Constitutional Bases of Public Finances in the Central and Eastern European Countries

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Abstract:

After the Mortgage-debt Financial Crisis and the European Debt Crisis, some remarkable and significant changes can be identified in public finances. In connection with this, new elements were incorporated into constitutions. *The main hypothesis can be formulated as, is there any correlation between the constitutional provisions (or other relevant law sources) and the performance of the economy* (GDP growth), sound and sustainable fiscal policy (budgeting, government debt, taxation, audit), furthermore monetary policy (price and exchange rate stability) and national assets. The paper will analyse and compare the 29 NISPAcee countries' constitutional provisions. The research is based on *legal and economic methodology* with quantitative approach.

In most NISPAcee countries' constitutions, *provisions on public finances* can be identified and in some countries, a separate chapter deals with public finances. Most of the constitutions define directly or indirectly the *economic system* of the countries parallel to the democratic transition of the 1990s: free *market economy*, which sometimes complemented with the social or socially (and ecologically) oriented attribute, economic development, or only the economic rights are included as a ground for the economy. In the case of *fiscal policy*, the legislative, the executive and other state organs (Budget Council, Economic and Social Council) define and manage the *budgeting*. The trend shows, that in most of the countries it has been rising, except for Hungary, Latvia and Turkey. Hungary has the strictest rule on budgeting and government debt, since the National Assembly may not adopt an act on the central budget as a result of which state debt would exceed half of the GDP. The constitutional background for *taxation* is similar. The contribution to cover the finances for common needs is declared, the principle of just tax burden sharing is supplemented sometimes with special aspects. Tax revenues expose typically 15 – 19 % of the GDP. The state *audit* of the government budget and expenditures is an essential control element in public finances, and an important part of the concept of checks and balances. The central banks are independent state institutions, which possess the monopoly on managing and implementing a state's or federation's *monetary policy*. Besides monetary policy, some of them even perform the supervision of the financial intermediary system. In the case of price stability function, the inflation rate, in the examined area, relatively quickly dropped to below 5 % by 2000. The majority of the constitutions determine the *national currency*, legal tender or monetary unit. The local currency exchange rate to U.S. dollar shows, that drastic interventions were not necessary. *National wealth or assets* are the property of the state and/or the local governments, and as an exclusive property, the management and protection of them aim at serving the public interest.

According to the results of the above analysed different dimensions of public finances, the conclusion finds, that *the correlation is loose between the constitutional bases and the economic performances of the countries*. Usually, the legislative, the executive and other state organs define and manage the fiscal and monetary policy, for which the constitutional backgrounds are very general and in many cases exaggeratedly abstract. For the member states of the European Union, the EU mandatory provisions (e.g. Maastricht criteria, prohibitions etc.) are obligatory, but they can also be guidelines for the candidate and other countries. The NISPAcee categorises the member countries into five regions (EU members, non-EU members in Eastern Europe, West Balkans, Central Asia, Caucasus), but significant characteristics cannot be established in this subject matter, since *the constitutional bases and the economic performances are extremely diverse*.

Points for Practitioners: *Fiscal and monetary policy makers will be interested to know a specific area of economic administration at the constitutional level.* The comparative methodology will be completed by the law and economics approach. By the analysis of the specific provisions and detailed figures some best practices can be identified, which can be useful for further legislation. Within positive constitutional economics, the tools or methods are unique from normal economic tools because of the cross-discipline nature of the program. Normative constitutional economics focuses on legitimising the state and its actions as the best means of maximum efficiency and utility, judging conditions or rules.

Keywords: law and economics, constitutional economics, fiscal policy, monetary policy, economics

Points relating to EU integration within Public Administration and Policy: The Maastricht Treaty contains certain provisions on public finances, which are binding for the EU member states, and governing benchmark for other countries for sound monetary and fiscal policy. The euro convergence criteria are the criteria which European Union member states are required to meet to enter the third stage of the Economic and Monetary Union (EMU) and adopt the euro as their currency. Due to the fact that several countries did not exercise a sufficient level of fiscal responsibility during the first 10 years of the euro's lifetime, two major SGP reforms were recently introduced. The first reform was the Sixpack which entered into force in December 2011, and it was followed in January 2013 by the even more ambitious Fiscal Compact, which was signed by 25 out of the 28 EU member states. For the member states of the European Union, the EU mandatory provisions (e.g. Maastricht criteria, prohibition of monetary financing and the prohibition of privileged access to financial institutions) are obligatory, but they can also be guidelines for candidate countries.

In the recent decade, some remarkable and significant changes can be identified in public finances. After the Mortgage-debt Financial Crisis and the European Debt Crisis, a worldwide initiation can be observed for strengthening the national and international financial system. A new tendency has arisen, economic issues are more and more becoming enfolded within the concept or rule of law. Most of the NISPAcee countries adopted a new a constitution after the political transition in the 1990s, which even contain provisions on the economy and the fiscal (e.g. the principle of burden sharing, budgeting, audit) and monetary policy (legal tender, central bank). For some Central and East European countries, the accession to the European Union meant another milestone, especially the implementation of the EU-law and the adoption of the so-called Maastricht criteria for the eurozone membership. In 2008, the financial recession and – parallel with this – the EU debt crisis (which is still developing) drew attention to a better regulated financial environment. In connection with this, new elements were incorporated into constitutions to establish the fundamental legal bases of public finances and the financial sector. This paper only focuses on the constitutional bases of fiscal and monetary policy, divided into four sections. The unique concept is to compare the constitutional bases with some of the relevant economic results. The starting points are the type and the grounds of the national economy, which will be compared to the GDP. Then comes fiscal policy, which starts with the principle of burden sharing and taxation, and later focuses on the budget and the governmental debt, and finally the audit. The third part, under chapter monetary policy, contains the analysis of the stability of prices and the national currency, upon the inflation and the exchange rate, these two issues are the primary objectives of the central bank. At last but not least a brief chapter summarises the provisions on national assets, property can also be found. From these results, the conclusions can be formulated.

1. Hypothesis and Methodology

The paper analyses and compares some constitutional examples, especially in the 29 NISPAcee countries, how the states settle the bases of the economy and public finance in their constitutions or fundamental laws. The main *hypothesis* can be formulated as, is there any correlation between the constitutional provisions (or other relevant law sources) and the performance of the economy (GDP growth), sound and sustainable fiscal policy (budgeting, government debt, taxation, audit), furthermore monetary policy (price and exchange rate stability); also after the amendments can any changes be identified or not. The research is based on a *legal and economic methodology* with quantitative approach. The unique concept is to compare the constitutional bases with some relevant economic results. The *legal method is* based on the classical interpretation types: grammatical, historical, logical and systematic which are complemented by the teleological and constitution conformity. Furthermore, the analysis takes into consideration not just the letter of the law, but the intentions of the lawmakers and opinions of the involved and relevant law-appliers and practitioners. For comparison, EU regulations (e.g. Maastricht criteria) are an important initiation. Besides the legal methodology, the study employs an *economic* quantitative approach as well. The paper contains some *statistics* on the economies of the NISPAcee countries, to evaluate the certain results upon the figures because it is evenly important to match the provisions with the economic performance. Within positive constitutional economics, the tools or methods used quite differ from normal economic tools because of the cross-discipline nature of the program. Normative constitutional economics focuses on legitimizing the state and its actions as the best means of maximum efficiency and utility, judging conditions or rules that are efficient, and discerning and studying the political systems to maximize efficiency, where the outcome of collective choices are considered “fair, just or efficient”.

The concept of *constitutional economics* – or economic constitutionalism, economics and constitutionalism – can be described as explaining the choice of alternative sets of legal-institutional-constitutional rules that constrain the choices and activities of economic and political agents. This extends beyond the definition of the economic analysis of constitutional law and is distinct from explaining the choices of economic and political agents within those rules, which is a subject of economics. Constitutional economics takes into account the significant impacts of political economic decisions e.g. public finances. This is a practical approach which means applying the tools of economics to constitutional matters. For example, a major concern of every nation is the proper allocation of available national economic and financial resources. Since NISPAcee region covers *five geographic areas*, the paper tries to follow these categories: new EU member countries, non-EU member countries in Eastern Europe, countries in the West Balkans, countries of Central Asia and countries in the Caucasus. This classification is supplemented by historical phases.

Table 1 - NISPAcee regions and member states

Region	Members
EU members	Bulgaria, Croatia, Czech Rep., Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia
Non-EU members in Eastern Europe	Belarus, Moldova, Russia, Turkey, Ukraine
West Balkans	Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
Caucasus	Armenia, Azerbaijan, Georgia

Source: NISPAcee, 2017.

2. Analysis of Constitutional Provisions and Economic Performance

A constitution is a set of fundamental principles or established precedents according to which a state or other organisation is governed.[1] In all NISPAcee countries, the constitutions are codified. Codified constitutions are often the product of some dramatic political change. For most of the members of this region, it was the democratic transformation in the 1990s, especially the collapse of the Soviet Union and Yugoslavia.

In most of the NISPAcee countries' constitutions, *provisions on public finances* can be identified. In some countries, a separate chapter deals with public finances in Albania (Part Thirteen – Public Finances), Bosnia and Herzegovina (Article VIII: Finances), Georgia (Chapter Six: State Finances and Control), Hungary (separate chapter: Public Finances, Article 36-44), Moldova (Title IV: National Economy and Public Finance), Lithuania (Chapter XI Finances and the State Budget) Poland (Chapter X. Public Finances), Serbia (Part 3: Economic System and Public Finances), Slovenia (Part VI. Public Finance). With regard to the economic approach on a constitutional level, the following elements are relevant: the definition or the grounds of economy, fiscal policy, monetary policy and the national assets.[2] For completeness,

[1] Erin McKean (editor). 2005. *The New Oxford American Dictionary*, Second Edn., Oxford University Press

[2] For a non NISPAcee example Charles Austin Beard's book (An Economic Interpretation of the Constitution of the United States) concludes, that the U.S. Constitution was essentially an economic document based upon the concept that the fundamental private rights of property are anterior to government and morally beyond the reach of popular majorities. In the Philippines, there are constitutional limitations on taxation, and the formulation of the budget, the justification of Accounting and Auditing are also important

the state treasury is worth to mention as another element of this list, but only the Constitution of Poland contains it,[3] therefore it is not suitable for comparison.

In the point of view of economics, the introduction of the (social) *market economy* was the most significant change after the command or planned economy, in which the government controls and regulates production, distribution, prices, etc.[4] The *fiscal policy* can be identified by several provisions: the formulation and implementation of the state budget, the discharge, national debt, and as an answer to the recession, the principle of balanced, transparent and sustainable budget management. The fundamental principles of taxation and redistribution are even crucial, according to the principle of just tax burden sharing, everyone contributes to the covering of common needs according to his or her capabilities and/or to his or her participation in the economy. The state budgeting system is supported by the state / federal audit or budgeting authority, transparency and sustainability. All accounts related to revenues, expenditures and properties of the government departments are financed by general and subsidiary budgets, with taking final decisions on the acts and accounts of the responsible officials, and with exercising the functions required of it by law in matters of inquiry, auditing and judgment. On the other hand, for *monetary policy* the provisions are briefer and more general, the regulations just focus on only the central bank and the national currency. The *national assets*, the property of the state and the arable land are important also as a kind of curiosity.

In *EU relations*, some basis can be found in the *Maastricht Treaty*, which is not a constitution but is obliged for all member and candidate states, also it can even be a guideline for other countries as well. The *euro convergence criteria* are the conditions which the European Union member states are required to meet to enter the third stage of the Economic and Monetary Union (EMU) and adopt the euro as their currency. The provisions are based on Article 140 (ex-article 121.1) of the Treaty on the Functioning of the European Union. The five criteria are the following:

- inflation of no more than 1.5 percentage points above the average rate of the three EU member states with the lowest inflation over the previous year;
- a national budget deficit at or below 3 percent of gross domestic product (GDP);
- national public debt not exceeding 60 percent of the gross domestic product, a country with a higher level of debt can still adopt the euro provided its debt level is falling steadily
- long-term interest rates should be no more than two percentage points above the rate of the three EU countries with the lowest inflation over the previous year;
- the national currency is required to enter the ERM 2 exchange rate mechanism two years prior to entry.

As part of the EU treaty, all of the EU Member States are obliged to adhere to the *Stability and Growth Pact* (SGP), which as a framework to ensure price stability and fiscal responsibility, has adopted identical limits for governments budget deficit and debt as the convergence criteria. Due to the fact that several countries did not exercise a sufficient level of fiscal responsibility during the first 10 years of the euro's lifetime, two major SGP reforms were recently introduced. The first reform was the *Sixpack* which entered into force in December 2011,[5] which was

[3] Constitution of Poland, Article 128. The organization of the State Treasury and the manner of management of the assets of the State Treasury shall be specified by statute. An indirect reference can be found in the Constitution of Bulgaria, Art. 85. (1) The National Assembly shall ratify or denounce by law all international treaties which: 4. contain obligations for the treasury;

[4] Ellman, Michael. 2007. *The Rise and Fall of Socialist Planning*. in Estrin, Saul; Kołodko, Grzegorz W.; Uvalić, Milica. Transition and Beyond: Essays in Honour of Mario Nuti. New York: Palgrave Macmillan. p. 22.

[5] *"Package of six legislative proposals".* Hungarian Presidency of the Council of the European Union. April 2011. Retrieved 11 May 2013.

followed in January 2013 by the even more ambitious Fiscal Compact, which was signed by the EU member states. Specifically, the EU Sixpack relates to the following regulations and guidelines for fiscal and monetary policy:

- Regulation 1175/2011 amending Regulation 1466/97: On the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies;
- Regulation 1177/2011 amending Regulation 1467/97: On speeding up and clarifying the implementation of the excessive deficit procedure;
- Regulation 1173/2011: On the effective enforcement of budgetary surveillance in the euro area;
- Directive 2011/85/EU: On requirements for budgetary frameworks of the Member States The directive shall be implemented by all EU member states no later than 31 December 2013;
- Regulation 1176/2011: On the prevention and correction of macroeconomic imbalances;
- Regulation 1174/2011: On enforcement action to correct excessive macroeconomic imbalances in the euro area.

3. Economy

Most of the constitutions define directly or indirectly the economic system of the countries, usually, they do not follow the scientific or academic classification. Parallel to the democratic transition of the 1990s, the countries terminated the command economy and declared, introduced the free *market economy*, which was expressly pronounced in the constitution of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Moldova, Romania. It can be defined more preciously: *social or socially (and ecologically) oriented* market economy Armenia, Azerbaijan, Moldova, Poland, Slovakia,[6] Tajikistan, Ukraine, Uzbekistan, Serbia indirectly refers to it.[7] Besides the type of economy, the *economic development* can be important even: Azerbaijan, Belarus, Bulgaria, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Montenegro, Slovenia, Uzbekistan, Turkmenistan. In some cases, only the economic rights (freedom of various forms – public and private – of property, and the freedom of individual economic activity, enterprise) are included as a ground for economy, e.g. Armenia, Belarus, Czech Republic, Hungary,[8] Kazakhstan, Lithuania, Macedonia, Montenegro, Russia, Slovakia, Turkey. The constitution of Latvia is shorter than the others, and there is no provision on the economy.

The governments bear a particular role in economic development: no matter what kind of background for the businesses stands, how the raw materials are utilised, what kind of public investments conducted, how to treat unemployment, etc. Nota bene, the state defines the condition-system, it is the largest customer and consumer, so the responsibility of the respective governments is the greatest in this question. To measure an economy the most widely used method and figure is the *Gross Domestic Product* (GDP). According to the International Monetary Fund, the GDP measures the monetary value of final goods and services - that is,

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[6] Constitution of Slovakia, Article 55 (1) The economy of the Slovak Republic is based on the principles of a socially and ecologically oriented market economy.

[7] In Hungary, the former constitution (Act XX of 1949, amended in 1989) contained the social market economy in the Preamble, but in the text, Article 9. mentioned only the market economy. According to the interpretation of the Constitutional Court, the preamble is not obligatory for the state organs, therefore the economy just market economy without any attribute, and the social market economy is just a state goal. 33/1993. (I. 28.) AB resolution, ABH 1993, 247, 249.

[8] Fundamental law of Hungary Article M (1) The economy of Hungary shall be based on work which creates value, and on freedom of enterprise.

those that are bought by the final user - produced in a country in a given period of time.[9] The OECD defines GDP as an aggregate measure of production equal to the sum of the gross values added of all resident and institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).[10]

Table 2 - GDP (current billion US$)

Country	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
BGR	20,6	13,1	44,8	54,7	51,8	50,6	57,4	53,9	55,8	56,7	50,2
HRV	..	21,8	60,1	70,5	62,7	59,7	62,2	56,5	57,8	57,1	48,7
CZE	40,3	61,5	188,8	235,2	205,7	207,0	227,9	207,4	209,4	207,8	185,2
EST	..	5,7	22,2	24,2	19,7	19,5	23,2	23,0	25,1	26,2	22,5
HUN	..	47,2	139,2	157,3	130,0	130,3	140,1	127,3	134,7	139,3	121,7
LVA	..	7,9	30,9	35,6	26,2	23,8	28,4	28,1	30,3	31,3	27,0
LTU	..	11,5	39,7	47,9	37,4	37,1	43,5	42,9	46,4	48,4	41,2
POL	66,0	171,9	429,2	533,8	439,8	479,3	528,8	500,3	524,2	545,2	477,1
ROM	39,0	37,4	171,5	208,2	167,4	168,0	185,4	171,7	191,5	199,5	178,0
SVK	12,7	29,1	86,3	100,3	88,9	89,5	98,2	93,4	98,5	100,8	87,3
SVN	..	20,3	48,1	55,6	50,2	48,0	51,3	46,3	47,7	49,5	42,8
BLR	17,4	12,7	45,3	60,8	49,2	55,2	59,7	63,6	73,1	76,1	54,6
MDA	..	1,3	4,4	6,1	5,4	5,8	7,0	7,3	8,0	8,0	6,6
RUS	516,8	259,7	1299,7	1660,8	1222,6	1524,9	2034,0	2154,1	2231,8	2052,8	1331,2
TUR	150,7	266,6	647,1	730,3	614,6	731,1	774,8	788,9	823,3	798,8	717,9
UKR	..	31,3	142,7	180,0	117,2	136,0	163,2	175,8	183,3	133,5	90,6
ALB	2,1	3,6	10,7	12,9	12,0	11,9	12,9	12,3	12,8	13,2	11,4
BIH	..	5,5	15,8	19,1	17,6	17,2	18,6	17,2	18,2	18,5	16,2
MKD	4,5	3,8	8,3	9,9	9,4	9,4	10,5	9,7	10,8	11,3	10,1
MNE	..	1,0	3,7	4,5	4,1	4,1	4,5	4,1	4,5	4,6	4,0
SRB	..	6,5	40,3	49,3	42,6	39,5	46,5	40,7	45,5	44,2	37,2
KAZ	26,9	18,3	104,8	133,4	115,3	148,0	192,6	208,0	236,6	221,4	184,4
KGZ	2,7	1,4	3,8	5,1	4,7	4,8	6,2	6,6	7,3	7,5	6,6
TJK	..	0,9	3,7	5,2	5,0	5,6	6,5	7,6	8,5	9,2	7,9
TKM	3,2	2,9	12,7	19,3	20,2	22,6	29,2	35,2	39,2	43,5	35,9
UZB	13,4	13,8	22,3	29,5	33,7	39,3	45,9	51,8	57,7	62,6	66,7
ARM	2,3	1,9	9,2	11,7	8,6	9,3	10,1	10,6	11,1	11,6	10,5
AZE	8,9	5,3	33,1	48,9	44,3	52,9	66,0	68,7	73,6	75,2	53,0
GEO	7,8	3,1	10,2	12,8	10,8	11,6	14,4	15,8	16,1	16,5	14,0

Source: Own compilation based on International Monetary Fund, Government Finance Statistics Yearbook, and World Bank and OECD GDP estimates, 2017.

Table 2 and Table 3 about the GDP show several tendencies and developments, which are typical of the economies in the NISPAcee region in the last quarter of a century. It is generally true, that during this time the GDP has quadrupled. This is also a commendable achievement if the inflationary effects are discounted. The development can be felt almost everywhere, just enough – for tourists – to consider the new buildings, enrichment, for cars, not to mention the abundance and the plenty supply of the shops and stores, compared with the cities and villages 25 years ago. The financial situation of the populace has significantly improved, though not the same level as it can ensue from the GDP. Since the GDP does not show the change in productivity, the quality of the economic structure, the export orientation

[9] Callen, Tim. 2012. *Gross Domestic Product: An Economy's All.* International Monetary Fund http://www.imf.org/external/pubs/ft/fandd/basics/gdp.htm (Retrieved 3 March 2017.)

[10] Organisation for Economic Co-operation and Development. 2001. *Glossary of Statistical Terms*.

and the certain problems associated with development as well. The backgrounds of these mains trends of the country groups are analysed without the sake of completeness, in chronological order, the *three periods* are not so arbitrary, life was like that.

Table 3 - GDP growth (annual %)

Country	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
BGR	-9,12	5,01	7,68	5,65	-4,22	0,05	1,92	0,03	0,86	1,33	3,62
HRV	..	3,77	5,15	2,05	-7,38	-1,70	-0,28	-2,19	-1,06	-0,36	1,64
CZE	..	4,29	5,53	2,71	-4,84	2,30	2,00	-0,80	-0,48	2,72	4,54
EST	..	10,57	7,75	-5,42	-14,72	2,26	7,60	4,31	1,42	2,82	1,44
HUN	..	4,20	0,45	0,89	-6,56	0,68	1,74	-1,60	2,12	4,05	3,15
LVA	..	5,41	9,95	-3,61	-14,33	-3,79	6,21	4,00	2,90	2,10	2,74
LTU	..	3,83	11,09	2,63	-14,81	1,64	6,04	3,84	3,54	3,03	1,62
POL	..	4,56	7,03	4,25	2,82	3,61	5,02	1,61	1,39	3,28	3,94
ROM	..	2,40	6,86	8,46	-7,07	-0,80	1,06	0,64	3,53	3,08	3,66
SVK	..	1,21	10,80	5,63	-5,42	5,04	2,82	1,66	1,49	2,57	3,83
SVN	..	4,16	6,94	3,30	-7,80	1,24	0,65	-2,69	-1,09	3,11	2,32
BLR	..	5,80	8,60	10,20	0,20	7,74	5,54	1,73	1,07	1,72	-3,89
MDA	..	2,11	3,00	7,80	-6,00	7,10	6,80	-0,70	9,40	4,80	-0,50
RUS	-3,00	10,00	8,54	5,25	-7,82	4,50	4,26	3,52	1,28	0,71	-3,73
TUR	9,27	6,77	4,67	0,66	-4,83	9,16	8,77	2,13	4,19	3,02	3,97
UKR	-6,35	5,90	7,90	2,30	-14,80	4,20	5,47	0,24	-0,03	-6,55	-9,87
ALB	-9,58	6,67	5,90	7,53	3,35	3,71	2,55	1,42	1,11	1,80	2,80
BIH	..	5,50	5,73	5,48	-2,87	0,77	0,91	-0,93	2,39	1,08	3,03
MKD	..	4,55	6,47	5,47	-0,36	3,36	2,34	-0,46	2,93	3,54	3,67
MNE	..	3,10	10,66	6,92	-5,66	2,46	3,23	-2,72	3,55	1,78	3,15
SRB	..	7,76	5,89	5,37	-3,12	0,58	1,40	-1,02	2,57	-1,83	0,76
KAZ	..	9,80	8,90	3,30	1,20	7,30	7,40	4,80	6,00	4,20	1,20
KGZ	5,70	5,43	8,54	8,40	2,89	-0,47	5,96	-0,09	10,92	4,02	3,47
TJK	-0,60	8,30	7,80	7,90	3,80	6,50	7,40	7,50	7,40	6,70	6,00
TKM	35,38	5,47	11,06	14,70	6,10	9,20	14,70	11,10	10,20	10,30	6,50
UZB	1,60	3,80	9,92	9,00	8,10	8,50	8,30	8,20	8,00	8,10	8,00
ARM	..	5,90	13,75	6,90	-14,15	2,20	4,70	7,20	3,30	3,60	3,00
AZE	..	11,10	25,05	10,77	9,41	4,85	0,07	2,20	5,80	2,00	1,10
GEO	-14,79	1,84	12,34	2,31	-3,78	6,25	7,22	6,35	3,39	4,62	2,77
Average	*0,85*	*5,49*	*8,41*	*5,06*	*-3,89*	*3,39*	*4,54*	*2,04*	*3,38*	*2,80*	*2,20*

Source: Own compilation based on International Monetary Fund, Government Finance Statistics Yearbook, and World Bank and OECD GDP estimates, 2017.

In the *first phase* (1990s), there was *a general decline* in most countries. The impact and the rate of this were very powerful, in the case of some countries, the decrease means the 50 % of the GDP. Though the reasons vary but can be divided into three main groups. In the case of *Central and Eastern European countries*, it can be mentioned that most of the factors of power mainly remained, but the Council for Mutual Economic Assistance (COMECON) was replaced by the EU, and the planned economy was changed to the market economy, furthermore on military field, instead of the Warsaw Pact the NATO. The degree of the recession, however, was different: those countries which had inherited a large public debt almost ruined and declined by the repayments, if not bear this burden till nowadays (e.g. Bulgaria, Hungary). Others, by taking the advantages of the bargaining power, approved and adopted the debt zeroing with the creditors (e.g. Poland) so there a particular downturn did not occur. The dissolution of the *Soviet Union* caused a similar economic shock, in the case of the partially or completely independent successor states with a decline of around 50 %, even though in some countries where rich raw materials (with rising world market prices) can be concerned. The search for new foreign markets and the transformation of the domestic economy demanded much time and money, part of these transformations is still in progress. The breakup of *Yugoslavia* brought the independent or just nominally autonomous small states with their different intensity of market reforms. The emerged civil war in the '90s almost without exception, has led to the development of the economy came to a halt, and continuously dropped more than half a decade. Formally the Western Balkans are candidate countries for EU membership, but it needs a lot more measures to fulfil the conditions.

The *second phase* is characterised by the *starting of the development after the initial decline*, which is almost unbroken without any exception in all countries until 2008. At about the turn of the century they reach the economic level before the political changes, and then an actual growth is displayed. The impact of the global economic crisis realises almost in every country, is well reflected by the values of 2009 in the charts. The GDP generally declined by 4-15 %, and practically they realise the pre-crisis levels only from 2013-14. Such a powerful expression of the international economic trends on the GDP, is a good example of how open the economic structure of these countries, and the lack of protective mechanisms, because of not so much the market's reaction, but rather the lack of government protection.

The *third phase* lasts till the present, in which *a moderate or higher continuous growth can be identified*, with a 2-4 % GDP growth in the Central and Eastern European countries, and the double of this in the former Soviet republics, the situation is mixed in the Western Balkans. Like everywhere, there are exceptions here too, such as the fall of the Ukrainian economy in 2012 as a result of the well-known war causes. The economic performances of Uzbekistan and Tajikistan are excellent, according to Table 3 after the global financial crisis of 2008 the GDP growth is constantly above 8 %, which means that they do not even need to elapse a decade to double the GDP.

4. Fiscal Policy

The fiscal policy deals with the central budget, the revenues and the expenditures of the state. From the principle of popular sovereignty, it can be concluded, that the people have the right to participate directly in public finances. However, due to the reasonable reasons and to common sense – as a restriction – national referendum cannot be held on the central budget, the implementation of the central budget, central taxes, duties, contributions, customs duties or the central conditions for local taxes. The fiscal policy includes mostly three parties: the legislature, the government and the audit institution. The legislature assesses the central budget and adopts its implementation for each year. The government prepares and submits the legislative proposal on the central budget and later – upon authorisation and approval – the implements it.
In some cases, an *advisory board* or the central bank is also involved in these procedures. For example, in Hungary as an organ supporting the legislative activity of the National Assembly, the Budget Council examines the feasibility of the central budget and takes part in the preparation.[11] The prior consent of the Budget Council is required for the adoption of the central budget. The members of the Budget Council are the President of the Budget Council, the President of the National Bank of Hungary and the President of the State Audit Office. In Romania, the Economic and Social Council is an advisory body of the Parliament and Government, in the specialised fields stated by the organic law for its establishment, organisation, and functioning.[12] In Turkey, the Economic and Social Council provides the

[11] Fundamental Law of Hungary, Article 44.
[12] Constitution of Romania Article 139.

government with consultative opinions in the formulation of economic and social policies. The establishment and functioning of the Economic and Social Council shall be laid down in law.[13]

4.1.Budget and Government debt

The *budgeting* follows a historically and internationally accepted concept. The *legislature* assesses – by an act – the central budget and with a separate action adopts its implementation, final account for each year. The executive is responsible for submitting the proposal, which contains expenditures and revenues in the same structure, in a transparent manner and in reasonable detail. The details of the process are determined by separate legislation. The proposals on the central budget and on its implementation, contain the state expenditures and revenues in the same structure, in a transparent manner and in reasonable detail. If the legislature fails to adopt the act on the central budget by the beginning of the calendar year, the government is automatically authorised to collect the revenues determined in legal regulations and, within the framework of the central budget for the previous year, disburse expenditures on a pro-rata basis.

The *government* is authorised (by the legislative adoption of the act on the central budget) to collect the revenues and to disburse the expenditures. The government implements the central budget in a lawful and expedient manner, with efficient management of public funds and by ensuring transparency. In order to strengthen the transparency, support or contractual payments from the central budget may only be granted to organisations of which the ownership structure, the organisation and the activity aimed at the use of the support are transparent.[14] Public funds are managed according to the principles of transparency and the purity of public life, therefore the data relating to public funds are data of public interest.

The balance of the budget is the surplus (sufficit) or the deficit, which essentially compromises the change of the *government debt*. After the Mortgage-debt Financial Crisis and the European Debt Crisis, it can be observed, that the principle of balanced, transparent and sustainable budget management became more and more important. Nonetheless, the average of the government debt in the NISPAcee countries is nearly 44 %, but the deviation is great, because the lowest figure is close to 10 % (Estonia) but the highest is 97 % (Slovenia). The trend shows, that the sovereign debt ratio to the GDP in most of the countries has been rising, except Hungary, Latvia, Turkey. Hungary has the strictest rule on budgeting and government debt, since Article 36 defines, that the National Assembly may not adopt an Act on the central budget as a result of which state debt would exceed half of the GDP. Furthermore, as long as state debt exceeds half of the GDP, the National Assembly may only adopt an Act on the central budget which provides for state debt reduction in proportion to the GDP, and no such borrowing may be contracted and no such financial commitment may be undertaken.[15] Further restriction, that as long as the state debt exceeds half of the GDP, the Constitutional Court may review the Acts on the central budget and central taxes for conformity with the Fundamental Law exclusively in connection with life and human dignity, protection of personal data, to freedom of thought, conscience and religion, and it may annul these Acts only for the violation of these rights. The results are obvious: slight decrease (6 %) of the government debt ratio, and the excessive deficit procedure was abrogated, shortly after the adoption of the Fundamental Law (2011). Any derogation from these provisions is allowed only during a special legal order and to the extent necessary to mitigate the consequences of the circumstances triggering the special legal order, or, in the case of an enduring and significant national economic recession, to the extent necessary to restore the balance of the national economy. It can be said, that without this

[13] Constitution of Turkey Article 166.
[14] Fundamental Law of Hungary, Article 39.
[15] Fundamental Law of Hungary, Article 36 and 37.

restriction and limitation, the previous governments originated an excessive state debt by borrowing huge credits and loans. But it has to be noted, that the same and the higher decrease can be observed without such a provision (e.g. Czech Republic, Latvia, Turkey), and others can maintain on a low level: 10 % (Estonia, Russia, Uzbekistan).

Table 4 - Central government debt, total (% of GDP)

Country	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
BGR	..	72,54	17,21	13,70	12,96	14,09	14,40	17,10	18,91	27,41	26,01
HRV	..	..	37,71	39,64	49,02	58,31	65,23	70,14	82,64	86,64	86,74
CZE	..	12,65	23,12	24,42	29,59	33,56	36,26	40,64	40,61	38,21	54,17
EST	..	5,14	3,71	4,57	7,05	6,21	5,91	9,14	9,98	10,41	9,74
HUN	..	55,01	65,67	71,55	77,86	80,49	80,69	78,17	76,54	75,61	74,71
LVA	..	..	8,41	18,74	36,62	47,48	42,81	41,35	39,02	40,71	36,32
LTU	..	..	15,96	14,67	28,04	36,25	37,75	39,90	38,76	40,54	42,74
POL	..	36,27	42,45	44,27	47,07	50,97	51,57	55,14	55,57	66,14	66,25
ROM	..	..	12,71	13,21	23,35	29,98	34,25	37,36	37,82	39,47	37,98
SVK	..	0,78	32,66	31,85	39,62	44,21	46,70	55,59	58,48	58,72	..
SVN	..	..	23,18	22,12	35,26	38,70	47,10	54,40	71,70	..	97,64
BLR	..	15,01	8,91	10,66	19,19	19,59	40,75	25,22	24,63	25,42	38,87
MDA	..	73,02	23,24	18,44	27,63	26,32	23,71	24,33	23,69	24,81	..
RUS	..	62,15	7,16	6,50	8,70	9,10	8,70	8,70	9,32	11,36	13,92
TUR	30,25	..	..	43,48	52,94	50,07	45,52	43,53	38,01	36,91	31,14
UKR	..	45,29	..	13,83	24,88	29,97	27,48	33,70	37,03	63,67	..
ALB	..	69,87	53,43	55,14	59,67	57,71	59,40	62,12	70,36	73,37	..
BIH	..	..	17,60	16,62	21,17	24,82	25,47	27,53	28,34	30,92	30,94
MKD	..	..	24,02	20,64	23,67	24,17	27,74	33,72	34,06	38,14	38,19
MNE	..	..	27,50	29,01	38,25	40,94	45,98	53,97	56,84	54,82	61,41
SRB	..	..	29,97	28,31	32,87	41,81	45,46	56,28	59,61	70,41	73,46
KAZ	..	..	5,94	6,78	10,24	10,41	10,80	12,50	12,84	14,65	23,05
KGZ	..	124,53	56,81	48,46	58,07	55,49	47,52	46,32	42,81	46,87	55,23
TJK	..	114,07	34,60	29,95	36,22	36,34	35,43	32,36	29,18	28,34	35,91
TKM	..	..	32,14	33,34	36,67	36,75	38,21	39,28	39,04	37,92	36,51
UZB	..	..	15,79	12,73	10,98	9,96	9,09	8,62	8,58	8,71	11,08
ARM	..	..	14,01	13,56	65,68	34,65	36,44	35,36	34,74	37,51	42,23
AZE	..	..	8,31	7,34	12,41	12,51	11,47	13,92	12,84	11,24	28,31
GEO	..	69,94	22,69	27,02	34,61	36,80	32,46	32,53	33,92	35,38	41,37
Average	*30,25*	*54,02*	*24,63*	*24,85*	*33,11*	*34,40*	*35,67*	*37,55*	*38,82*	*40,51*	*43,76*

Source: Own compilation based on International Monetary Fund, Government Finance Statistics Yearbook, and World Bank and OECD GDP estimates, 2017.

According to Table 4, the national debt – in absolute value – ratio to GDP does not differ from other parts of the world. The average government debt in the NISPAcee countries is nearly 44 %, but the deviation is great, because the lowest figure is close to 10 % (Estonia) but the highest is 97 % (Slovenia). After the political and economic changes caused a structural transformation in the public debt. The sum of the region is quite little, nearly the half (49 % in 2015) of world's public debt ($ 55 trillion) is produced by the USA ($ 14,5 trillion) and Japan ($ 12,2 trillion). However, the extent of the management and the size are not synchronised with each other, and this is the reason, that for some of the countries examined the amortisation and the repayments are a serious problem. Most of them do not have competitive sectors and the levels of raw materials, mineral resources are even low, therefore the equalisation through the export is inefficient. The trend shows, that the sovereign debt ratio to that GDP in most of the countries has been rising, except Hungary, Latvia, Turkey.

The data show a high variance. The degree of indebtedness is typically 11-75 % of the GDP, but in some cases greater than 100% (e.g. it was 114 % in Kyrgyzstan and Tajikistan in 2000, and 97 % in Slovenia). Since most of the countries are rather young, it is difficult to classify the government debt. The examples of the advanced capitalist countries show, that they can live with large public debt for decades, such as Japan, where it is persistently above 200 %, or Italy (126 %) and Greece (158 %).[16] For the former, there is no problem corresponding the domestic confidence and lending, but the latters are struggling with tomorrow's survival. The indebtedness is also different in a country which is rich in raw materials, such in another one where skilled labour is still low, and foreign markets are not developed. Thus, the numbers alone cannot be interpreted, but the trends (slight or sharp increase or decrease) can be observed. In the table, Estonia is a particular exception, because according to the available data, the level is around 10 %, that there is the lowest the government debt ratio. Which is surprising, because in almost each of the Central and Eastern European countries during and after the accession to the European Union a significant increase in the public debt has occurred, and even there are costs of the political and economic transition.

The purposes, the usefulness and utility are important features of the sovereign debt: what did the government spend the borrowed money? The example of Western Balkan countries (starting roughly the same level) show, that those in which the level of borrowing and indebtedness were greater (Croatia, Montenegro, Serbia) currently are more advanced, than the others, where the debt to GDP proportion is lower (Macedonia, Bosnia and Hercegovina, Albania), they could spend less to modernize the economy. In addition, it is worth to be mentioned, that Yugoslavia subsequently fell into heavy IMF debt due to the large number of International Monetary Fund loans taken out by the regime, by 1981, Yugoslavia had incurred $19.9 billion in foreign debt.[17]

4.2.Taxation

For fiscal policy and budgeting, the essential components are the taxes,[18] which are one of the most important sources, from which a state can finance its operation. The rates and the level of them, the reliefs and remissions are different in the examined countries, since they always depend on the current governments' fiscal policy. In the following, there are some conclusions, which may be typical.

The *constitutional background* for taxation is similar. The public obligation for the contribution to cover the finances for common needs is declared, the principle of just tax burden sharing is supplemented sometimes with special aspects. As a public obligation, everyone is obliged to pay taxes, duties, and make other compulsory payments in the amount and as prescribed by law. However, the constitutions define differently the principle of just tax burden sharing, distribution. For example, in Turkey, the equitable and balanced distribution of the tax burden is the social objective of fiscal policy, according to the personal financial resources.[19]

[16] Central Intelligence Agency. 2015. *The World Fact Book*. and International Monetary Fund. 2015. *World Economic Outlook Database*, April 2015

[17] cf. Asch Beth J., Courtland Reichmann. 1994. *Emigration and Its Effects on the Sending Country*. Rand Corporation, pg. 26; and Massey Douglas S., J. Edward Taylor. 2004. *International Migration: Prospects and Policies in a Global Market*. Oxford University Press, pg. 159.

[18] In broad terms taxes include fees, customs, duties, tariffs, charges and other financial obligations or transfers to governments.

[19] Constitution of Turkey, Article 73.

In Bulgaria, it is based on proportionately to the person's income and property.[20] In Hungary, everyone shall contribute to covering common needs according to his or her capabilities and/or to his or her participation in the economy, and for persons raising children, the extent of contribution to covering common needs is determined by taking into consideration the costs of raising children.[21] In Poland, the principles for granting tax reliefs and remissions, along with categories of taxpayers exempt from taxation, shall be by means of statute.[22]

The role and functions of the legislature and the executive meet the general standards. A *common ground*, that from the Magna Carta Libertatum (1215), it is a generally accepted principle by all modern countries, that only the legislator (Parliament or National Assembly) is entitled to impose taxes,[23] which are introduced by law. Upon constitutional authorization the municipalities, local governments are allowed to introduce, determine and decide on the types and rates of local taxes within a legal framework. As a guarantee of the concept of the rule of law, the law may not be given retroactive effect. As above mentioned national referendum cannot be held on central and local taxes, duties, contributions, customs duties. By the adoption of the Act on the central budget, the legislature automatically authorises the Government to collect the central revenues.

Table 5 contains the data for only three countries in 1990, which represent a consolidated initial situation with an 11 -23 and 23 % GDP ratio. The post-millennium data series is quite incomplete, but it clearly shows, that the tax revenues expose typically 15 – 19 % of the GDP (Estonia's figure of 1 % is hardly not applicable), and rates above 20% only rarely can be found.[24] This means, that essentially, the level of taxation is average in countries of the region, although we do not know the details and the taxation-structure in most of the countries (composition, degree). The Central and Eastern European countries present harmonisation in relation to the types of taxes, because they apply the common EU provisions especially for indirect taxes (VAT, excise duty), which is inherent with EU membership. For example, they constantly raise the taxes on the ABC products (alcohol, benzene – fuel, cigarette – tobacco) to reach the level of EU regions, which is significantly higher than that of the countries examined here. (The EU and EFTA countries' tax revenue average is 40 %.[25]) The rates and relative ratios of the direct (i.e. income tax, corporate tax, etc.) and the indirect taxes (e.g. value added tax, excise duty, import duties, sales tax, gambling tax etc.) in each state are different. It is not known, whether the governments finance the expenditures from other sources (fees, charges, fines, loans, etc.). In some countries, the tax burden placed on the incomes, while in others it is based on consumption. For example, in Hungary, there is a flat income tax of 15 %, and the corporate tax is even low (9 %), while it is a world record holder in the VAT, with the 27 %. Since there is typically a lower GDP in this region, and the majority of countries are not at the forefront of the world economy, so the value of the tax revenues is relatively modest, i.e. the governments' room for manoeuvre in the different areas of expenditure is quite limited. Raising tax rates is not the solution, because then the willingness to payment will drop (Laffer curve) and foreign investors (FDI) seek another region, and the domestic entrepreneurs will develop moderately even, so the populace is forced to reduce its consumption.

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[20] Constitution of Bulgaria, Article 60.

[21] Fundamental Law of Hungary, Article XXX.

[22] Constitution of Poland, Article 217.

[23] Carpenter, David A. 1990. *The Minority of Henry III. Berkeley*. US and Los Angeles, US: University of California pg. 9 and Turner, Ralph. 2009. *King John: England's Evil King?*. Stroud, UK: History Press. pg. 184-185

[24] It is worth to be mentioned that in some cases the OECD or the Eurostat figures show higher rates, but unfortunately these statistics cannot provide date for all the NISPAcee countries. The considerable differences occur upon the methodology, therefore the paper uses only the data of the IMF and the WB for establishing a comparative approach.

[25] Eurostat. 2017. *Tax revenue statistics – Total tax revenue by country, 1995-2015*.

Table 5 – Tax revenue (% of GDP)

Country	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
BGR	23,83	17,55	21,76	22,06	19,71	18,06	17,77	18,50	..	..	..
HRV	..	22,16	19,93	20,01	19,24	19,16	18,47	19,58	19,13	19,29	..
CZE	..	14,24	14,01	13,62	12,45	12,92	13,03	13,41	13,51	13,29	..
EST	..	1,01	1,05	0,95	1,09	1,01	0,99	1,03	1,04	..	..
HUN	..	22,25	21,49	23,35	23,44	22,97	21,24	22,99	22,81	22,87	..
LVA	..	20,77	21,40	20,34	18,17	18,83	19,13	20,05	20,47	20,86	..
LTU	..	5,87	5,89	5,93	4,93	4,62	4,49	4,51	4,53	4,61	..
POL	..	17,00	18,15	18,16	16,00	16,38	16,60	15,91	15,54	15,46	..
ROM	23,06	17,87	17,93	17,32	15,91	16,47	17,93	17,96	17,66	18,01	..
SVK	..	0,61	13,64	13,04	12,04	11,99	12,26	11,93	13,06	15,90	..
SVN	..	20,10	19,32	19,58	17,64	16,73	17,32	17,54	..	..	..
BLR	..	16,62	23,73	25,35	19,26	16,92	15,00	15,14	13,80	13,15	14,65
MDA	..	14,73	20,57	20,45	17,69	18,20	18,28	18,64	18,40	19,82	..
RUS	..	13,73	16,55	15,82	12,96	13,05	14,05	14,00	13,29	13,44	10,94
TUR	11,56	..	..	18,52	19,16	20,49	20,14	20,38	21,40	21,13	..
UKR	..	14,10	16,48	17,86	16,37	15,57	18,52	18,32	17,56	17,29	20,55
ALB	..	..	..	..	..	..	..	..	16,84	18,31	..
BIH	..	..	21,40	20,31	18,96	19,70	20,32	20,50	19,78	19,82	19,97
MKD	..	..	19,07	18,52	17,13	16,87	17,00	16,42	..	..	..
MNE	..	..	..	..	..	..	..	..	..	..	..
SRB	..	..	22,83	22,41	21,20	21,44	20,20	19,72	..	..	..
KAZ	..	10,22	..	..	..	15,71	18,26	13,31	16,03	14,19	9,84
KGZ	..	11,74	16,40	16,51	15,04	15,03	16,13	18,12	17,57	17,71	..
TJK	..	7,70	..	..	..	..	..	..	..	..	..
TKM	..	..	..	..	..	..	..	..	..	..	..
UZB	..	..	..	..	..	..	..	..	..	..	..
ARM	..	..	15,96	17,32	16,51	17,07	17,22	17,49	..	21,60	..
AZE	..	..	..	16,42	14,11	12,16	12,22	12,96	13,50	14,22	..
GEO	..	7,65	17,72	23,81	23,14	22,14	23,83	24,12	23,42	23,49	23,82
Average	*19,48*	*13,47*	*17,39*	*17,72*	*16,18*	*15,98*	*16,27*	*16,35*	*15,97*	*17,22*	*16,63*

Source: Own compilation based on International Monetary Fund, Government Finance Statistics Yearbook, and World Bank estimates, 2017.

4.3.Audit

The state audit of the government budget and the expenditures is an essential control element in public finances. Supreme audit institutions are national agencies responsible for auditing the government revenue and spending, the implementation of the central budget, the management of public finances, the use of funds from public finances and the management of national assets. The audits are carried out according to the criteria of lawfulness, expediency and efficiency.[26] Therefore the constitutions establish a separate public organ, which independent, or subordinated to the legislature (parliament or the national assembly). This is another example of checks and balances o the executive branch of power. As a consequence of this principle, the president or the chief accountant of the supreme audit institution is elected by the (qualified majority of the) legislature for a longer term than the parliamentary election:

[26] World Bank 2001. *Features and functions of supreme audit institutions*. World Bank Group, Development Economics Vice Presidency and Poverty Reduction and Economic Management Network

6-12 years. The naming is different, the most common expressions are the following: supreme, state audit institution, chamber, committee office or court, furthermore instead of audit control can be found, it reflects the auditors or accounts. The list of NISPAcee countries supreme audit institutions: Сметна палата (Bulgaria), Nejvyšší kontrolní úřad (Czech Republic), Riigikontroll (Estonia), Državni ured za reviziju (Croatia), Valsts kontrole (Latvia), Valstybës kontrolë (Lithuania), Állami Számvevőszék (Hungary), Najwyższa Izba Kontroli (Poland), Curtea de Conturi (Romania), Računsko sodišče (Slovenia), Najvyšší kontrolný úrad (Slovakia), European Court of Auditors (European Union), Republika e Shqipërisë Kontrolli i Lartë i Shtetit (Albania), Државен завод за ревизија (Macedonia), Državna revizorska institucija Republike Crne Gore (Montenegro), Република Србија Државна ревизорска институција (Serbia), Sayıştay Başkanlığı (Turkey), Ured Za Reviziju (Bosnia and Herzegovina), Рахункова палата України (Ukraine), Curtea de Conturi (Moldova), სახელმწიფო აუდიტის (Georga), Комитет государственного контроля (Belarus), Hesablama Palatasının (Azerbaijan), Հայաստանի Հանրապետության (Armenia), Есеп комитеті (Kazakhstan).

The International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards distinguish basically two types of an audit that a government auditor may perform. A regularity audit or statutory audit is a financial audit of the financial reporting or budget reporting of the audited entity. Performance audit refers to an examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources. The president or the chief accountant of the supreme audit institution annually reports to the National Assembly on the activities. The detailed rules for the organisation and operation of it are laid down in an (organic or cardinal) act.

5. Monetary Policy

The other main part of public finances is *monetary policy*. The central banks are public institutions which possess the monopoly on managing and implementing a state's or federation's monetary policy. Generally, the constitutions contain the central bank and often the national currency. The naming of the central bank can be different, but we cannot find in this list the reserve bank (e.g. Reserve Bank of India, U.S. Federal Reserve System), the monetary authority (e.g. Monetary Authority of Singapore, Maldives Monetary Authority) or the bank of issue.[27] The common examples are the following:

- central bank: Azərbaycan Mərkəzi Bankı, Centralna Banka Bosne i Hercegovine, Centralna Banka Crne Gore, Հայաստանի Կենտրոնական Բանկ, Türkiye Cumhuriyet Merkez Bankası, Ўзбекистон Республикаси Марказий Банки, Türkmenistanyň Merkezi Banky, European Central Bank;
- national bank: Българска народна банка, Hrvatska narodna banka, Česká národní banka, საქართველოს ეროვნული ბანკი, Magyar Nemzeti Bank, Қазақстан Ұлттық Банкі, Banca Naţională a Moldovei, Narodowy Bank Polski , Banca Naţională a României, Народна банка Србије, Národná banka Slovenska, Бонки миллии Тоҷикистон, Кыргыз Республикасынын Улуттук Банкы, Нацыянальны банк Рэспублікі Беларусь, Народна банка на Република Македонија, Національний банк України;
- bank of a country: Banka e Shqipërisë, Eesti Pank, Latvijas Banka, Lietuvos Bankas, Центральный банк Российской Федерации, Banka Slovenije.

[27] As a curiosity the Constitution of Macedonia Article 60 The National Bank of the Republic of Macedonia is a currency issuing bank.

The content of the constitutional provisions is brief and quite different, the details can be found in separate (cardinal or organic) acts, statutes. Usually the constitutional texts do not define detailly the monetary policy and the monetary instruments or the decision making, rather just declare the exclusive right to issue and circulate the national currency, to independently implement monetary policy, to ensure price and financial stability, to maintain and administer the reserves and to supervise the banking sector or the financial industries (macro-prudential tasks and responsibilities). The latter takes a particular interest because besides the monetary policy some central bank even performs the supervision of the financial intermediary system (e.g. Czech Republic, Hungary, Lithuania, Slovakia, Kyrgyzstan). The governor or the president of the central bank is appointed by the President (e.g. Hungary) or elected by the Parliament (e.g. Montenegro, Poland), National Assembly for a longer term than the parliamentary cycle (five or six years). The monetary decisions lay with a monetary committee or governing council. The governor or the president bears only an executive function, especially issue decrees or resolutions.

A crucial issue is its legal, goal, operational and management *independence*. An independent central bank can run a more credible monetary policy, making market expectations more responsive to signals from the central bank. A trend towards increasing the independence of the central banks from the government, as a way of improving long-term economic performance. After the financial crisis of 2008, upon the initiation of the European Union institutions and the Bank for International Settlements (BIS), Basel Committee this independence was strengthened. Therefore, they neither seek nor take instructions from national and other governments or political parties or institutions, bodies or offices of international organisations. Without prejudice to its primary objectives, the central bank upholds to maintain the price and financial stability to increase its resilience and to ensure its sustainable contribution to economic growth, and shall support the economic policy of the Government using the means at its disposal. In the EU, the Treaty on the Functioning of the European Union contains two other main prohibitions. Article 123 declares the *prohibition of monetary financing*: overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments.[28] And according to the *prohibition of privileged access to financial institutions* in Article 124: any measure, not based on prudential considerations, establishing privileged access by Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States to financial institutions, shall be prohibited.

According to economics, the monetary policy has *two primary objectives*: stable or calculable prices (*inflation*) and general confidence in the national currency (*exchange rates*).[29] Therefore the paper examines this two fields. In the Anglo-Saxon financial culture, it is supplemented by the promotion of maximum sustainable output and employment – based on the Phillips-curve –, but this not relevant in the current issue: public finances.

[28] This is cannot be applied to publicly owned credit institutions which, in the context of the supply of reserves by central banks, shall be given the same treatment by national central banks and the European Central Bank as private credit institutions.

[29] Federal Reserve. 2006. *Monetary Policy*. Elsevier 2010. *Monetary and Exchange Rate Policies*. Handbook of Development Economics. Elsevier. 2010.

5.1. Inflation

There are no provisions on *inflation* in the examined constitutions, but this can be one of the best indexes, on which the national central bank's monetary policy can be evaluated, since the main and primary objective of monetary policy is price stability. Inflation is the rate at which a sustained increase in the general price level of goods and services in an economy over a period of time, and consequently, the purchasing power of the currency is falling.[30] The inflation rate is widely calculated by calculating the movement or change in a price index, usually the consumer price index (CPI).[31]

Table 6 - Inflation, changes in consumer prices (annual %)

Country	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
BGR	23,80	10,32	8,40	12,35	2,75	2,44	4,22	2,95	0,89	-1,42	-0,10
HRV	..	4,61	2,90	6,08	2,38	1,03	2,27	3,41	2,22	-0,22	-0,46
CZE	..	3,90	2,93	6,35	1,04	1,41	1,94	3,30	1,43	0,34	0,34
EST	..	4,02	6,60	10,37	-0,08	2,98	4,98	3,93	2,79	-0,14	-0,46
HUN	28,97	9,78	7,94	6,07	4,21	4,88	3,92	5,67	1,72	-0,22	-0,07
LVA	..	2,65	10,14	15,43	3,47	-1,07	4,40	2,21	0,00	0,61	0,20
LTU	..	1,01	5,73	10,93	4,44	1,33	4,13	3,09	1,05	0,11	-0,88
POL	555,38	10,06	2,39	4,35	3,83	2,71	4,26	3,56	1,03	0,11	-0,99
ROM	..	45,67	4,84	7,85	5,59	6,09	5,79	3,33	3,99	1,07	-0,59
SVK	..	12,04	2,76	4,60	1,62	0,96	3,92	3,61	1,40	-0,08	-0,33
SVN	..	8,88	3,61	5,65	0,86	1,84	1,81	2,60	1,76	0,20	-0,52
BLR	..	168,62	8,42	14,84	12,95	7,74	53,23	59,22	18,31	18,12	13,53
MDA	..	31,15	12,14	12,90	-0,06	7,35	7,61	4,64	4,64	5,09	9,68
RUS	..	20,78	8,99	14,11	11,67	6,84	8,43	5,08	6,78	7,81	15,53
TUR	60,31	54,92	8,76	10,44	6,25	8,57	6,47	8,89	7,49	8,85	7,67
UKR	..	28,20	12,84	25,23	15,89	9,38	7,96	0,56	-0,28	12,19	48,72
ALB	..	0,05	2,93	3,36	2,28	3,55	3,45	2,03	1,94	1,63	1,89
BIH	..	..	..	..	..	..	..	..	..	..	..
MKD	..	6,61	2,25	8,33	-0,74	1,51	3,90	3,32	2,78	-0,28	-0,30
MNE	..	..	4,35	8,76	3,47	0,65	3,45	4,15	2,21	-0,71	1,55
SRB	..	71,12	6,39	12,41	8,12	6,14	11,14	7,33	7,69	2,08	1,39
KAZ	..	13,18	10,77	17,15	7,31	7,12	8,35	5,11	5,84	6,72	..
KGZ	..	18,70	10,18	24,52	6,90	7,97	16,50	2,69	6,61	7,53	6,50
TJK	..	..	13,15	20,47	6,45	6,42	12,43	5,83	5,01	6,10	5,71
TKM	..	..	..	..	..	..	..	..	..	..	..
UZB	..	..	..	..	..	..	..	..	..	..	..
ARM	..	-0,79	4,41	8,95	3,41	8,18	7,65	2,56	5,79	2,98	3,73
AZE	..	1,81	16,60	20,79	1,40	5,67	7,85	1,01	2,38	1,39	4,17
GEO	..	4,06	9,24	10,00	1,73	7,11	8,54	-0,94	-0,51	3,07	4,00
Average	*167,12*	*22,14*	*7,29*	*11,63*	*4,50*	*4,57*	*8,02*	*5,74*	*3,65*	*3,19*	*4,80*

Source: Own compilation based on International Monetary Fund, Government Finance Statistics Yearbook, and World Bank and OECD GDP estimates, 2017.

[30] Blanchard, Olivier. 2000. *Macroeconomics* (2nd ed.). Englewood Cliffs, N.J: Prentice Hall. Glossary. and Burda, Michael C.; Wyplosz, Charles. 1997. *Macroeconomics: a European text*. Oxford University, Glossary

[31] Other common and widely used measures include the following: producer price indices (PPIs), commodity price indices, core price indices, GDP deflator furthermore regional inflation historical inflation, asset price inflation.

In the early *1990s*, due to the political changes above-mentioned almost in all the presented countries, *there were a double-digit, not one case was a three-digit inflation*. The reasons were different for each country group. Several problems can be identified in most countries: the increase in the world market price of crude oil, the sudden appearance of excess demand in the shifting market economy, the unsecured banknote (fiat money) issuance, and for even several countries the war. The artificial prices – kept by the government in the planned economy – suddenly went out of control, and the constituent governments for the first time did not know how to handle this. In Hungary for example in the early '90s, the inflation rate was above 30 %, while in Poland it has three digits. (By comparison, in the developed countries there was no more than 10 % the price rises since the second world war, and usually, the annual rate is less than 5 %.) The *inflation rate, in the examined area, relatively quickly dropped to below 5 % by 2000 in most countries*, although in some places the values were between 10 – 20 %. Extremely high inflation rate occurred in Serbia (71 %), Ukraine (49 %), Romania (46 %), Moldova (31 %), Turkey (55 %) and Belorussia (168 %). After the year 2000, the level is typically less than 5 % in the region, but the year 2008 was exceptional for the whole world, the global economic crisis was felt almost everywhere. After this a rapid restoration occurred, by 2010 the highest inflation value was produced in Armenia (8.2%, but before and after there are also low rates), and in the case of other countries, the annual rate was below this. The *economies of this decade* – similar to the previous one – *show a moderate inflation*. Currently, in the world, there are no 10 countries where the rate would be over than 20 %. In the NISPAcee region, the only exception is Ukraine, where the explanation for the inflation rate above 30 % is the shortage of goods as a consequence of the war, which Kiev still could not overcome. *As a new phenomenon, a slight negative inflation (deflation) appeared in this decade in several Central and Eastern European countries* (Croatia, Estonia, Hungary, Poland, Romania, Slovakia and Slovenia). The main reasons for this, that the world market prices of raw materials greatly fell, particularly in the case of crude oil.

5.2.National currency

The majority of the constitution determine the national, official currency, legal tender or the monetary unit in the case of Azerbaijan, Russia, Ukraine. The central bank issues the national currency, furthermore administers the circulation and upholds, responsible for the stability of it. The naming of the national currency shows a great variety: Albanian lek, Armenian dram, Azerbaijani manat, Belarusian ruble, Bosnia and Herzegovina convertible mark, Bulgarian lev, Croatian kuna, Czech koruna, Georgian lari, Hungarian forint, Kazakhstani tenge, Kyrgyzstani som, Macedonian denar, Moldovan leu, Polish złoty, Romanian leu, Russian ruble, Serbian dinar, Tajikistani somoni, Turkish lira, Turkmenistan manat, Ukrainian hryvnia, Uzbekistani som. The eurozone countries use the common currency, the euro: Estonia, Latvia, Lithuania, Slovakia, Slovenia. Some countries do not declare the national currency: Albania, Bulgaria, Croatia, Georgia, Kazakhstan, Serbia, Tajikistan, Turkey, Turkmenistan and Uzbekistan. As a curiosity, in the case of Bosnia and Herzegovina, the convertible mark was established by the 1995 Dayton Agreement, and it replaced the dinar in 1998. The mark refers to the German mark, the currency to which it was pegged at par. The history of Montenegro is similar to Bosnia and Herzegovina, from 1996 the Deutsche Mark was the de facto currency, later the mark was unilaterally replaced by the euro in 2002 without any objections from the European Central Bank, and it is used as national currency.[32] The Central Bank's responsibilities will be determined by the Parliamentary Assembly. For the first six years after the entry into force of this Constitution, however, it may not extend credit by creating

[32] https://euobserver.com/enlargement/24924

money, operating in this respect as a currency board; thereafter, the Parliamentary Assembly may give it that authority.[33]

Table 7 about local currency exchange rate to U.S. dollar shows, that – except for certain cases based mainly on political grounds – there were no large differences, the economies of the given the countries were so stable, that drastic interventions were not necessary. The exchange rate of the local currency related to the leading FXs depends largely on the base rate, the inflation and the evolution of the foreign trade. In many cases of the free movement countries the emigration increased, and the remittances of the people, who are working abroad, improve(d) the balance of payments. These indicators – of course with some exceptions – are not resulted in extreme values, and despite the open economies, the trade balance nowhere was closed by drastically deficit. Even if the terms of trade (ToT) has become less favourable, but not dramatically, so high fluctuation in the developments of the exchange rate cannot be observed. After the political changes and opening, a number of countries tried to devaluate the local currency as an effective measure of increasing exports. However, the production – based mostly on lease work – did not bring the expected results, because the domestic industry and agriculture were hit by the economic changes (new markets, other quality).

Keeping the exchange rates relative to the leading currencies (especially U.S. dollar and the euro) has been provided to be a positive policy in the case of Lithuania, Belarus, Russia, Armenia, Azerbaijan, Georgia, it is moderate in Albania, Kazakhstan and Hungary, but it can be considered to be disadvantageous for Armenia and Turkmenistan (data only for 2000). Some of the Central and Eastern European, Baltic countries joined the eurozone, so the exchange rates became uniform after the accession. The existence of the EU membership does not mean a self-evident eurozone membership, although it has been required by the accession treaties from the new ones, but the date is adjusted to prescribed conditions, the Maastricht criteria, and in some countries, it is unknown (e.g. Bulgaria), or in other there is no intention to meet the requirements (e.g. Hungary). Among the NISPAcee countries, the situation of Montenegro (and Kosovo) is extraordinary, because it has no national currency. During the wars, the euro spread, and it is still in use, although it is unofficial national currency. Obviously, in these countries, the impact of the national banks on the exchange rate is zero. There is no agreement or treaty with Brussels on the use of money, but it represents a modest rate (only measurable in thousandths), therefore this situation does not interfere substantially the EU. Another extreme example is Transnistria (Pridnestrovian Moldavian Republic), which is an independent, self-proclaimed state with its own national bank and currency with a floating rate (Transnistrian ruble), though the convertibility is valid only within the country's borders.

[33] Constitution of Bosnia and Herzegovina Atricle VII.

Table 7 - Official exchange rate (LCU per US$, period average)

Country	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014	2015
BGR	0,00	2,12	1,43	1,34	1,41	1,48	1,41	1,52	1,47	1,47	1,76
HRV	..	8,28	5,36	4,94	5,28	5,50	5,34	5,85	5,70	5,75	6,86
CZE	..	38,60	20,29	17,07	19,06	19,10	17,70	19,58	19,57	20,76	24,60
EST	..	16,97	11,43	10,69	11,26	11,81	€	€	€	€	€
HUN	63,21	282,18	183,63	172,11	202,34	207,94	201,06	225,10	223,70	232,60	279,33
LVA	..	0,61	0,51	0,48	0,51	0,53	0,50	0,55	0,53	€	€
LTU	..	4,00	2,52	2,36	2,48	2,61	2,48	2,69	2,60	2,60	€
POL	0,95	4,35	2,77	2,41	3,12	3,02	2,96	3,26	3,16	3,15	3,77
ROM	0,00	2,17	2,44	2,52	3,05	3,18	3,05	3,47	3,33	3,35	4,01
SVK	..	46,04	24,69	21,36	€	€	€	€	€	€	€
SVN	..	222,66	€	€	€	€	€	€	€	€	€
BLR	..	0,09	0,21	0,21	0,28	0,30	0,50	0,83	0,89	1,02	1,59
MDA	..	12,43	12,14	10,39	11,11	12,37	11,74	12,11	12,59	14,04	18,82
RUS	..	28,13	25,58	24,85	31,74	30,37	29,38	30,84	31,84	38,38	60,94
TUR	0,00	0,63	1,30	1,30	1,55	1,50	1,67	1,80	1,90	2,19	2,72
UKR	..	5,44	5,05	5,27	7,79	7,94	7,97	7,99	7,99	11,89	21,84
ALB	..	143,71	90,43	83,89	94,98	103,94	100,89	108,18	105,67	105,48	125,96
BIH	..	2,12	1,43	1,34	1,41	1,48	1,41	1,52	1,47	1,47	1,76
MKD	..	65,90	44,73	41,87	44,10	46,49	44,23	47,89	46,40	46,44	55,54
MNE	..	1,09	€ (0,73)	€ (0,68)	€ (0,72)	€ (0,76)	€ (0,72)	€ (0,78)	€ (0,75)	€ (0,75)	€ (0,90)
SRB	..	63,17	58,45	55,72	67,58	77,73	73,33	87,97	85,16	88,41	108,81
KAZ	..	142,13	122,55	120,30	147,50	147,36	146,62	149,11	152,13	179,19	221,73
KGZ	..	47,70	37,32	36,57	42,90	45,96	46,14	47,00	48,44	53,65	64,46
TJK	..	2,08	3,44	3,43	4,14	4,38	4,61	4,74	4,76	4,94	6,16
TKM	..	5200,00	..	..	..	..	..	..	..	..	..
UZB	..	236,61	..	..	..	..	..	..	..	..	..
ARM	..	539,53	342,08	305,97	363,28	373,66	372,50	401,76	409,63	415,92	477,92
AZE	..	0,89	0,86	0,82	0,80	0,80	0,79	0,79	0,78	0,78	1,02
GEO	..	1,98	1,67	1,49	1,67	1,78	1,69	1,65	1,66	1,77	2,27
Average	*12,83*	*245,57*	*38,58*	*35,75*	*42,80*	*44,48*	*44,95*	*48,62*	*48,84*	*53,74*	*67,85*

Source: Own compilation based on International Monetary Fund, Government Finance Statistics Yearbook, and World Bank and OECD GDP estimates, 2017.

6. National Assets

The *national wealth or assets* are the property of the state and/or the local governments, ultimately – upon the concept of popular sovereignty – of the people,[34] since enjoys particular protection on the part of the state and society,[35] as well as it needs to be rationally used and protected by the state.[36] It consists of the land, the earth's crust, airspace, water, and other natural resources (arable land, forests, biodiversity, raw materials, minerals etc.), as well as economic and intellectual, cultural capabilities. Upon the historical background, it is interesting, that for example, the Constitution of Armenia declares the right to its share of the USSR national wealth, including the supplies of gold and diamond, and hard currency funds.[37] The Constitution of Turkey regulates, that the right to strike and lockout cannot be exercised in a manner damaging national wealth.[38] These are exclusive properties, which means, they may only be purchased for specified purposes, or the transfer of the proprietorship is impossible. The management and protection of national assets aim at serving the public interest, meeting common needs and preserving natural resources, as well as at taking into account the needs of

[34] Constitution of Armenia, Preamble, point 7.
[35] Constitution of Bulgaria, Article 21.
[36] Constitution of Uzbekisttan, Article 55.
[37] Constitution of Armenia, Preamble, point 7.
[38] Constitution of Turkey, Article 54.

future generations. The regulation of their governance, usage, and possession is determined by (organic, cardinal) laws. The Constitution of Slovakia designates a public organ, the National Property Fund. As a guarantee – according to the Fundamental Law of Hungary – the contracts for the transfer or utilisation of national assets may only be concluded with organisations of which the ownership structure, the organisation and the activity aimed at the management of the national assets transferred or assigned for utilisation are transparent.[39] The national assets are managed according to the principles of transparency and the purity of public life, therefore the data relating to the national assets are data of public interest.

Unfortunately, there is *no comprehensive statistics* on national assets or state property. Even for most countries is difficult to establish an asset cadastre. The second difficulty is that there is no internationally accepted and applied standards, methodologies for taking into account the states' property.

Conclusions

In most of the NISPAcee countries' constitutions *provisions on public finances* can be identified and in some countries, a separate chapter deals with public finances in Albania, Bosnia and Herzegovina, Georgia, Hungary, Moldova, Lithuania, Poland, Serbia and Slovenia. With regard to the economic approach on a constitutional level, the following elements are relevant: the definition or the grounds of economy, fiscal policy, monetary policy and the national assets.

The constitutions define directly or indirectly the *economic system* of the countries, usually, they do not follow the scientific classification. Parallel to the democratic transition, countries terminated the command economy and declared, introduced the free *market economy*, which was expressly pronounced, and sometimes was complemented with the social or socially (and ecologically) oriented attribute. Besides the type of economy, the economic development can be important even. In some cases, only the economic rights (freedom of various forms – public and private – of property, and the freedom of individual economic activity, enterprise) are included as a ground for the economy. The constitution of Latvia is shorter than the others, and there is no provision on the economy.

In the case of *fiscal policy*, *budgeting* follows a historically and internationally accepted concept. The legislature assesses the central budget and with a separate action adopts its implementation, final account for each year. The executive is responsible for submitting the proposal, and authorised to collect the revenues and to disburse the expenditures. The details of the process are determined by separate legislation. In some cases, an *advisory board* (e.g. Budget Council, Economic and Social Council) or the central bank is also involved in these procedures. The balance of the budget essentially compromises the change of the government debt. The average government debt in the NISPAcee countries is nearly 44 %, but the deviation is great, because the lowest figure is close to 10 % (Estonia) but the highest is 97 % (Slovenia). The trend shows, that the sovereign debt ratio to GDP in most of the countries has been rising, except for Hungary, Latvia and Turkey. Hungary has the strictest rule on budgeting and government debt, since the National Assembly may not adopt an Act on the central budget as a result of which state debt would exceed half of the GDP, and no such borrowing may be contracted and no such financial commitment may be undertaken. Furthermore, as long as state debt exceeds half of the GDP, the National Assembly may only adopt an Act on the central budget which provides for state debt reduction in proportion to the GDP. The results are obvious: slight decrease (6 %) of the government debt ratio, and the excessive deficit procedure was abrogated. The constitutional background for *taxation* is similar. The public obligation for the contribution to cover the finances for common needs is declared, the principle of just tax

[39] Fundamental Law of Hungary, Article 38.

burden sharing is supplemented sometimes with special aspects. The rates and the level of them, the reliefs and remissions are different in the examined countries, since they always depend on the current governments' fiscal policy, therefore the weighting and favouring between direct and indirect taxes shows a diversity. Tax revenues expose typically 15 – 19 % of the GDP, and rates above 20% only rarely can be found. (The EU and EFTA countries' tax revenue average is 40 %.) The state *audit* of the government budget and expenditures is an essential control element in public finances, and an important part of the concept of checks and balances. Supreme audit institutions are national agencies responsible for auditing government revenue and spending, which carry out the audits according to the criteria of lawfulness, expediency and efficiency.

The other main part of public finances is *monetary policy*. The central banks possess the monopoly on managing and implementing a state's or federation's monetary policy. The content of the constitutional provisions is brief and quite different, the details can be found in separate (cardinal or organic) acts, statutes. A crucial issue is its legal, goal, operational and management *independence*. After the financial crisis of 2008, upon the initiation of the European Union institutions and the Bank for International Settlements (BIS), Basel Committee this independence was strengthened. Therefore, they neither seek nor take instructions from national and other governments or political parties or institutions, bodies or offices of international organisations. The Treaty on the Functioning of the European Union contains two other main prohibitions: prohibition of monetary financing and the prohibition of privileged access to financial institutions. Besides monetary policy, some central banks even perform the supervision of the financial intermediary system (e.g. Czech Republic, Hungary, Lithuania, Slovakia, Kyrgyzstan). According to economics, monetary policy has two primary objectives: stable or calculable prices (inflation) and general confidence in the national currency (exchange rates). There are no provisions on *inflation* in the examined constitutions, but this can be one of the best indexes, on which the national central bank's monetary policy can be evaluated, since the main and primary objective of monetary policy is price stability. The inflation rate, in the examined area, relatively quickly dropped to below 5 % by 2000. As a new phenomenon, a slight negative inflation (deflation) appeared in this decade in several Central and Eastern European countries (Croatia, Estonia, Hungary, Poland, Romania, Slovakia and Slovenia). The majority of the constitutions determine the *national currency*, legal tender or monetary unit, except Albania, Bulgaria, Croatia, Georgia, Kazakhstan, Serbia, Tajikistan, Turkey, Turkmenistan and Uzbekistan. As a curiosity, Montenegro unilaterally introduced the euro in 2002, without any objections from the European Central Bank, and it is used as a national currency instead of the earlier used Deutsche Mark. The local currency exchange rate to U.S. dollar shows, that – except for certain cases based mainly on political grounds – there were no large differences, the economies of the given countries were so stable, that drastic interventions were not necessary.

National wealth or assets are the property of the state and/or the local governments. These are exclusive properties, which means that they may only be purchased for specified purposes, or the transfer of the proprietorship is impossible. The management and protection of national assets aim at serving the public interest, meeting common needs and preserving natural resources, as well as taking into account the needs of future generations.

According to the results of the above analysed different dimensions of public finances, the conclusion finds, that *the correlation is loose between the constitutional bases and the economic performances of the countries*. In other words, there is no significant connection between the existence or the lack of constitutional provisions on public finances and macroeconomic figures. Usually, the legislative, the executive and other state organs define and manage the fiscal and monetary policy, for which the constitutional backgrounds are very general and in many cases exaggeratedly abstract. For the member states of the European

Union, the EU mandatory provisions (e.g. Maastricht criteria, prohibitions etc.) are obligatory, but they can also be guidelines for the candidate and other countries. The NISPAcee categorises the member countries into five regions (EU members, non-EU members in Eastern Europe, West Balkans, Central Asia, Caucasus), but significant characteristics cannot be established in this subject matter, since the constitutional bases and the economic performances are extremely diverse.

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