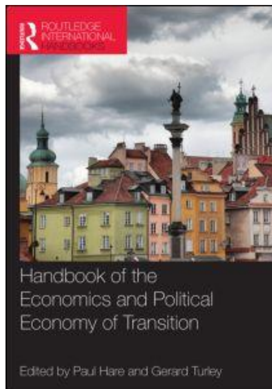
This article was downloaded by: *10.2.97.136*
On: 21 Mar 2023
Access details: *subscription number*
Publisher: *Routledge*
Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: 5 Howick Place, London SW1P 1WG, UK



Handbook of the Economics and Political Economy of Transition

Paul Hare, Gerard Turley

Fiscal Policy in Transition Economies

Publication details
https://test.routledgehandbooks.com/doi/10.4324/9780203067901.ch12
Anna Shabunina
Published online on: 25 Apr 2013

How to cite :- Anna Shabunina. 25 Apr 2013, *Fiscal Policy in Transition Economies from:* Handbook of the Economics and Political Economy of Transition Routledge
Accessed on: 21 Mar 2023
https://test.routledgehandbooks.com/doi/10.4324/9780203067901.ch12

PLEASE SCROLL DOWN FOR DOCUMENT

Full terms and conditions of use: https://test.routledgehandbooks.com/legal-notices/terms

This Document PDF may be used for research, teaching and private study purposes. Any substantial or systematic reproductions, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The publisher shall not be liable for an loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

Downloaded By: 10.2.97.136 At: 11:42 21 Mar 2023; For: 9780203067901, chapter12, 10.4324/9780203067901.ch12

12

FISCAL POLICY IN TRANSITION ECONOMIES

Sustainable public finance as a measure of successful transition[1]

Anna Shabunina

Starting from zero

Planned economies neither had nor needed either comprehensive fiscal policy or strong fiscal institutions. The share of the private sector was small and official unemployment did not exist, since government enterprises often employed more people than they needed. Strict tax rules or consistently applied tax codes were rarely in place. Often the governments negotiated tax payments with large enterprises and used the resulting revenue stream to redistribute resources between government-owned entities. Tax administration was easy since the exact information on prices and output was available, and a small number of large entities usually made their transactions via the single state-owned bank. Explicit taxes on individuals did not exist (Tanzi, 1992).

Transition to the market economy has drastically changed the situation. A small number of government-friendly agents were replaced by a large number of private actors with high incentives to avoid payments to the government. In addition most social expenditures (schools, hospitals, kindergartens) that were previously on the balance sheets of the public enterprises were transferred to the government liabilities list (Cheasty and Davis, 1997). Previously hidden unemployment became apparent and quickly surged to high levels in many transition countries. The newly established governments urgently needed to develop fiscal policy as well as to establish the institutions needed to implement it.

The challenges facing policymakers were colossal—fiscal institutions, including tax and customs administrations, budget office, budget law, and treasury had to be created from scratch under circumstances of high uncertainty and lack of information, widespread corruption and strong vested interests. It was clear that the role of the state in the economy should be reduced, but no clear vision or agreement existed among the new stakeholders on how large the changes should be: what functions the state should give up? what new ones it should take on? etc. Conducting fiscal policy in these circumstances was highly challenging.

A decade of fiscal adjustment: expectations met and missed

As a result of falling budget revenues, deficits initially widened in most transition economies, setting the public debt on an unsustainable trajectory. This was especially severe in the former Soviet Union countries (FSU), where deficits ballooned after 1991, on average exceeding 15 per

Downloaded By: 10.2.97.136 At: 11:42 21 Mar 2023; For: 9780203067901, chapter12, 10.4324/9780203067901.ch12

cent of GDP by 1993. The combination of a shrinking revenue base and a diminishing propensity to pay taxes was among the principal reasons for the widening fiscal gap. Again, the situation was considerably worse in the FSU countries, where revenues declined by 11 per cent of GDP on average during the first three years of transition. In central European countries, revenues fell significantly during the first year but recovered somewhat afterwards, reducing the total shortfall to 4 per cent of GDP by 1994 (Figure 12.1).

Central European countries that were quick to adjust expenditure in the first few years had stabilized and even expanded it again after 1995. The relatively high share of the private sector that these countries had initially gave them an advantage in establishing effective tax collection systems. The FSU countries experienced a more severe GDP downfall and for this reason supported higher levels of government spending (as a ratio of GDP) for longer, but they had to continue reducing it up to 1997 in their attempts to control the ballooning government deficits. Their failure to reprioritize and adjust public expenditure levels contributed to the abrupt deterioration of the public finances. One of the contributing factors was the practice of keeping old subsidies and entitlements in place while allowing price liberalization to expand the resulting charges on the budget.

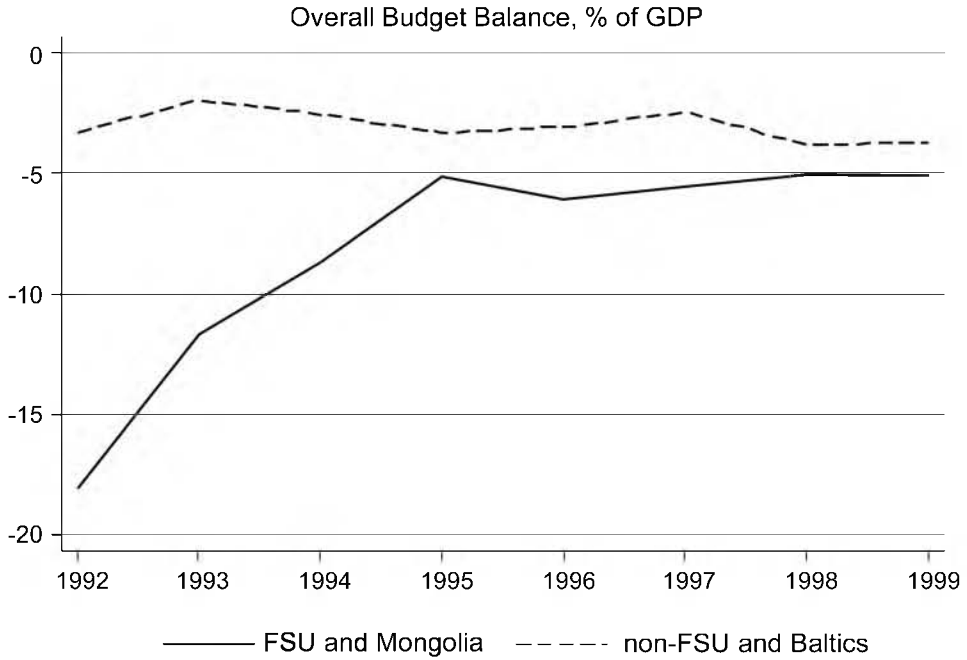
At the starting point, the share of government expenditure in GDP in the transition economies significantly exceeded that of market economies with similar levels of GDP per capita (Figure 12.2), often by a margin that was clearly unsustainable in the medium term. Collecting sufficient tax revenue to finance this level of expenditure would be incompatible with the goals of developing the private sector and boosting economic growth.

Additionally, most transition economies faced tough financing constraints that made fiscal adjustment not only unavoidable but painfully abrupt. Most countries had to undergo fiscal adjustment during the earlier years of transition. FSU countries had to reduce their deficits by an average of 10 percentage points over a two to three year period. Unfortunately, fiscal consolidation was largely achieved by expenditure cuts across the board without prioritization, with cuts largely falling on capital and infrastructure spending. In addition, the instruments that were used often undermined normal budget procedures. Arrears in government current expenditure were common, including public employees' salaries in education and the health sectors (Gupta *et al.*, 2003).

Moreover, disappointingly small privatization revenues did not aid the deteriorating fiscal position and contributed to negative perceptions of the law and "rules of the game" in the new democracies. Inadequate tax administration and institutional response, failure to tap revenues from the energy sector, and widespread corruption of the budget processes resulted in the failure of several governments to perform their expected redistributive role (Tanzi, 1999; Gupta *et al.*, 2003). The huge increase in income inequality became one of the enduring negative outcomes, giving rise to a social and political backlash that would impede future reforms.

In some cases, the rapid increase in state indebtedness and the failure of the government to implement needed policy adjustments to set the state finances on a sustainable path resulted in default on sovereign obligations (Russia, Ukraine, Bulgaria). The Russian default of 1998 had large negative spillovers on the region via financial markets contagion as well as through regional trade channels.

At the same time, the fiscal stabilization achieved by some transition economies during the first decade of transition (namely Slovakia, Slovenia, Estonia, etc. Figure 12.3) opened the way for sustainable economic growth. The results of Giavazzi and Pagano (1996) showed that fiscal adjustment can have an expansionary effect on the economy, mainly operating via reducing the extent of debt monetization, restraining inflation, and hence boosting the credibility of economic policies. A few years after the Asian crisis and Russian default, sustainable fiscal adjustments paid off in terms of higher growth, with better outcomes for those countries that had badly needed to achieve macroeconomic stability (Segura-Ubiergo *et al.*, 2006).



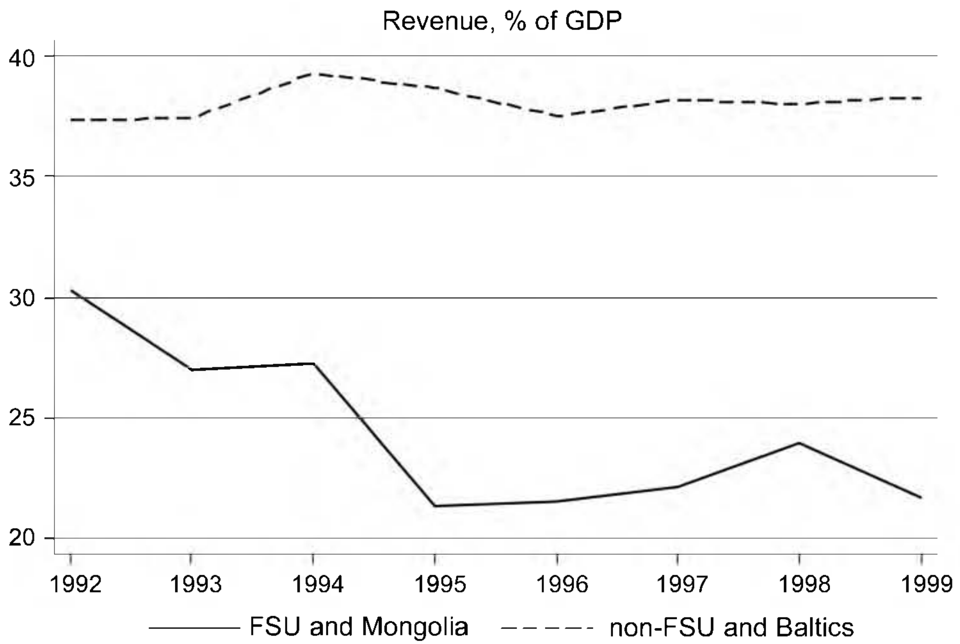
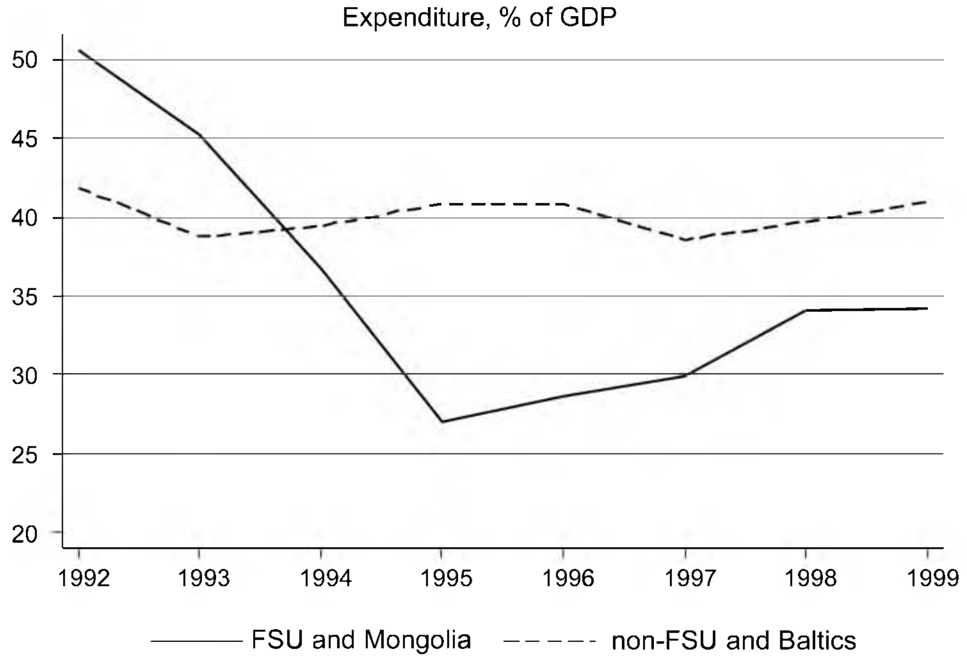


Figure 12.1 Fiscal stance in transition economies 1991–99
Source: IMF *World Economic Outlook* 2009.



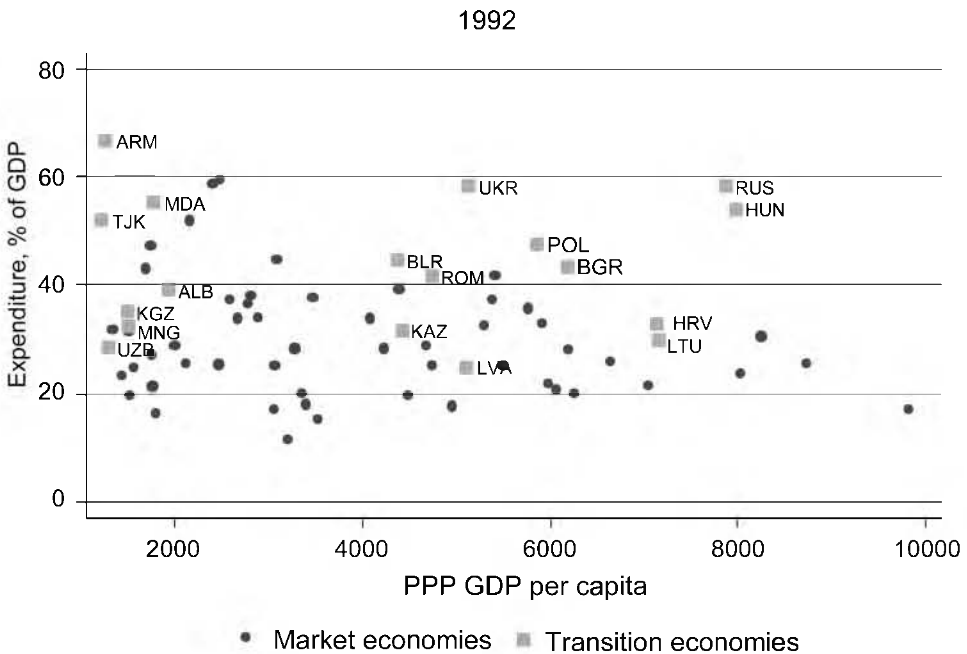


Figure 12.2 Government expenditure in transition economies
Source: IMF *World Economic Outlook* 2009 and author's estimates.

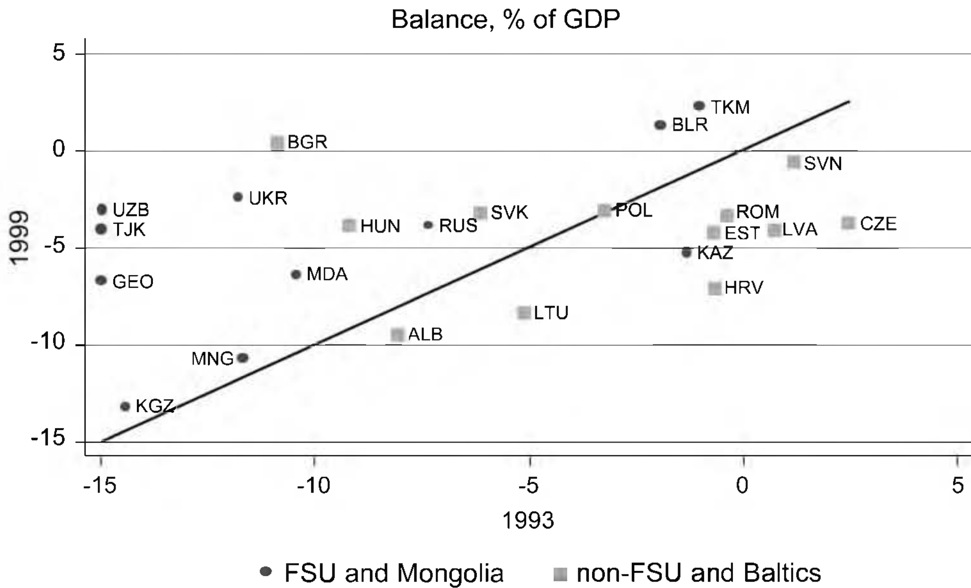


Figure 12.3 Budget balance dynamics in 1993–99 by country, per cent of GDP
Source: IMF *World Economic Outlook* 2009.

An important measure to deal with the revenue shortfall was the adoption of value-added tax (VAT). The rate initially adopted has generally been reduced, and in most Central and Eastern Europe (CEE) states VAT now provides about the same proportion of total fiscal revenue as in most Western European states (i.e., 15–25 per cent). Moreover, a number of CEE and South East Europe (SEE) economies have introduced flat-rate personal income taxes (World Bank, 2007).

Gradually, important progress was made in creating vital fiscal institutions. By 1999 modern treasury reforms had been adopted in many transition economies, with Latvia and Kazakhstan leading the way, and with Armenia, Azerbaijan, Estonia, Georgia, and Lithuania not far behind. In the Kyrgyz Republic and Turkmenistan, a substantial share of government finances remained outside of the treasury system. In the remaining countries, apart from some improvements in the management of external debt, little reform of financial planning and management has occurred.

When interpreting government statistics on the early years of transition, an important caveat should be added. Widespread barter operations, payment arrears to suppliers and wage arrears that created gaps between commitment and cash basis government budget indicators, methodological difficulties when measuring arrears, all implied that the accurate measurement of government financial accounts became very difficult (Gupta *et al.*, 2003).

Great moderation of the 2000s and an underestimated need for fiscal prudence

Most transition economies experienced a setback in growth after the 1997 Asian crisis and the Russian default. However, in many cases currency devaluation triggered a faster recovery than expected and the lesson that sound fiscal policies are essential for economic growth has been learned by many—or at least to some extent.

The large group of former socialist economies—already with heterogeneous structures right at the start of transition—diverged into three separate groups with distinct 'models' of economic

growth. The 10 countries (soon to be 11, with Croatia) that joined the European Union (EU) enjoyed relatively high economic growth driven by the accession process. This meant trade and financial integration in the first place, but also convergence on the fiscal stance, especially for the countries that have joined the monetary union. A second group of transition countries, those with rich natural resource endowments, also benefited from strong global economic growth. The ever-rising commodity prices of the mid-2000s fuelled an economic boom and filled the state coffers of commodity exporters. Traditional trade and financial links, including remittances, have channeled the spillovers of this growth towards the third group. While some of the legacies of the socialist economies still exerted their influence in all countries, fiscal developments in these groups are worth analyzing separately. Figure 12.4 shows the dynamics of the budget balance according to these groups of countries.

The fiscal stance in the new EU members strengthened ahead of EU accession with eight out of 10 countries in the sample achieving a budget balance above -3 per cent of GDP by 2007. A notable exception to this prudent fiscal behavior was Hungary, which ran fiscal deficits above 3 per cent of GDP in most years, and as a result did not succeed in reining in the debt-to-GDP ratio. The Czech Republic on the other hand, has adjusted by more than 10 per cent of GDP within a decade, managing to reach -0.7 per cent of GDP by 2007 (Figure 12.5).

All new EU members experienced a revival of the state share in the economy: both revenues and expenditures have risen as a share of GDP. While the expenditure growth was often permanent (for instance, Figure 12.6 shows the wage bill increase having the largest contribution to government expenditure) and driven by the income catch-up process with the EU, part of the boost in revenues appeared to be temporary, driven by domestic credit, and demand booms. This often resulted in overestimated potential output and misjudgments over the cyclical position of the economy. Adequate fiscal buffers were not accumulated.

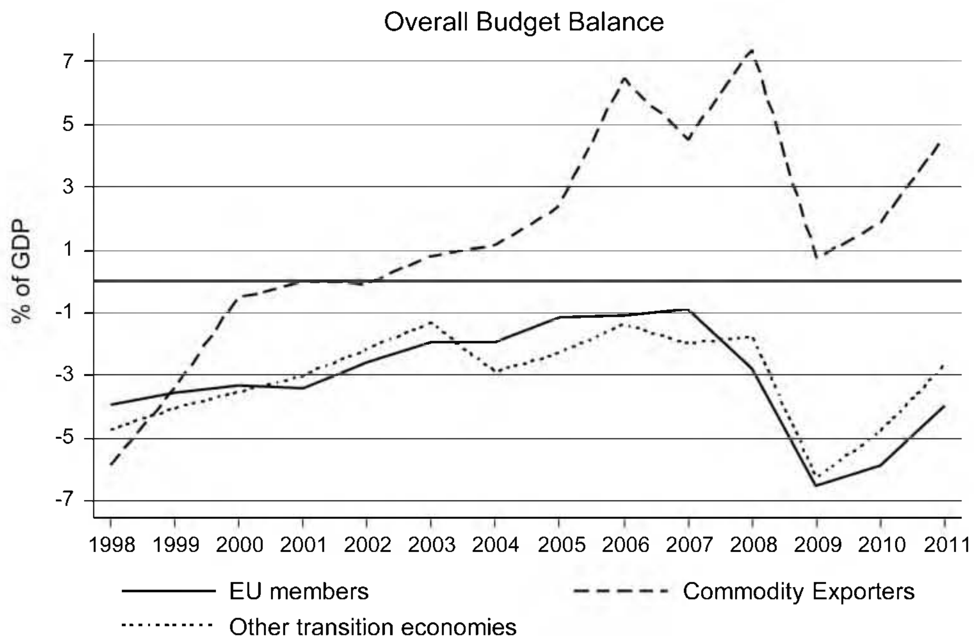
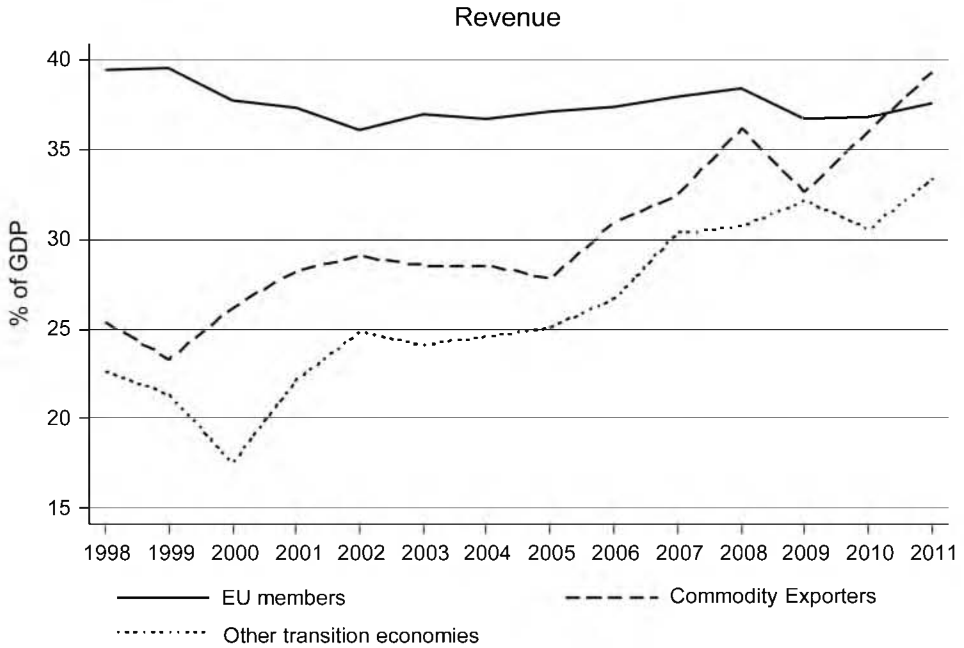


Figure 12.4 Budget balance during second decade of transition
Source: IMF *World Economic Outlook* April 2012.



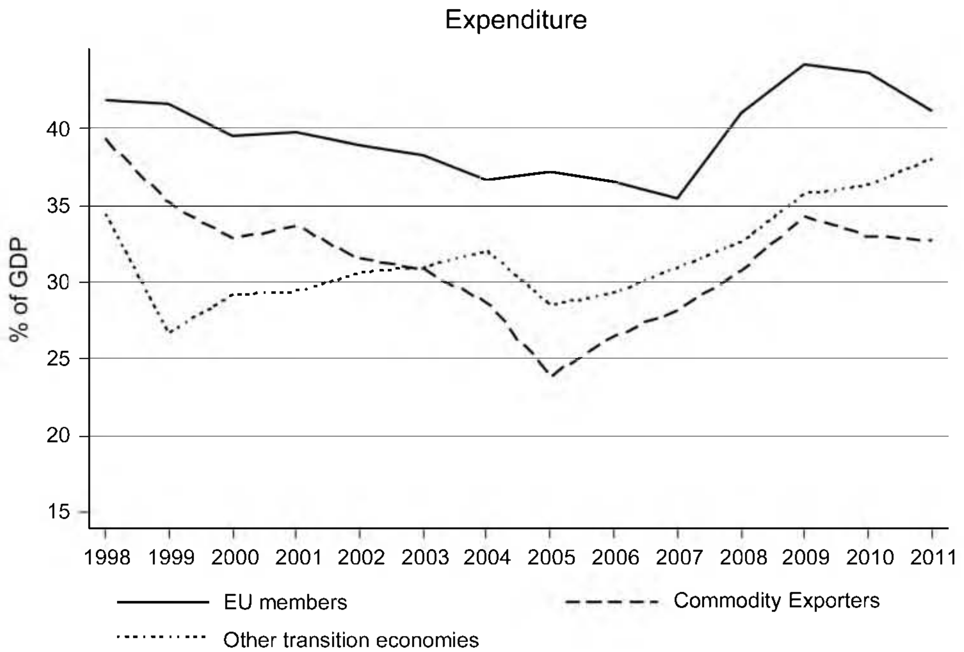


Figure 12.5 Government Revenue and Expenditure during second decade of transition by country group
Source: IMF *World Economic Outlook* April 2012.

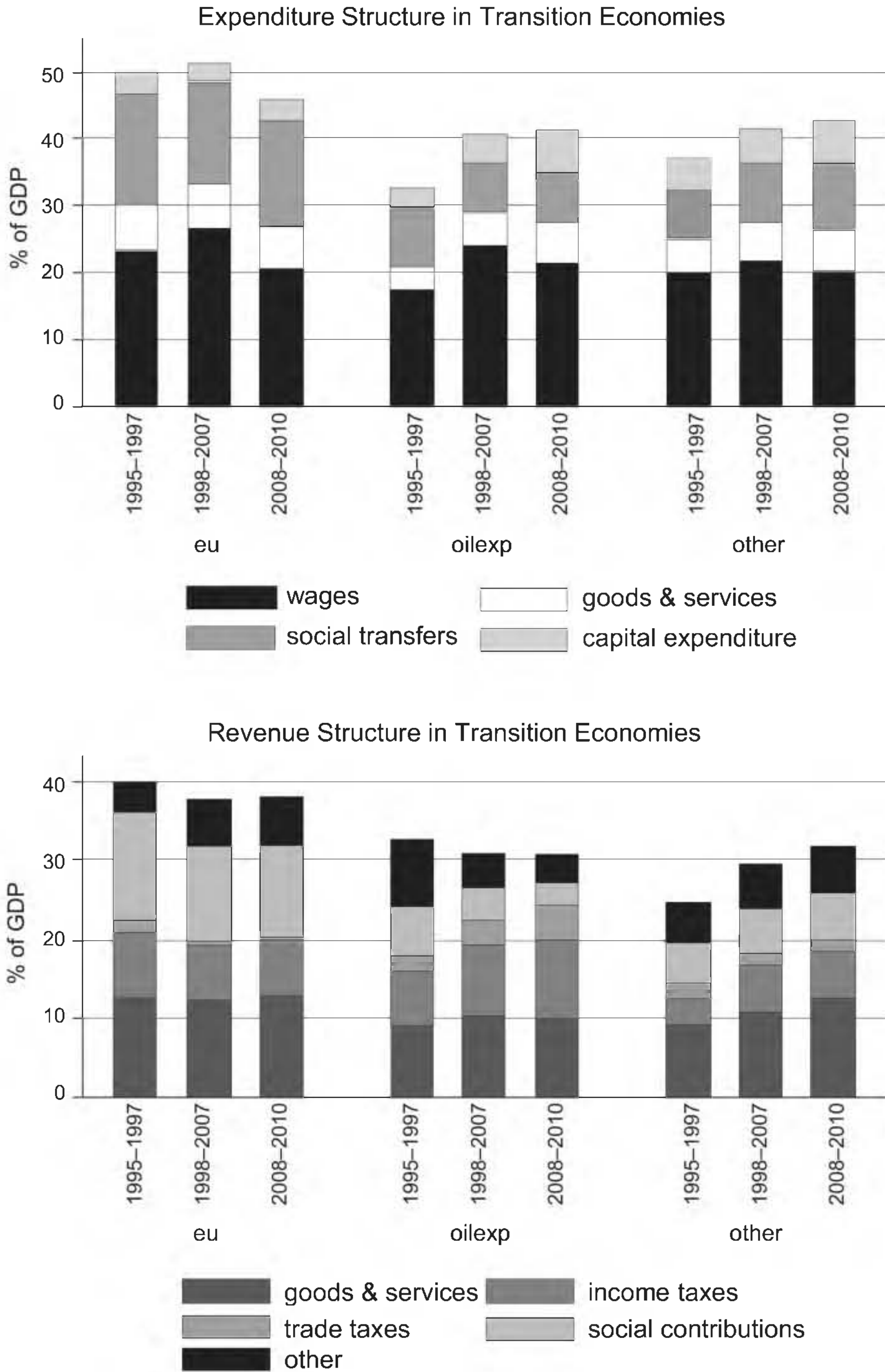


Figure 12.6 Expenditure and Revenue Structure Change
Source: IMF *World Economic Outlook* April 2012 and author's estimates.

Even the countries that had seemingly sound public finances witnessed large deficits when their revenues collapsed with the implosion of the credit boom. Figure 12.7 shows that it was not the fiscal balance itself, but rather the rapid expenditure growth, that characterized countries that had to request external official assistance. Some countries, more so when the monetary policy was constrained by exchange rate targeting, failed to use fiscal policy actively and prevent their economies from overheating. Latvia represents a more classic example of the Eastern European model of development. It had sound fiscal indicators; however, they were based on large external and internal imbalances accumulated in the pre-crisis times. Hungary is primarily an example of fiscal imprudence (Fabrizio *et al.*, 2009).

Rising oil and gas prices in the pre-crisis years helped the resource-rich economies of Azerbaijan, Kazakhstan, Russia and Turkmenistan to strengthen their fiscal positions, moving from fiscal deficits to significant surpluses by the mid-2000s. The average revenue-to-GDP ratios have increased, bridging the gap with the more economically advanced new EU members. Commodity-related revenues went up from 4 and 5 per cent of GDP in Kazakhstan and Russia in 2002 to 11 and 12 per cent in 2008, respectively. While estimation of the structural fiscal balances for commodity exporters presents a methodological challenge, historical memories of the dangers of dependence on highly volatile hydrocarbon prices generated the needed political will to save the windfall gains. Sovereign wealth funds were created in Russia, Kazakhstan, and Azerbaijan. Subsequent use of these funds made it possible to mitigate the effects of the economic downturn and the related fall in commodity prices, while sustaining a counter-cyclical fiscal policy stance.

The third group of countries was hit harder by the crisis and did not have sufficient buffers to respond to the downturn. Most of the countries in this group had to seek external international assistance and introduce fiscal consolidation without having the possibility of conducting counter-cyclical fiscal policy.

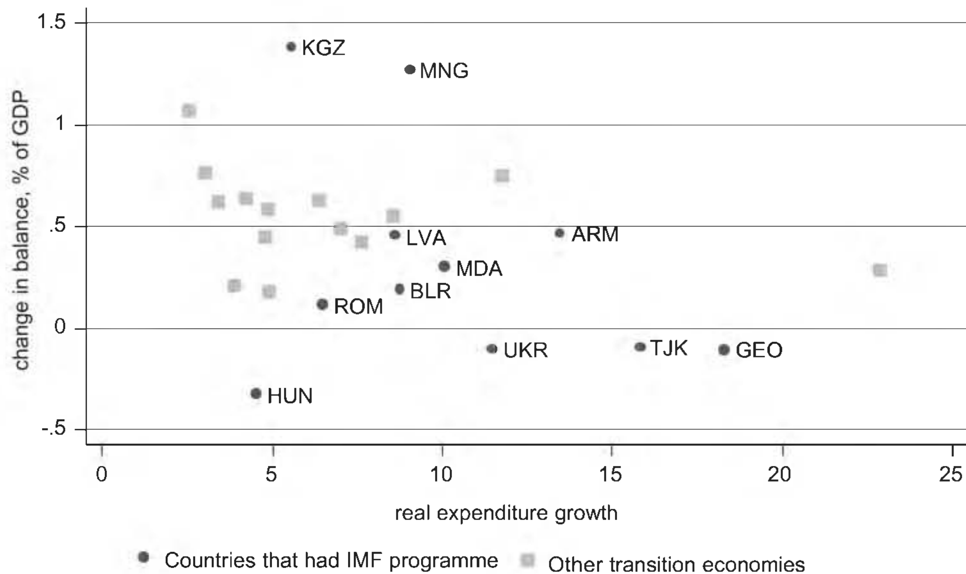


Figure 12.7 Annual change in fiscal balances and expenditure growth 2001–07
Source: IMF *World Economic Outlook* October 2009 and author's estimates.

Overall, the transition economies were more resilient in the face of the global financial crisis than they had been a decade earlier at the time of the Asian crisis. However, for some countries, insufficient fiscal consolidation during the boom years resulted in the lack of vital budgetary buffers when the crisis hit. The specific reasons were different in different countries—but the most common case was the underestimation of the positive output gap. Often a temporary shock caused by high capital inflows was considered as a permanent boost in potential GDP and therefore the need for fiscal 'cooling' was neglected.

Fiscal responses to global crisis by the transition economies

As the waves of financial crisis moved from the advanced to the emerging economies, destroying the myth of economic decoupling along the way, policymakers in many transition economies were faced with capital flight to safety, which was not always correlated with country fundamentals. Commodity prices declined. Previously abundant financing by the Western banks was also sharply reduced. Countries with significant vulnerabilities had to resort to external official assistance, while others tried to implement counter-cyclical fiscal stimulus to varying degrees.

There are several factors that limit the scope of counter-cyclical fiscal policy in a given country: (1) debt sustainability considerations; (2) macroeconomic vulnerability, e.g., high inflation, high current account balance, low reserves; (3) absorption capacity; and (4) institutional factors. These factors are more prominent in emerging and transition economies. Historical studies show that emerging economies, including those in transition, are more prone to pro-cyclical fiscal policy (Baldacci *et al.*, 2006). Figure 12.8 shows the number of transition economies that were able to conduct counter-cyclical fiscal policy[3] during the decade 2001–10. Fiscal policy responses during the crisis were a new venture for most countries, and the effectiveness of the implemented measures remains to be assessed. Among the transition economies,

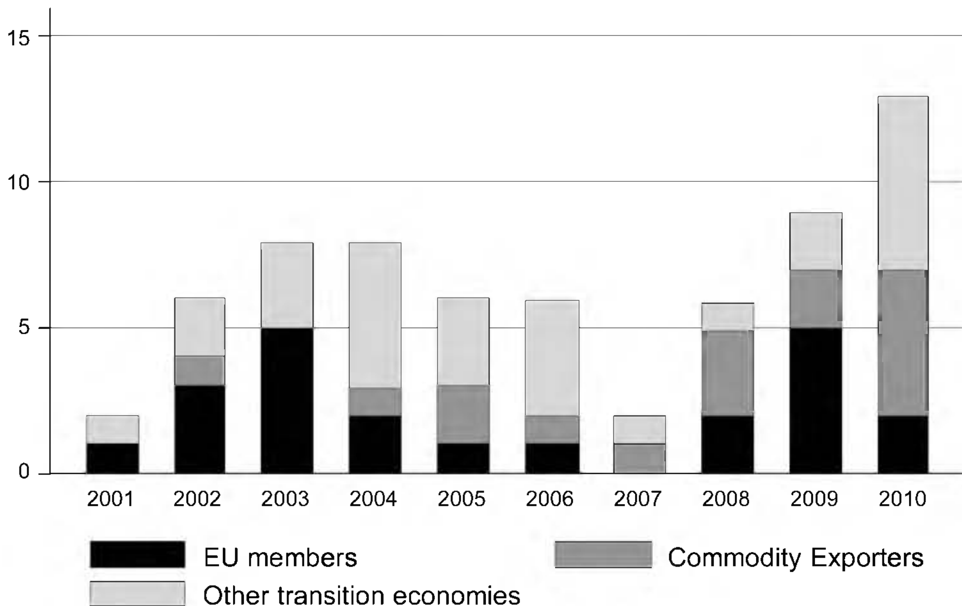


Figure 12.8 Transition economies and counter-cyclical fiscal policy
Source: IMF *World Economic Outlook* April 2012 and author's estimates.

commodity exporters implemented the largest fiscal stimuli. A large part of this stimulus turned out to be permanent increases in expenditure, with the result that medium-term structural deficits have deteriorated; e.g., the non-oil deficit in Russia has expanded from below 4 per cent to around 13 per cent of GDP. As a result of these measures fiscal buffers were used up in most countries and the average debt-to-GDP ratios have increased by 15 per cent of GDP in new EU members, 3 per cent of GDP in commodity exporters and 11 per cent of GDP in the other transition economies.

Fiscal challenges in the post-crisis world

At the time of writing (early 2012), the attention of the financial markets is fully captured by the question of debt sustainability in a number of advanced European countries. And while deficits and debts in many transition countries are not high compared to the advanced European countries, they are approaching thresholds widely regarded as rather dangerous for emerging markets. As markets grow more sensitive to sovereign debt risks, the question of sustainable debt dynamics in many transition economies will come to the fore. Market sentiment can shift very rapidly, especially towards countries with a poor record of fiscal discipline (e.g., those with a history of sovereign debt default).

Figure 12.9 shows that most countries had reduced their debt levels during the pre-crisis years. However a large part of this favourable dynamic could be attributed to the negative interest rate growth differentials (*r-g*) that many of them enjoyed during this period (Abbas *et al*, 2011)

When compared to advanced economies, all three groups of transition economies enjoyed a lower interest rate——growth differential. Figure 12.10 shows the decomposition of these

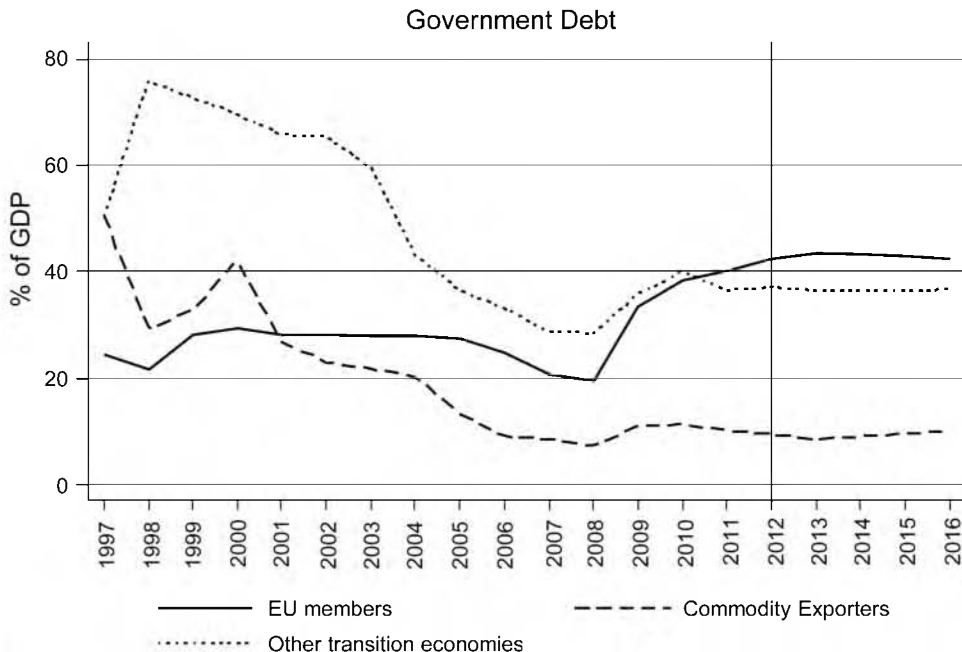


Figure 12.9 Debt dynamics in transition economies, by country group
Source: IMF *World Economic Outlook* April 2012 and author's estimates.

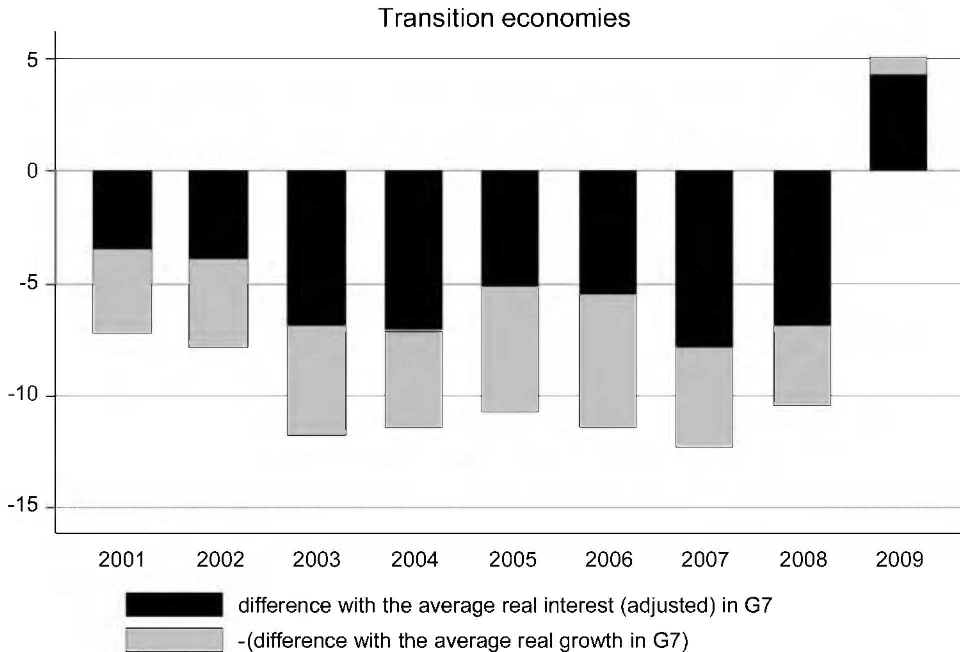


Figure 12.10 Difference in r-g in the G7 economies
Source: Escolano *et al.*, 2011.

differences into the difference in the real effective interest rates paid on government debt and real growth rates. While high growth rates are expected from theoretical analysis, the lower real interest rates need explanation. Part of it can be traced back to the restricted or underdeveloped financial sector that allowed the state to borrow at low or even negative interest rates in some countries. In others, large capital inflows and expectations of exchange rate appreciation contributed to this phenomenon (Escolano *et al.*, 2011). In the post-crisis global environment, interest rates will be higher; debt sustainability analysis should address these risks and guide the policymakers towards creating adequate fiscal buffers. Additional consideration should be given to the adverse impact of debt on growth, which is estimated to be higher for emerging economies (Kumar and Woo, 2010).

Medium- and long-term fiscal challenges

Medium- to long-term fiscal stability requires countries to address their age- and health-related expenditures. The legacies of socialist economies are still lingering, with low retirement ages and higher life expectancy after retirement, especially so in countries that still have a different retirement age for women. Most countries face unfavourable demographic trends, partially caused by the legacy of the first decade of transition which will take its toll on the financing of state pension liabilities. Some transition economies, like Bulgaria, the Czech Republic, Estonia and Poland, provide examples of appropriate reforms in this direction, with increased retirement ages and declining projected expenditure (Figure 12.11). Others, in particular Russia and Ukraine, face huge increases in liabilities, amounting to 31.5 and 49.3 per cent of GDP, respectively, in the next 20 years if nothing is done (IMF, 2011c). While the current levels of

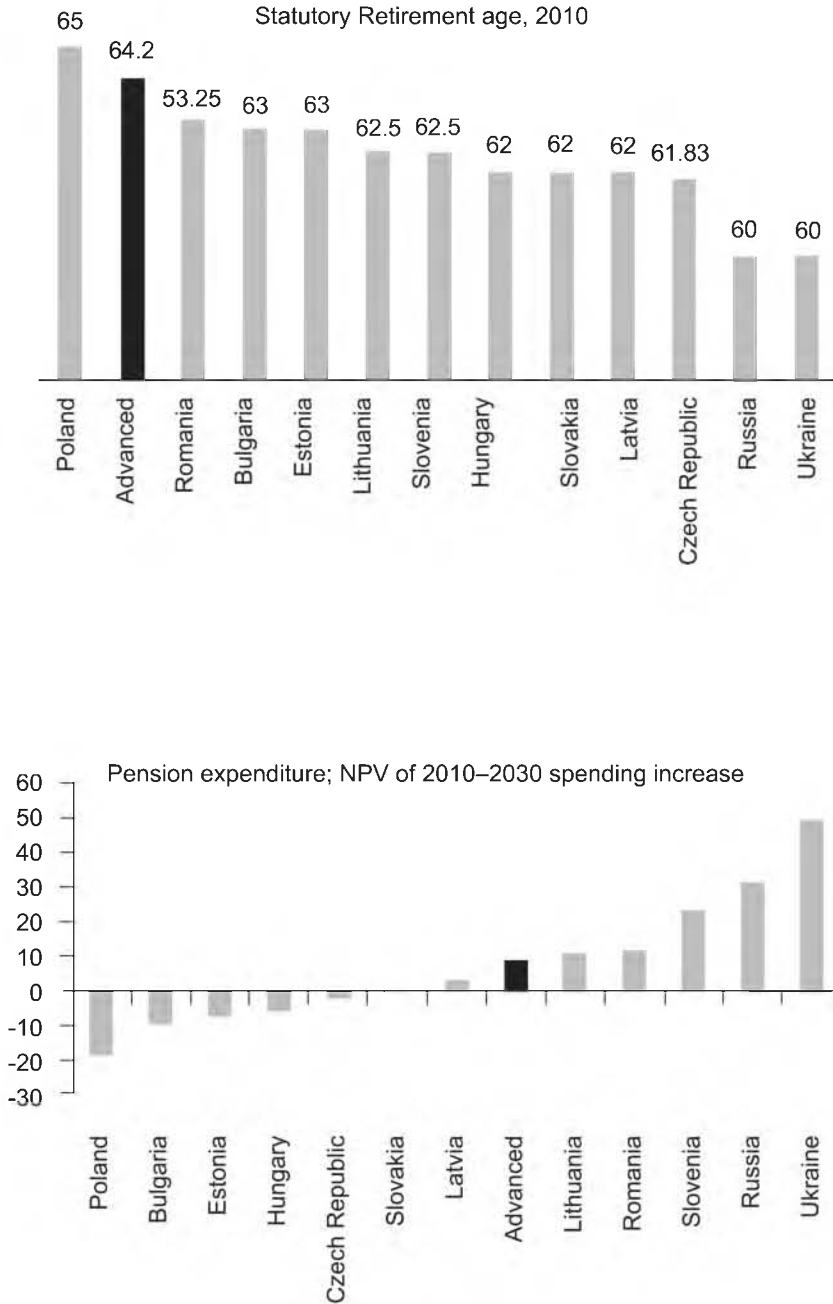


Figure 12.11 Pension Expenditure and Pension Age comparative statistics
Source: IMF (2011c), *The Challenge of Public Pension Reform in Advanced and Emerging Economies.*

government debt remain low in these countries, the rising liabilities of the state, if left unaddressed, will quickly raise the issue of fiscal sustainability.

Figure 12.12 shows government expenditure in GDP in the transition economies in 2009 compared to that of market economies with similar levels of GDP per capita. When compared to the corresponding graph for 1992 (Figure 12.2), we see that many countries will need leaner governments. In particular EU members remain at the upper frontier in terms of government expenditure compared to their level of GDP. For other transition economies, more effort should be devoted to rationalizing government expenditure rather than reducing its overall size. Reassessment of government expenditure priorities, better targeting of social expenditure and more growth friendly tax systems are all urgently needed.

Many transition countries have conducted comprehensive tax reforms, often successfully simplifying their tax systems and reducing tax evasion. Flat income taxes worked well in many countries, resulting in increases in revenue (World Bank, 2007). However, labour taxes, mainly high social security payments, remain an issue, especially in the new EU members. Tax wedges are often close to those of Western European countries and are higher than in emerging Asia. In many of these countries, the social security system still bears the legacies of the former socialist economy and needs comprehensive reform to improve targeting and efficiency. Tax administrations also have great potential for improvement. All this will be a prerequisite for improving competitive positions in the globalized world and would create more space for short-term support in the event of future economic downturns.

Most transition economies have enjoyed favourable interest rate—growth rate differentials during the last decade. The new EU member states, associated with their accession, benefited from substantial credibility premia in the form of lower sovereign yields (Hauner *et al.*, 2010). Going forward this is likely to change as global risk aversion increases and markets become

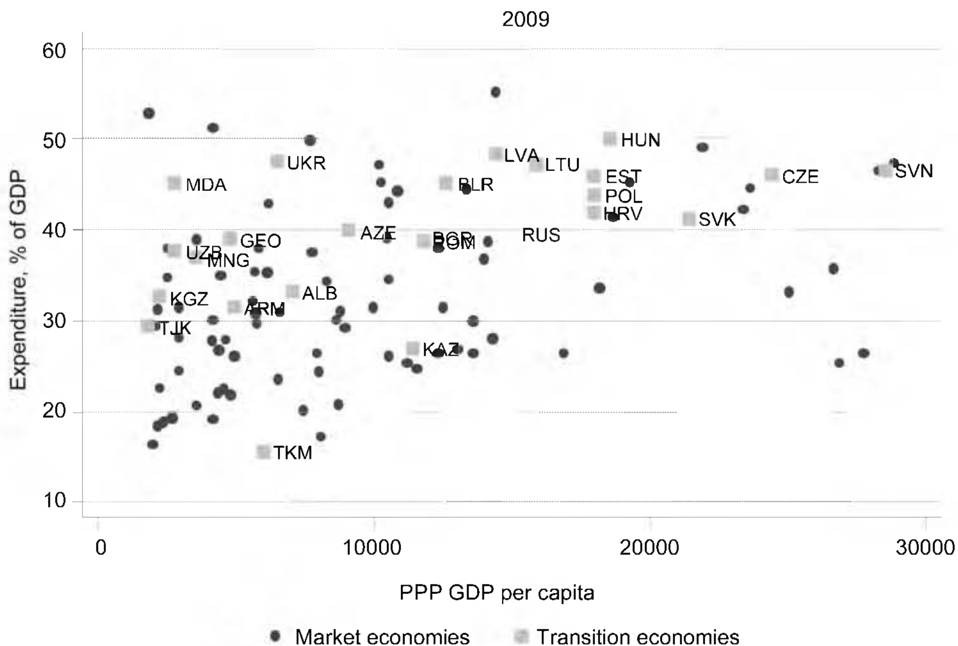


Figure 12.12 Government Expenditure and GDP per capita level
Source: IMF *World Economic Outlook* 2009 and author's estimate.

Downloaded By: 10.2.97.136 At: 11:42 21 Mar 2023; For: 9780203067901, chapter12, 10.4324/9780203067901.ch12

more discriminating as regards the (perceived) health of fiscal balances in individual countries. While current market attention is largely focused on some of the advanced economies, the fiscal balances of emerging Europe and other transition economies will be subject to increased scrutiny by the markets.

Some transition economies have been pursuing the right steps in the direction of increased fiscal responsibility and improved budgetary frameworks. Hungary has introduced a balanced budget rule; Serbia introduced a balanced budget rule adjusted for the business cycle; Hungary, Serbia and Slovakia introduced the debt rule; and Poland and Romania established expenditure rules (IMF, 2012). While fiscal rules cannot provide a complete guarantee of fiscal prudence, they do help to establish the credibility of fiscal policy and make irresponsible fiscal measures more costly—both economically and politically.

Many transition economies entered this crisis less vulnerable than they had been 10 years earlier; however, the global scale and magnitude of the current recession is taking its toll even on those countries that had strong fundamentals and limited vulnerabilities on the fiscal front. In particular, commodity exporters still need to diversify their economies and their tax base. New EU members, especially those with larger current account deficits, are vulnerable to negative spillovers from the advanced European economies. More medium- and long-term fiscal planning should be introduced and fiscal transparency should also be revamped in all these countries.

Going forward, debt ratios in transition economies are projected to start declining from 2014. However, this expectation is often based on the continuing favourable dynamics of low or negative interest rate growth differentials. Many of the vulnerabilities listed above threaten to undermine such benign debt dynamics. Hence comprehensive and credible medium-term fiscal strategies are needed to mitigate these risks and preserve the sustainability of government finances.

Notes

1 The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its management.
2 In this figure and others, group median data are displayed for country groups.
3 Fiscal policy response is considered counter-cyclical in year t if the change in the cyclically adjusted primary balance (CAPB) compared to year t-1 has the same sign as the output gap change, defined as the current output to potential output ratio minus one.

Bibliography

Abbas, S.M.A., Belhocine N., El-Ganainy, A. and Horton, M. (2011), 'Historical Patterns and Dynamics of Public Debt: Evidence from a New Database', *IMF Economic Review*, revised and resubmitted.

Alam, A. and Sundberg, M. (2002), 'A Decade of Fiscal Transition', *Policy Research Working Paper No.* 2835, Washington, DC: World Bank.

Aristovnik, A. and Bercic, B. (2007), 'Fiscal Sustainability in Selected Transition Countries', *MPRA Paper No.* 122.

Baldacci, E., Clemens, B., Gupta, S. and Mulas-Granados, C. (2006), 'The Phasing of Fiscal Adjustments: What Works in Emerging Market Economies?' *Review of Development Economics*, 10(4), pp. 612–31.

Cheasty, A. and Davis J. (1997), 'Fiscal Transition in Countries of the Former Soviet Union: An Interim Assessment', in MOCT/MOCT.

Escolano, J., Shabunina, A. and Woo, J, (2011), 'The Puzzle of Persistently Negative Interest Rate–Growth Differentials: Financial Repression or Income Catch-Up,' *IMF Working Paper No. 11/260*, Washington, DC: International Monetary Fund.

Fabrizio S., Leigh D. and Mody A. (2009), 'The Second Transition: Eastern Europe in Perspective,' *IMF Working Paper No. 09/43*, Washington, DC: International Monetary Fund.

Downloaded By: 10.2.97.136 At: 11:42 21 Mar 2023; For: 9780203067901, chapter12, 10.4324/9780203067901.ch12

Giavazzi, F. and Pagano, M. (1996), 'Non-Keynesian Effects of Fiscal Policy Changes: International Evidence and the Swedish Experience', *Swedish Economic Policy Review*, Vol. 75, November, pp. 75–111.
Gupta, S., Leruth, L., de Mello, L. and Chakravarti, S. (2003), 'Transition Economies: How Appropriate is the Size and Scope of Government', *Comparative Economic Studies*, 45, pp. 554–76.
Hauner, D.A., Jonas J. and Kumar M. (2010), 'Sovereign Risk: Are the EU's New Member States Different?' *Oxford Bulletin of Economics and Statistics*, 72(4), pp. 411–27.
International Monetary Fund (2012), *Fiscal Monitor*, Washington, DC: International Monetary Fund, May.
——(2011a), *World Economic Outlook*, Washington, DC: International Monetary Fund, September.
——(2011b), *Fiscal Monitor—Addressing Fiscal Challenges to Reduce Economic Risks*, Washington, DC: International Monetary Fund, September.
——(2011c), 'The Challenge of Public Pension Reform in Advanced and Emerging Economies', *IMF Policy Paper, December 28, 2011*, Washington, DC: International Monetary Fund.
——(2010a), *Fiscal Monitor*, Washington, DC: International Monetary Fund, November.
——(2010b), 'From Stimulus to Consolidation—Revenue and Expenditure Policies in Advanced and Emerging Economies', *IMF Policy Paper 10/64*, Washington, DC: International Monetary Fund.
Kumar, M.S. and Woo, J. (2010), 'Public Debt and Growth,' *IMF Working Paper* 10/174, Washington, DC: International Monetary Fund.
Purfield, C. (2003), 'Fiscal Adjustment in Transition Countries: Evidence from the 1990s,' *IMF Working Paper No*. 03/36, Washington, DC: International Monetary Fund.
Segura-Ubiergo A., Simone, A. and Gupta, S. (2006), 'New Evidence on Fiscal Adjustment and Growth in Transition Economies,' *IMF Working Paper No. 06/244*, Washington, DC: International Monetary Fund.
Tanzi, V. (1992), 'Fiscal Policies in Economies in Transition', Washington, DC: International Monetary Fund.
——(1999), 'Transition and the Changing Role of Government,' *Finance and Development*, vol. 36, Washington, DC: International Monetary Fund.
World Bank (2007), *Fiscal Policy and Economic Growth. Lessons for Eastern Europe and Central Asia*, ISBN: 0-8213-7181-9.

Downloaded By: 10.2.97.136 At: 11:42 21 Mar 2023; For: 9780203067901, chapter12, 10.4324/9780203067901.ch12

This page intentionally left blank