

Theoretical and Practical Research in Economic Fields

Quarterly

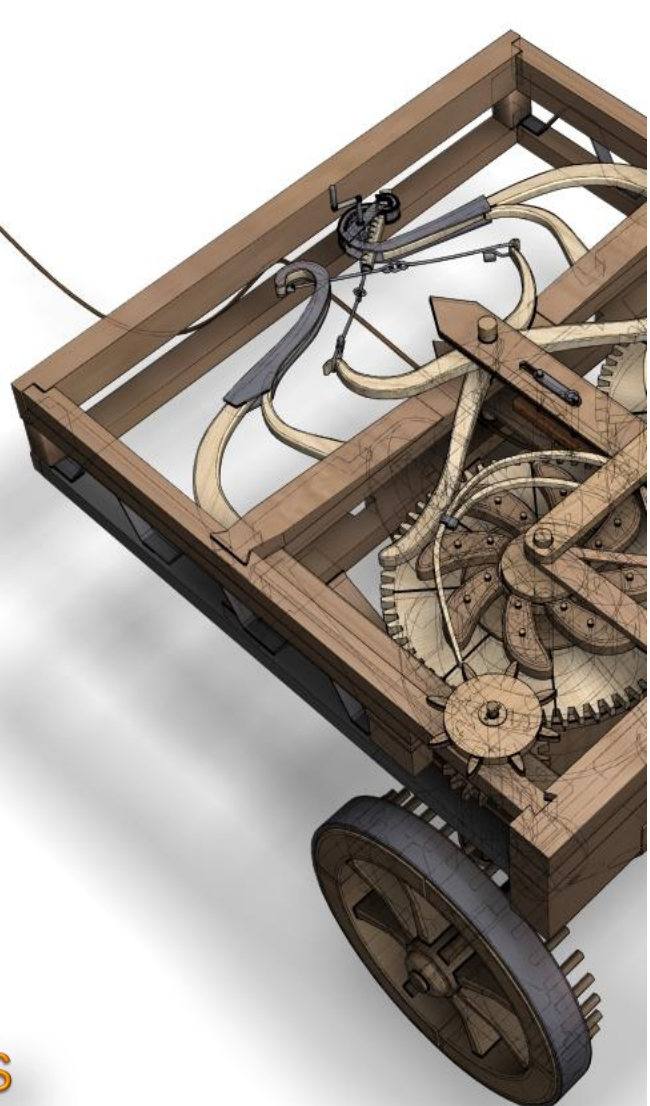
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Call for Papers Winter Issue Theoretical and Practical Research in Economic Fields

Many economists today are concerned by the proliferation of journals and the concomitant labyrinth of research to be conquered in order to reach the specific information they require. To combat this tendency, **Theoretical and Practical Research in Economic Fields** has been conceived and designed outside the realm of the traditional economics journal. It consists of concise communications that provide a means of rapid and efficient dissemination of new results, models, and methods in all fields of economic research.

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Democratic Transition and Independence of the Central Bank: The Case of Tunisia

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Abstract: After the revolution, the demands of the Tunisian people in terms of democracy, transparency, and independence of institutions have not stopped. It is in this context that the pressure exerted by the Tunisian parliament to revise the statute of the Central Bank of Tunisia (CBT) to demand more independence. This study aims to assess the degree of independence of the CBT before and after the democratic transition that characterizes the political life of the country. The degree of independence has been assessed according to the calculation of the legal index based on the evolution of the statutes governing the organization and missions of the CBT since its creation. The calculations carried out on the basis of the various statutes made it possible to notice a significant improvement in the degree of independence, and this, in accordance with the theoretical predictions, the more the country tends towards democracy, the more the independence of the Central Bank is required. Overall, the democratic transition has had a favorable effect on the evolution of the degree of independence of the CBT, as evidenced by the improvement recorded in the score in 2016.

Keywords: tunisian revolution; democratic transition; the legal index; different statuses of CBT.

JEL Classification: E58; E50.

Introduction

The Central Bank is a monetary policy body, and nowadays it plays an important role in price and financial stability. The nature of its tasks, the responsibilities entrusted to it, its various other functions and its operation vary from one country to another and more precisely from one degree of democracy to another (Jézabel, 2012).

The inflation crises in developed countries in the 1970s, the transformations of the international financial system and the advent of globalized capital markets in the 1980s have changed the conditions under which monetary policy is exercised and the expectations of the general public (Jézabel, 2012).

Initially seen as instruments of government economic and financial policy, central banks in countries with developed financial markets have become independent authorities dedicated primarily to the maintenance of a fundamental public good: price stability. In other countries, central banks have remained an instrument aimed more directly at supporting economic activity (Duchaussoy, 2016).

Several arguments have been put forward in the economic literature in favor of Central Bank independence as an essential factor justifying price and monetary stability and making it possible to achieve real economic growth in the medium and long term (Vignolles, 2012).

The experience of certain countries, particularly the most developed, shows that their mode of political organization largely determines the status attributed to the Central Bank. Indeed, the more a country's regime tends towards the separation and balance of powers, and therefore towards democracy, enshrined in the rules of good governance, the more independent the Central Bank is (Duchaussoy, 2016).

This question of Central Bank independence is, however, complex for developing countries, particularly because of the divergence of the objectives of the Central Bank from those of pressure groups and even of society as a whole. It would therefore be interesting to dig deeper into the issue of the independence of a Central Bank, especially in the context of the political and economic transition currently characterizing Tunisia, in order to decide on the effectiveness of this independence.

This paper is organized as follows. Section 2 provides a historical overview of the Central Bank's independence. Section 3 presents previous literature reviews. Section 4 describes the evolution of the CBT's regulatory framework and statutes before and after the transition. Section 5 presents the basic methodology used in this paper. Section 6 discusses the analyses and results. Section 7 draws conclusions.

1. Historical Overview of Central Bank Independence

The 1990s were marked by a relatively generalized move towards the adoption of an independent Central Bank. The particularity of this evolution is not in independence itself but in the extent of its diffusion.

Indeed, independent central banks have existed for several decades, such as the Bundesbank (1957) or the Swiss bank (Cukierman, 1994).

Thus, Central Bank independence became the most frequent option in several countries: New Zealand (1990), Italy (1993), and France (1994).

With the creation of the European Central Bank (ECB) (1999), the countries participating in the euro had to adapt the statutes of the central banks to the independence of the ECB. The same evolution is also observed in the Eastern countries: Hungary (1991) and Russia (1993).

Finally, emerging and developing countries have followed the same trend, at least at the legal level, sometimes on the advice of the International Monetary Fund (IMF).

This evolution can be explained by different elements:

- The international monetary context (the end of the Bretton Woods system and the difficulties of the European Monetary System) as well as the shortcomings of the monetary rules having pushed economists to identify new solutions to ensure monetary stability.
- The success of the Bundesbank and the Swiss National Bank in the fight against inflation was an interesting precedent that needed to be explored further. Indeed, when drafting the ECB's statutes, legislators were inspired by the texts and laws governing the German bank (Aguir, 2013).

2. Literature Review

Since 1980, several economists have tried to develop some indices to measure the degree of independence of the Central Bank. Bade and Parkin (1982) base their index on political independence, which is defined as the ability of the Central Bank to choose its policies without the influence of the government. Alesina (1988) analyzes the independence of the Central Bank from the point of view of the intervention of the Central Bank in financing the budget deficit. Grilli et al (1991) used 15 variables reflecting political and economic independence. They introduced more comprehensive indices for Central Bank independence. They applied this index to a sample of 18 developed countries over the period 1950-1989. Cukierman *et al.* (1992) developed a legal index of Central Bank independence, which reflects the degree of independence that the legislator confers on the central bank. This investigation was based essentially on the legal texts concerning the organization of the activities of the central bank. In this context, several studies have been conducted on the evolution of the degree of independence of the Central Bank in several countries. Crowe and Meade (2007) show that the degree of Central Bank independence increased sharply between the period 1980-1989 and 2003. Dincer and Eichengreen (2014) using *de jure* indicators of Cukierman *et al.* (1992), show that central banks are overall more independent in 2010 than they were in 1998. Masciandaro and Romelli (2015) show a decline in the degree of economic independence of central banks after the global financial crisis in connection with the stronger involvement of central banks in financial stability issues. Haan and Eijffinger (2017) confirm recent assessments of the degree of independence after the crisis using *de jure* and *de facto* indicators (based on central bankers' turnover).

3. The Evolution of the CBT 's Regulatory Framework and Statutes before and after the Transition

3.1. Before the Transition

September 19, 1958: Promulgation of the law number 58-90 on the creation and organization of the Central Bank of Tunisia.

November 3, 1988: Global reform of the organic texts of the CBT, law number 1988-119 of November 3, 1988, having allowed:

- Replacing the functions of the two deputy governors and the secretary general by that of a vice-governor in charge of assisting the governor;
- To further clarify the role of the CBT in order to defend the value of the national currency and to ensure its stability;

- Prohibit the CBT from participating in the capital of resident companies and transfer to the State all its holdings in these companies.

April 2000 (Law number 2000-37 of April 4, 2000):

- Extension of the scope of intervention of the Central Bank of Tunisia by allowing it to take in pension to banks of negotiable public bills as well as any claim or value on companies and individuals on a list determined by its board of directors;

- Authorization for the CBT to participate in the share capital of companies whose purpose is the management of common banking services.

May 2006: Amendment of the organic law creating the CBT, law number 2006-26 of May 15, 2006.

The main contributions concern:

- The redefinition of the attributions of the Central Bank of Tunisia whose main mission is, henceforth, to ensure price stability.
- Strengthening of the transparency policy.
- Strengthening of the independence of the CBT.
- Strengthening of control and audit operations.

3.2. After the Transition

After the January 14 revolution, and in the perspective of a democratic transition approach based on the separation of powers, the functional independence of the Central Bank has been, in a practical way, strengthened, and this, in accordance with a consensus between the stakeholders, namely the Presidency of the Republic and the Government.

- The constituent law number 2011-6 of December 16, 2011, relating to the provisional organization of public powers, by its article 26, has improved the degree of organic independence of the Central Bank of Tunisia.

- Changing the method of appointment and dismissal of the Governor, who is appointed by a republican decree after consultation between the President of the Republic and the Head of Government. This appointment becomes effective only after its approval by the majority of the members present at the National Constituent Assembly during the 15 days following the presentation of the proposal to the assembly.

- The National Constituent Assembly shall have the power to remove the Governor from office at the request of at least one-third of its members.

- The members of the Board of Directors of the Central Bank of Tunisia are appointed by a republican decree after consultation between the President of the Republic, the Head of Government and the President of the National Constituent Assembly. This same procedure must be followed in the event of dismissal.

- Law number 2016-35 of 25-04-2016, on the statutes of the Central Bank of Tunisia (published only in Arabic in the Jort number 35 of 29-04-2016) - Repeals and replaces the law number 58-90 of 19-09-1958).

4. Method

4.1. Objective: To prove that Tunisia's democratic transition has allowed the Central Bank to achieve greater independence.

4.2. Measure of independence: According to the legal index of Cukierman (1992), known as CWN and from the main regulations of the Central Bank of Tunisia from the 1958 law until the law of 2016.

4.3. Presentation of the model: This index is made up of four characteristics and each characteristic is made up of a set of sub-indexes. Each sub-index is assigned a score and specified by a weight.

4.4. Methodology: based on an examination of the various Central Bank statutes from 1958, 1988, 2006 and 2016, a score was assigned to each sub-index corresponding to each year.

4.5. Function: an overall function was constructed in accordance with the legal index to measure the degree of independence of the Central Bank of Tunisia.

Global function : $G_{xt} = I_{xt} + F_{xt} + O_{xt} + L_{xt}$

G_{xt} : global function to calculate the degree of independence for each year.

I_{xt} : function of calculation of the degree of independence of the first characteristic (the independence of the managers).

F_{xt} : function to compute the degree of independence of the second characteristic (monetary policy formulation).

Oxt: function for calculating the degree of independence of the third characteristic (objectives assigned to the Central Bank).

Lxt: function for calculating the degree of independence of the fourth characteristic (limitation of credits to the government), x denotes the weight corresponding to each characteristic; t represents the time horizon (1958, 1988, 2006, 2016).

Feature-specific function:

$FS = \sum St*P$ where FS: represents the specific function of lxt, Fxt, Oxt, and Lxt.

S: score assigned to each sub-index of each feature.

P: weight assigned to each sub-index of each characteristic.

5. Results and Analysis

5.1. Management Independence

Independence was assessed through the following sub-indexes :

- Term of office.
- Procedure for appointing the governor.
- Conditions for removal of the governor or board members.

Table 1. Independence of Officers

Year	Weight		1958		1988		2006	2016
			Organic number 58-90	law	Amendment law number 1988-119		Amendment law 2006-26	Law number 35-2016
Independence of Management	0,20	Score FS	0,088		0,088		0,088	0,142
a) Term of office	0,05	Answer	6 years		6 years		6 years	6 years
		Regulatory reference	art 9		art 9		art 9	art 46
		Score	0,75		0,75		0,75	0,75
b) Procedure for Appointing the Governor	0,05	Answer	Executive (decree)	power	Executive (decree)	power	Executive power (decree)	Collective decision (executive and legislative)
		Regulatory reference	art 8		art 8		art 8	art 46
		Score	0		0		0	0,75
c) Conditions for removal of the governor or board members	0,05	Answer	Executive power without condition of reason					Legislative power without condition of motive +Proposal of the head of government
		Regulatory reference	art 9		art 9		art 9	art 46
		Score	0		0		0	0,33
d) Are there any other duties that the governor or board members may perform?	0,05	Answer	No		No		No	No
		Regulatory reference	art 20		art 20		art 20	art 54
		Score	1		1		1	1

5.1.1 Justification of the Scores Attributed

▪ According to article 9 of the 1958, 1988 and 2006 statutes and article 46 of the 2016 statutes, the governor is appointed for a term of six years, which justifies the assignment of a score of 0.75.

▪ According to article 8 of the Statutes of 1958, 1988 and 2006, the governor is appointed by the executive branch, which justifies the allocation of a score of 0. In addition, according to article 46 of the Statute 2016, the governor is appointed under the terms of article 78 of the Constitution, which provides that this appointment is made on the proposal of the head of government and after approval of the absolute majority of the majority of members of the Assembly of People's Representatives. The corresponding index score is 0.75.

▪ According to article 9 of the 1958, 1988 and 2006 statutes, the governor can only be relieved of his duties by decree of the executive branch without any reason, which justifies the attribution of the mark 0. But according to article 46 of the 2016 statutes, the governor can only be relieved of his duties by the legislative branch without any reason, which justifies the attribution of the mark 0.33 provided by the index.

▪ Regarding the answer to the question about the possibility for the Governor and the members of the Council to exercise other functions, the different laws of 1958, 1988 and 2006 did not mention it in an explicit way. However, article 20 of the above-mentioned statutes provides that in the exercise of their functions, the councilors are independent of the services, associations, unions or organizations to which they may belong.

Despite the absence of an explicit prohibition and referring to article 20, note 1 was retained.

With respect to the 2016 statute and according to its article 54, there is an explicit prohibition for the governor and council members to exercise other functions, which justifies the attribution of the note 1.

5.1.2 Interpretation

The leadership independence score increased from 0.088 to 0.142. This shows that the democratic transition in Tunisia, which resulted in a new regulation of the CB, has given managers more independence.

The increase in the score is explained by the change in the procedure for appointing and terminating the governor, which was through the various previous regulations (1958, 1988, 2006) at the discretion of the executive branch (President of the Republic) and has just been modified in 2016 by a consent of the executive branch after approval of the legislative branch.

5.2. Monetary Policy Formulation

It was assessed through the following sub-indexes:

- Who formulates monetary policy?
- The weight of the CB in the resolution of conflicts with the government.
- The involvement of the CB in the budget process.

Table 2: Monetary Policy Formulation

Year	Weight		1958	1988	2006	2016
			Organic law number 58-90	Amendment law number 1988-119	Amendment law 2006-26	Law n° 35-2016
Monetary policy formulation	0,15	Score FS	0,017	0,017	0,034	0,100
a) Who sets monetary policy?	0,05	Answer	Government Advisor art 34	Government Advisor art 34	Little power art 33	Alone art 8
		Regulatory reference Score	0,33	0,33	0,67	1
b) Weight of the Central Bank in the resolution of conflicts with the government	0,05	Answer	Executive power decides unconditionally (CB informs the President of the Republic)			The bank has the last word art 2
		Regulatory reference Score	art 34	art 34	art 34	
		Score	0	0	0	1
c) Participation of the CB in the budget process	0,05	Answer	Doesn't intervene	Doesn't intervene	Doesn't intervene	Doesn't intervene
		Regulatory reference	No text could justify the intervention of the CB in the budgetary process, however, article 33 speaks of the possibility for the CB to propose to the government any measure likely to exert a favorable action on the public finances.			
		Score	0	0	0	0

5.2.1 Justification for the Scores Assigned

▪ According to article 34 of the 1958 and 1988 statutes, the Central Bank is the government's advisor in the formulation of monetary policy, which justifies the assignment of a score of 0.33. With the law of 2006 and according to its article 33, the Central Bank was assigned the general mission of preserving price stability and to achieve this mission it is required to "ensure monetary policy" thus giving it some power in the formulation of monetary policy. This justifies the attribution of a score of 0.67.

▪ With regard to the 2016 statute, it was mentioned in article 8 that the Central Bank alone formulates monetary policy, which justifies the attribution of a grade of 1.

▪ According to article 34 of the 1958, 1988 and 2006 statutes, the executive branch decides unconditionally in the case of a conflict between the Central Bank and the government, which justifies the awarding of the grade 0. Whereas according to the 2016 statute and according to article 2, the Central Bank has the final say in conflicts between the Central Bank and the government. It is independent in the achievement of its objectives and the performance of its functions justifying the assignment of the grade 1.

▪ Concerning the participation of the Central Bank in the budgetary process, there is no text that could justify the intervention of the CB in the budgetary process. However, article 33 speaks of the possibility for the CB to propose to the government any measure that could have a favorable effect on public finances. This lack of justification for their intervention in the process justifies the assignment of a score of 0.

5.2.2 Interpretation

The score obtained for the degree of independence of the Central Bank in the formulation of monetary policy increased from 0.017 in 1958 to 0.1 in 2016. This improvement reflects the gradual evolution at the legal level towards a greater involvement of the CB in the formulation of monetary policy.

5.3. Objectives assigned to the Central Bank

Table 3. Objectives assigned to the Central Bank

Year	Weight		1958	1988	2006	2016
			Organic law number 58-90	Amendment law number 1988-119	Amendment law 2006-26	Law number 35-2016
Objectives assigned to the Central Bank	0,15	Score FS	0,000	0,090	0,120	0,150
		Answer	Objectives other than price stability (control of money circulation and credit distribution)	The stability of the value of money	Price stability	Price stability and having the last word in case of a conflict of objectives
	0,15	Regulatory reference Score	art 33	art 33	art 33	art 7
			0	0,6	0,8	1

5.3.1 Justification of the score assigned

According to article 33 of the Statute of 1958, the Central Bank has an objective other than price stability (control of money circulation and credit distribution), which justifies the assignment of the score of 0.

On the basis of the law of 1988 and according to the same article, the Central Bank has as an objective the stability of the value of money, which justifies the attribution of the score of 0,6. Since 2006, the Central Bank's objective has been price stability, which justifies the awarding of a score of 0.8.

With regard to the 2016 law, according to article 7, the Central Bank's priority or essential objective is price stability. At the same time, it participates in the preservation of financial stability allowing the achievement of the objectives of the economic policy of the State, particularly in terms of growth and employment. Referring to the scores attributed by the index to the different proposals, the score of 1 has been retained.

5.3.2 Interpretation

The score for the objectives assigned to the Central Bank rose from 0 in 1958 to 0.090 in 1988, to 0.120 in 2006 and to 0.150 in 2016, reflecting a gradual improvement in the Central Bank's independence in setting its objective of price stability.

5.4. Limits on Government appropriations

They were assessed through the following sub-indexes:

- Monetary advances to the government.
- Advances against securities.
- Borrowing conditions (maturity, interest, amount).
- Potential borrowers from the Central Bank.
- Limits of Central Bank loans to the government.
- Maturity of loans.
- Interest rates on advances.
- Is the Central Bank allowed to buy or sell government securities on the primary market?

Table 4. Credit or Government Limits

Year	Weight		1958 Organic law number 58-90	1988 Amendment law number 1988-119	2006 Amendment law 2006-26	2016 Law number 35- 2016
Limitation of government appropriations	0,50		0,132	0,199	0,475	0,475
a) Cash advances to the government	0,15	Answer Regulatory reference Score	Strict limits art 50 0,67	Strict limits art 50 0,67	No advance art 47 bis 1	No advance art 10 1
b) Advances against securities	0,10	Answer Regulatory reference Score	No limits art 49 0	Strict limits New art 48 0,67	Not allowed art 47 bis 1	Not allowed art 10 1
c) Borrowing conditions (maturity, interest, amount)	0,10	Answer Regulatory reference Score	The government art 49 0	The government New art 48 0	Not allowed art 47 bis 1	Not allowed art 10 1
d) Potential borrowers from the CB	0,05	Answer Regulatory reference Score	The public sector art 43 0	The public sector New art 41 0	Not allowed New art 41 1	Not allowed art 26 1
e) The limits on CB's contribution to the government are defined as	0,025	Answer Regulatory reference Score	Government Revenue art 50 0,33	Government Revenue art 50 0,33	Not allowed art 47 bis 1	Not allowed art 10 1
f) Loan maturity	0,025	Answer Regulatory reference Score	< 1 year art 50 0,67	< 1 year art 50 0,67	Not allowed art 47 bis 1	Not allowed art 10 1
g) Interest rates on advances should be	0,025	Answer Regulatory reference Score	No mention 0,25	No mention 0,25	Not allowed Not defined 1	Not allowed 1
h) Is the CB allowed to buy or sell government securities on the primary market?	0,025	Answer Regulatory reference Score	No Not defined (only the rediscount) 0	No art 47 bis 0	No art 47 bis 0	No art 10 0

Interpretation

The score rose from 0.0132 in 1958 to 0.199 in 1988 and stabilized at 0.475 from 2006 onwards, as a result of the Central Bank's prohibition on granting credit to the government.

5.5. Discussions

The results obtained call for the following observations on our part:

- The degree of independence of the Central Bank recorded a progressive evolution during the study period from 0.236 in 1958 to 0.393 in 1988 and to 0.716 in 2006 to rise to (0.867) in 2016.

Table 5. Evolution of the degree of independence of the Central Bank of Tunisia

Year	Weight	1958	1988	2006	2016
		Organic law number 58-90	Amendment law number 1988-119	Amendment law 2006-26	Law number 35-2016
Independence of Management	0,20	0,088	0,088	0,088	0,142
Monetary policy formulation	0,15	0,017	0,017	0,034	0,100
Objectives assigned to the Central Bank	0,15	0,000	0,090	0,120	0,150
Limitation of government appropriations	0,50	0,132	0,199	0,475	0,475
Overall Score (Degree of independence)	1,00	0,236	0,393	0,716	0,867

▪ The Central Bank of Tunisia has been endowed, since its creation, with a certain margin of independence from the government. This has continued for a long period of time and has even been reinforced by setting, by law, the term of office of the governor at six years.

However, the problem of accountability of the Central Bank has persisted, particularly because the Governor has remained subject to the authority of the President of the Republic, which has made his independence relative, even ambiguous.

▪ This clearly shows that the independence of the Central Bank of Tunisia has not been acquired at any time (score below 1), including after 2011, that is to say, during the period of democratic transition that Tunisia is experiencing.

▪ Indeed, the possibility of making advances to the treasury, the conduct of a discretionary monetary policy, the appointment of all members of the board of directors by decree as well as the appointment and dismissal of the governor of the Central Bank by the president of the republic (especially before 2016) without any logical basis, etc., are only tangible evidence that the autonomy of the monetary authority is absent, or at least very limited.

▪ Since the Revolution (provisional constitution 2011), the Governor of the Central Bank has been regularly invited by the Finance Committee of the Assembly of People's Representatives and sometimes in plenary session to give his point of view on the laws that his institution or the government has filed with the legislator. This has been confirmed by the new statute of the Central Bank in its article 30, reflecting an improvement in the democratic aspect of the independence of the Central Bank of Tunisia.

▪ In addition, the governor of the Central Bank has also been invited to speak before the elected officials on important issues affecting the economic activity since 2011, a procedure affirmed by article 29 of the new law 2016 to justify that a certain level of independence of this institution does not mean the absence of any democratic control.

▪ Overall, the democratic transition has had a favorable effect on the evolution of the degree of independence of the Central Bank, as evidenced by the improvement in the score from (0.716) in 2006 to (0.867) in 2016.

▪ It should also be noted that in the context of the transition since 2011, which has been marked by institutional instability and recurrent changes in leadership, the independence of the Central Bank as displayed by its new statutes and the neutrality of its leaders, could protect this institution from frequent changes in political life and therefore ensure the stability of monetary policy.

▪ However, the attribution to the Central Bank of the objective of financial stability alongside the fundamental objective of price stability, risks obliging the Central Bank to practice non-conventional policies of massive money creation, which generate inflation.

Conclusions and Further Research

The idea of this article is to evaluate the degree of independence of the Central Bank of Tunisia before and after the democratic transition that characterizes the political life of the country.

The degree of independence has been assessed according to the calculation of the legal index based on the evolution of the statutes governing the organization and missions of the Central Bank since its inception.

The calculations made on the basis of the different statutes of the Central Bank have shown a significant improvement in the degree of independence, in accordance with theoretical predictions: the more the country tends towards democracy, the more the independence of the Central Bank is required.

The Central Bank of Tunisia has ensured, with reference to its new status (2016), price stability as a primary objective with a contribution to the achievement of financial stability, transparency and accountability, and a confirmation of its mission in financing the government.

Indeed, the establishment of mechanisms of good governance and transparency within the Central Bank, considered the main factors of economic success, especially in the context of democratic transition, allows to reassure both the general public and investors. The main objective is to achieve real economic growth in the medium and long term, which will preserve the interests of all stakeholders and improve social welfare.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of Use of Generative AI and AI-Assisted Technologies

The authors declare that they have not used generative AI and AI-assisted technologies during the preparation of this work.

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Annex

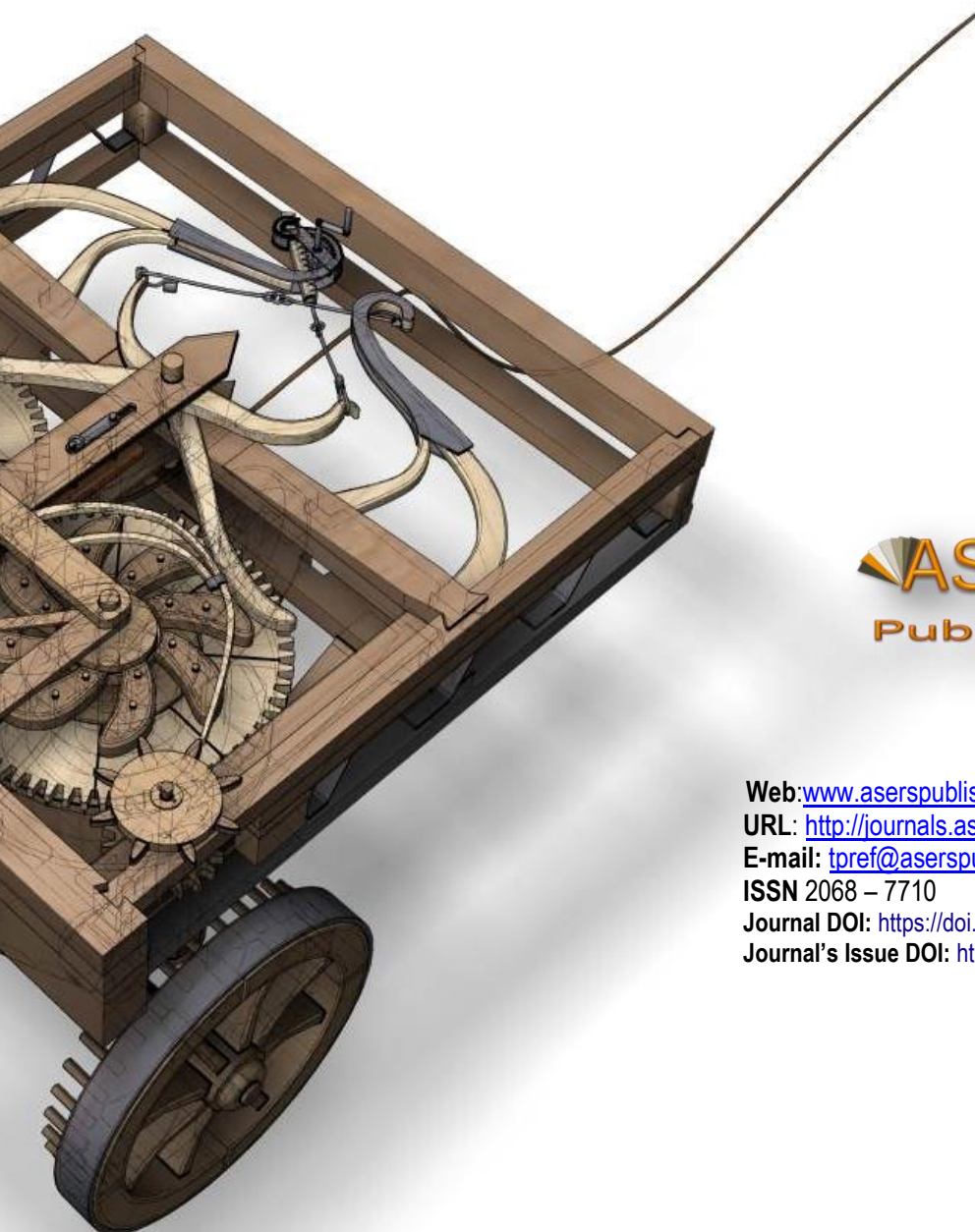
Table. Construction of the legal index

Characteristics	Weight	Scoe
1/ Independence of management	0,20	
a) term of office	0.05	
≥ 8 years		1,00
6 to 8 years		0,75
5 years		0,5
4 years		0,25
< 4 years or at the discretion of the appointing official		0,00
b) procedure for appointing the governor	0.05	
-CB Board of Directors		1,00
-collective decision of the CB, executive and legislative branches		0,75
-legislative power		0,5
-Executive power collectively (e.g. Council of Ministers)		0,25
-one or two representatives of the executive		0,00
c) conditions for removal of the governor or members of the board	0.05	
-not provided for by law		1,00
-for reasons unrelated to monetary policy		0,83
-at the discretion of the Board of Directors of the CB		0,67
-at the discretion of the legislature for reasons related to monetary policy		0,5
-at the discretion of the legislature without a requirement for cause		0,33
-at the discretion of the executive branch for reasons related to monetary policy		0,17
-at the discretion of the executive branch without a requirement for cause		0,00
d) may the governor or members of the board perform any other duties?	0.05	
-no		1,00
-Only with prior authorization of the executive power		0,5
-no regulations in this area		0,00
2/ Monetary policy formulation	0,15	
a) who formulates monetary policy?	0,05	
- the bank on its own		1,00
- the bank participates but has little power		0,67
- the bank is an advisor to the government		0,33
- the bank has no power		0,00
b) weight of the Central Bank in the resolution of conflicts with the government	0,05	
-the bank has the final say on its objectives as defined by law		1,00
- the government decides on matters that do not affect the statutory objectives of the CB or in the event of internal conflict within the CB		0,80
- a tripartite council (CB, executive and legislative branches) resolves disputes		0,60
- the legislature has the final say in monetary policy disputes		0,40
- the executive branch has the final say in monetary policy disputes, but according to a planned process and with possible protest from the CB		0,20
- the executive power decides unconditionally		0,00
c) participation of the CB in the budget process	0,05	
- CB plays an active role		1,00
-the CB does not intervene		0,00
3/ Objectives assigned to the Central Bank	0,15	
- price stability mentioned as the sole or priority objective, with the CB having the		1,00

Characteristics	Weight	Score
last word in case of conflicting objectives (other objectives: full employment, etc.)		
- price stability is the only objective		0,80
- the stability of the value of money is mentioned among other objectives such as the soundness of the banking system		0,60
- the stability of the value of money is associated with other objectives that are incompatible with it		0,40
- no objective specified		0,20
- objectives other than price stability		0,00
4/ Limitations on government appropriations	0,5	
a) monetary advances to the government	0,15	
- no advances are allowed		1,00
- advances allowed but within strict limits (e.g. maximum advances 15% of government revenues)		0,67
- advances allowed with rather loose limits (e.g. maximum advances beyond 15% of government revenues)		0,33
- no legal limits		0,00
b) advances against securities	0,10	
- not allowed		1,00
- allowed but within strict limits (e.g. maximum advances 15% of government revenues)		0,67
- permits with rather loose limits (e.g. maximum advances over 15% of government revenues)		0,33
- no legal limits		0,00
c) loan conditions (maturity, interest, amount)	0,10	
- set unilaterally by the CB		1,00
- specified by the CB's bylaws		0,67
- negotiated by the government with the CB		0,33
- imposed by the government		0,00
d) potential borrowers from the CB	0,05	
- all levels of government		1,00
- the public sector (all levels of government plus public enterprises)		0,67
- both the public and private sectors		0,33
- central government only		0,00
e) the limits on CB's contribution to government defined as	0,025	
- amounts of money		1,00
- portions of the capital or liabilities of the CB		0,67
- government revenue fractions		0,33
- fractions of government expenditures		0,00
f) maturity of loans	0,025	
- < 6 months		1,00
- < 1 year		0,67
- > 1 year		0,33
- not defined in the law		0,00
g) interest rates on advances should be	0,025	
- > to the minimum rates		1,00
- = market rate		0,75
- < maximum rates		0,50
- no mention of interest rates		0,25
- no interest charged on advances to the government		0,00

Characteristics	Weight	Scoe
h) is the CB allowed to buy or sell government securities in the primary market?	0,0025	
- yes		1,00
- no		0,00

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