

Editorial

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On February 28, 2011, the Oesterreichische Nationalbank (OeNB) organized its 68th East Jour Fixe entitled *Limited Fiscal Space in CESEE: Needs and Options for Post-Crisis Reform*. The East Jour Fixe workshop series was initiated by the OeNB in 1991 as a high-profile policy discussion forum on economic reforms and developments in Central, Eastern and Southeastern Europe (CESEE). In this context, participants from a wide range of backgrounds present their academic, political and professional expertise two or three times a year to a selected audience.

The 68th East Jour Fixe focused on the limited room for budgetary maneuver and on the limited resilience of public finance systems, which were revealed in the CESEE economies¹ during the 2008–09 financial and economic crisis. The workshop aimed at providing answers to three main questions: (1) What were the reasons for limited fiscal space? (2) What are the related implications and what kind of reforms are necessary to provide more fiscal space in the future? (3) Can an improved access to and a more effective use of international funds be considered as a possibility to create more fiscal space in CESEE?

The knowledge on fiscal policy developments is crucial for a central bank in order to properly guarantee price stability, to contain inflation expectations and to keep financial markets stable. Moreover, the workshop's focus on CESEE economies does not only reflect a strategic research priority of the OeNB but was also highly topical as the financial and economic crisis was the first real test for fiscal positions and institutions in most CESEE countries since the start of transition. During the crisis, only a few countries were able to implement significant stimulus packages, while fiscal headline positions deteriorated strongly in most countries of the region (however, on average, public deficit and public debt ratios increased less in the CESEE EU Member States than in the EU-27).

¹ The 68th East Jour Fixe focused mainly on the ten EU Member States from Central, Eastern and Southeastern Europe (CESEE) and partly on other countries in the region, such as Russia or Croatia.

To answer the above mentioned questions, the workshop brought together distinguished experts in the field, from both international institutions and public entities located in CESEE. Two introductory keynote speeches and the presentations in session 1 tried to identify the main reasons for limited fiscal space and showed how the crisis has affected fiscal policy in CESEE. *Bas Bakker* from the IMF outlined in his keynote speech unprecedented fiscal adjustment measures that were necessary during the crisis. Besides, he emphasized the importance of appropriate fiscal consolidation in the region. In the second keynote address, *Karsten Staehr* from Tallinn University of Technology and *Eesti Pank* proposed the use of funded pensions as a countercyclical tool to create more fiscal space in CESEE.

In Session 1, *Nadine Leiner-Killinger* from the ECB discussed the impact of fiscal policy structures and budgetary discipline on fiscal vulnerabilities, while *Markus Eller* from the OeNB elaborated the reasons of liquidity constraints that several governments in the region faced at the beginning of the crisis.

Session 2 featured a panel discussion among fiscal policy experts from CESEE public institutions – *Tomasz Jędrzejowicz* from Narodowy Bank Polski, *Petr Král* from Česká národní banka, *Neven Mates* from Hrvatska narodna banka and *Ludovít Ódor* from the Slovak Ministry of Finance – debating country-specific lessons and reform options to create more fiscal space in CESEE in the future.

Session 3 addressed the role of international funds in the expansion of fiscal space in CESEE as they are deemed to have served as valuable buffers during the crisis. *Philippe Monfort* from the European Commission brought in the respective European Commission's experience with Structural Funds. *Jean Vrla* from the European Investment Bank debated the role of countercyclical financing via multinational banks. Finally, *Christian Kummert* from Kommunalkredit Austria AG discussed the role of commercial banks in co-financing large-scale infrastructure projects via multinational banks and specifically elaborated on the funding of public-private partnership (PPP) projects in CESEE.

After an introductory article by Markus Eller, Peter Mooslechner and Doris Ritzberger-Grünwald (OeNB), which elaborates the issue of limited fiscal space more broadly and summarizes the main conclusions and policy implications of the 68th East Jour Fixe, this conference volume collects the papers according to their presentation order in the workshop. The underlying presentations and the workshop program are available at <http://ceec.oenb.at> (*Activities*).