

**BUDGET INSTITUTIONS: EUROPEAN EXPERIENCE AND ITS
IMPLICATIONS FOR THE CZECH REPUBLIC**

February 15, 2012

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Abstract

The Czech public debt is among the lowest in the European Union, and the size of budget deficit is reducing. Nevertheless, budget regulations are not robust enough and do not guarantee a long-term sustainability of public budgets, mainly because they are focused on short-term issues. This short-term focus of public budget policy is rooted in its political nature and political consequences of budgetary decisions. Therefore a classic problem of political inconsistency in timing is created – what is beneficial in the short-term may not be beneficial in the long-term and politics always prefers short-term interests. We propose to include into this political process an expert and, if possible, independent institution – a Budget Council entrusted with a supervision of budget policies, which could work under the auspice of the parliament. The Budget Council would be granted the right to approve governments' expenditure frameworks and verify their compliance with the budget responsibility law. The Council should have the authority to send the state budget proposal back to the government for revision, if it is not in compliance with approved expenditure frameworks. Greater transparency and independence of budget policies would improve their credibility and could lead to lower cost of borrowing.

[Download](#) the complete study (in Czech only).

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