institute, Ministry of Economy and the Statistical Office
<b>Macedonia</b> Energy Regulatory Commission	Electricity, gas and district heating	Ministry of Economy, Department of Energy
<b>Moldova</b> National Energy Regulatory Agency (NERA)	Energy sector	All other authorities of the central and local public administration bodies
<b>Montenegro</b> Ministry of Economy	Electricity grid	n.a.
<b>Romania</b> Electricity and Heat Regulatory Authority (ANRE)	Electricity sector including cogeneration of heat	Competition Council and with the Office for Consumers Protection, National Authority for Municipal Services, public institutions, ministries, NGOs, unions and economic agents active in the field of electric and thermal energy
<b>Romania</b> Natural Gas Regulatory Authority (ANRGN)	Natural gas sector	Competition Council and with the Office for Consumers Protection, National Agency for Mineral Resources, public institutions, ministries, NGOs, unions and companies active in the natural gas sector
<b>Romania</b> National Romanian Regulator of Communal Services (ANRSC)	All the operators from district heating services, irrespective of administration form – direct or delegated – exclusive the operators who produce combined heat and power. ANRSC also regulates the other municipal services operators – water supply and sewerage service, sanitation service, public transportation service and public lighting service	Competition Council and the Competition Office, with the National Authority for Consumers Protection, with the ministries and other public institutions, with the professional associations from municipal services, with consumers associations, with the services operators and with employers associations
<b>Serbia</b> Energy Regulatory Agency	Sectors engaging in energy-related activities	n.a.
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Energy Regulatory Office	Electricity, gas and heat	Office for the Protection of Competition; other regulatory bodies; Industry and Trade Ministry, the Energy Inspectorate; participation in Parliament Club sessions of the House of Deputies
<b>Hungary</b> Energy Office (MEH)	Electricity, gas and heat	Law for procedures of governmental organisations
<b>Poland</b> Office for Energy Regulation (ERA)	Electricity, gas and heat	Informal procedure with Office for Competition and Consumer Protection (OCCP)
<b>Slovak Republic</b> Regulatory Office for Network Industries (URSO)	Electricity, gas and heat (generation, purchase, transmission and distribution)	n.a.
<b>Slovenia</b> Energy Agency of Slovenia (ERA)	Electricity and gas	n.a.

## Financial

Name	Sectors under authority	Co-ordination with other authorities
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Insurance Supervision Commission (ISC)	Insurance and reinsurance activities (excl. Social Insurance Institute, Health Insurance Institute)	Permitted to exchange information with other regulatory entities that control stock exchanges, financial markets, market competition, financial investments, etc.
<b>Albania</b> Banking Supervision Department	Banking system, non-bank financial institution allowed to carry out only part of banking activities excluding deposit taking (included Savings and Loans), Forex Bureaus	Deposit Insurance Agency, Anti-Money Laundering Authority in the Ministry of Finance, other public institutions and legal authorities
<b>FBiH</b> Banking Agency (FAB)	Banking sector monitoring and regulation	Central Bank
<b>FBiH</b> Bank-Deposit Insurance Agency	Banking sector, deposit insurance system. In RS no funds have been reserved to cover relevant interventions and no RS banks have qualified for membership in the scheme	n.a.
<b>FBiH</b> Securities Council	n.a.	n.a.
<b>FBiH</b> Securities Commission	n.a.	n.a.
<b>Bulgaria</b> Banking Supervision Department	Banks, including branches of foreign banks	Competition Authority and the Financial Supervision Commission
<b>Bulgaria</b> Financial Supervision Commission	Non-banking financial sector: securities trading, investment intermediaries, investment companies, insurance and pension funds	National Bank, the competition authority and the National Social Security Institute
<b>Croatia</b> Croatian Securities Commission	Securities market	Central Depository Agency and the Ministry of Finance
<b>Macedonia</b> Supervisory Department at the National Bank of Macedonia (NBM)	Banking and savings institutions	Ministry of Finance
<b>Macedonia</b> Securities & Exchange Commission	Securities market (banks, securities, exchanges, etc.)	Ministry of Finance
<b>Montenegro</b> Securities Commission	Capital market	n.a.
<b>Romania</b> Romanian National Securities Commission (RNSC)	All capital markets and non-banking financial services agents	National Bank, the Commission for the Supervision of Insurance, the Competition Council, legal authorities and public institutions
<b>Serbia</b> Securities Commission	Securities market	Federal Ministry of Finance, NBS and Stock exchange
<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Banking Supervision Department, Czech National Bank (CNB)	Commercial and foreign banks	Securities Commission, the Ministry of Finance, the Government, the Bank Association and the Chamber of Auditors
<b>Czech Republic</b> Czech Securities Commission	Capital markets	National Bank, the Ministry of Finance and the Chamber of Auditors
<b>Hungary</b> Hungarian Financial Supervisory Authority (HFSA)	All organisations engaged in financial services, investment and fund management activities, securities and commodity exchange transactions, insurance, pension funds, health funds and income replacement funds	Parliament, Ministry of Finance, National Bank, Competition Office and other state authorities
<b>Poland</b> General Inspectorate of Banking Supervision (GINB)	Domestic commercial banks, cooperative banks, or a branch or agency of a domestic bank abroad and comprehensive offices of foreign banks	Securities and Exchange Commission, the Insurance and Pension Funds Supervisory Commission, the Bank Guarantee Fund, the Polish Banking Association the National Chamber of Certified Auditors and rating agencies
<b>Poland</b> Insurance and Pension Funds Supervisory Office (KNUiFE)	Insurance sector, retirement pension funds, employees' retirement pension schemes	State administrative bodies and other institutions regarding insurance and the Head of National Criminal Information Centre
<b>Poland</b> Public Procurement Office (PPO)	Public finance sector, state and municipal organisational units; state agencies; public radio, television and health care units; co-operatives, foundations and associations administering public funds	Ministry of Finance; President of Office for Competition and Consumer Protection

<b>Poland</b> Securities Exchange Commission (SEC)	Public trading, commodity exchanges, stock exchange clearing houses, commodity brokers, brokerage houses and the activities of warehouses	Governmental administrative bodies; the National Bank, participants in public securities trading and the National Criminal Information Centre
<b>Slovak Republic</b> Financial Market Authority (FMA)	Securities trading, branch offices of a foreign trader with securities, investment services providers, Security Stock Exchange, Securities Central Depository, trustee companies, shareholders funds, insurance companies, branch offices of foreign insurance company and insurance brokers	Ministry of Finance on drafting legislative regulations and foreign supervisory authorities
<b>Slovenia</b> Banking Supervision Department (Bank of Slovenia)	Banks, savings banks, Savings and Loan Undertakings	Memo of Understanding between the Bank of Slovenia, the Insurance Supervision Agency and the Securities Market Agency
<b>Slovenia</b> Insurance Supervision Agency	Insurance companies, pension Companies, Insurance brokerage firms, insurance mediation firms, Slovene Nuclear Pool, Slovene Insurance Association - Compensation Fund	Memo of Understanding between the Bank of Slovenia, the Insurance Supervision Agency and the Securities Market Agency
<b>Slovenia</b> Securities Market Agency	Stock-broking firms, investment funds and management companies, stock exchanges, clearing depository houses, public companies, mutual pension funds	Memo of Understanding between the Bank of Slovenia, the Insurance Supervision Agency and the Securities Market Agency

## Telecommunications

Name	Sectors under authority	Co-ordination with other authorities
<b>SOUTH EAST EUROPEAN COUNTRIES</b>		
<b>Albania</b> Telecommunication Regulatory Entity (TRE)	Telecommunication	No legal enforcement for co-operation with other regulators
<b>FBiH</b> Ministry of Communications and Transport	Communications and transport	n.a.
<b>FBiH</b> Ministry of Transport and Telecommunications (Department for Communications)	Telecommunications and postal sectors, except for establishment and functioning of the joint and international communication devices	n.a.
<b>FBiH</b> Communications Regulatory Agency (CRA)	Telecommunications (fixed telephony, GSM, Internet service providers, networks), radio frequency spectrum and broadcasting (formerly controlled by the Independent Media Commission and the Telecommunications Regulatory Agency)	The Council of Ministers and the Ministry of Transportation and Communications
<b>FBiH/RS</b> Ministry of Transport and Communications (Assistant Minister for Telecom, MTAC)	n.a.	n.a.
<b>Bulgaria</b> Council of Electronic Media	Radio and TV broadcasting	Communications Regulation Commission
<b>Bulgaria</b> Communications Regulation Commission	Telecommunications, postal services and services related to electronic signature	Competition Authority and the Council of Electronic Media
<b>Croatia</b> Telecommunication Council	Telecommunications	Ministry of Maritime Affairs, Traffic and Communications and the Croatian Telecommunication Institute
<b>Croatia</b> Radio and Telecommunications Council	Radio and television	Ministry of Maritime Affairs, Traffic and Communications
<b>Macedonia</b> Council for Radio & TV Broadcast	Broadcasting of State and commercial radio and TV stations	Parliament and Ministry of Transport
<b>Macedonia</b> Directorate for Telecommunications	Access to telecommunications network, public telecom operators for public fixed and mobile telecommunication network, and frequency licensing	Ministry of Transport and Communications
<b>Moldova</b> National Regulatory Agency for Telecommunications and Informatics	Telecommunications and information technologies	Consults the Government
<b>Montenegro</b> Agency for Telecommunication	Sector of telecommunications	n.a.
<b>Romania</b> General Inspectorate for Communications and Information Technology (GICIT)	Electronic communications sector surveillance and control, in accordance with the legal provisions and the implementation at the national level of those projects providing public services by electronic means in compliance with the national strategy in the field of the information technology	Ministries, police and other public agencies
<b>Romania</b> National Regulatory Authority for Communications (NRAC)	Electronic communications, postal sectors, and public communication networks	Competition Council
<b>Serbia</b> Republican Telecommunications Agency	Telecommunication activities	n.a.

<b>CENTRAL EASTERN EUROPEAN COUNTRIES</b>		
<b>Czech Republic</b> Czech Council for Radio and Television Broadcasting	Radio and television broadcasting	Regular monthly exchanges of information with Telecoms Office
<b>Czech Republic</b> Czech Telecommunications Office	Telecommunications	Monthly exchange of information with Council for Radio and Television Broadcasting
<b>Hungary</b> Hungarian Communication Authority (HIF)	Wire, radio, information technology, electronic signatures, postal services	Established cooperation agreements with the Competition Authority and the Consumer Protection Agency
<b>Poland</b> Polish Office of Telecommunications and Post Regulation (URTIP)	Telecommunications and postal services	National Council for Radio and Televisions, the Office for Competition and Consumer Protection, the President of OCCP, the Defence Ministry and the National Security Agency

<p><b>Slovak Republic</b> Slovak Office of Telecommunication</p>	<p>Telecommunications</p>	<p>Council of the Slovak Republic for Radio and Television Broadcasting as mandated by law</p>
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**Note: The information in these tables has been obtained from an OECD questionnaire completed by consultants in each South and Central Eastern European country.**

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**Annex 6.**

**LIST OF CONTACTS**

**INVESTMENT COMPACT FOR SOUTH EAST EUROPE**

**COUNTRY ECONOMIC TEAMS**

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