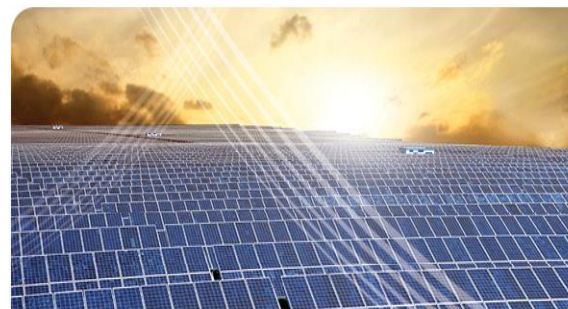


Module 3: Macroeconomic stability



Macroeconomic stability:

Prerequisite for sustainable and inclusive growth

Macroeconomic stability: ensures conducive environment for government and private sector to invest and anticipate changing circumstances.

Macroeconomic instability: rupture of the macro-financial balances and major risk that BS cannot achieve its goals :

- unsustainable external and internal deficits
- swings in economic activity
- high and/or volatile inflation
- and excessive volatility in exchange rates and financial markets

Macroeconomic framework and the public budget

Macro Economic Framework
(Frequently agreed with or
monitored by IMF)

Medium-Term Fiscal Framework
(Set ceilings to public spending)

Medium-Term Expenditure
Framework
Allocative Efficiency

Annual budget

Needs assessment,
year by year

The Iceberg of Public Finance

The budget and revenues you see

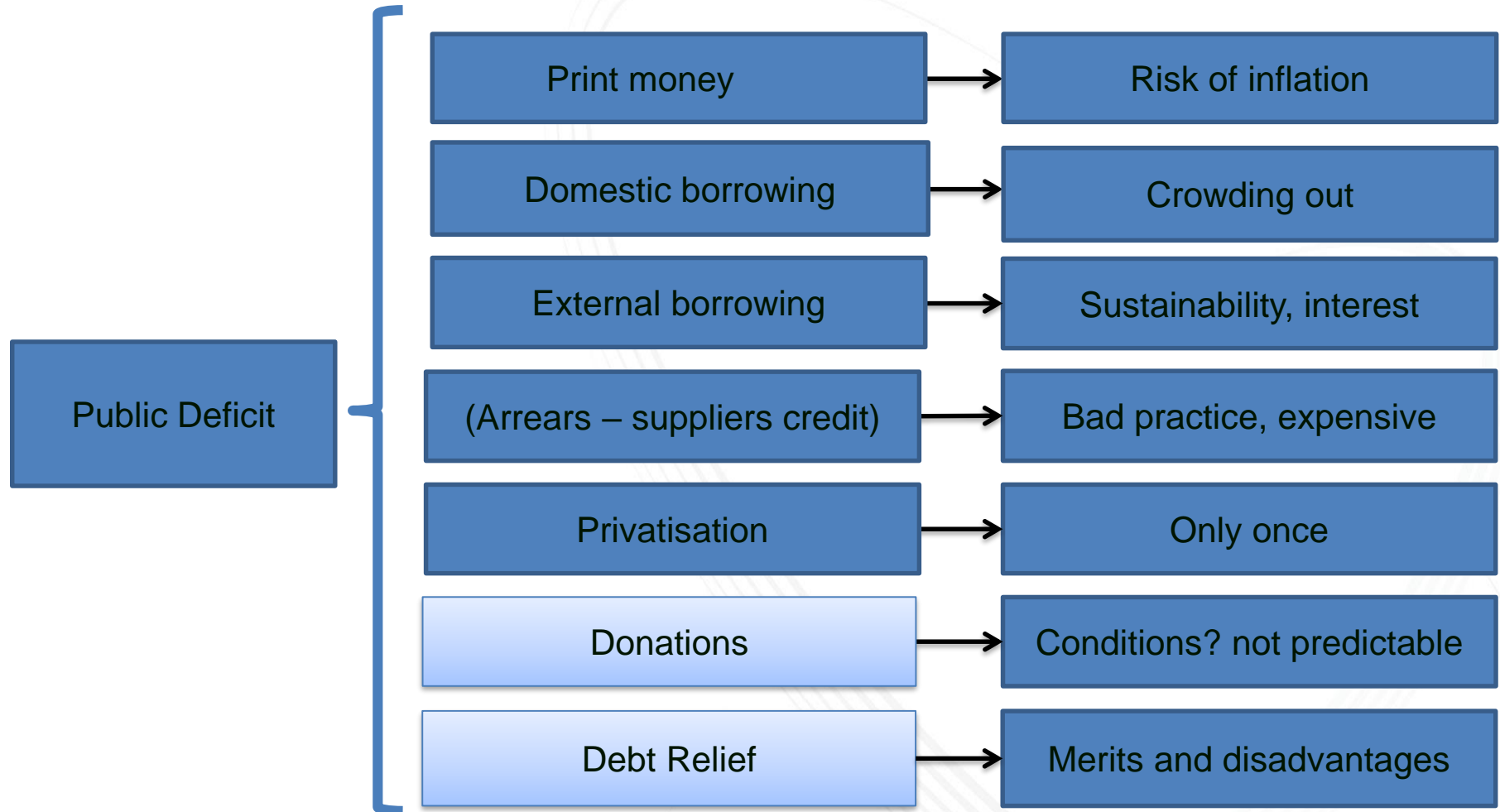
Tax expenditure

Tax gap = difference between what ought to be paid and what is collected

Revenues not transferred to central level

Non tax revenues not collected – royalties

Fiscal deficit ... each government its solution ...



Extract IMF report

The real sector
(National Accounts)

The public sector
(Table of Fiscal
Income and Expenditure)

The external sector
(Balance of Payments)

The monetary sector
(Monetary Accounts)

Old economics and new monetarism



Source: civilizationemerging.com

Knowledge sharing

See the IMF Article IV Review for Serbia

Do you find the main macro-economic and fiscal aggregates for the verification of the eligibility criteria on macro-economic stability and fiscal (DRM) performance?