

Overview of the fiscal policy existing in the country and the ways for achieving excellence

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Abstract

Global financial crisis had impact on macroeconomic situation of Georgia by decreasing export and changing other indicators related to crisis. Consequently, in response to the challenges of the financial crisis, scientific research of fiscal policy will be rather important in order to carry out such measures which will ensure fitting fiscal instruments with other fields of the state policy what implies, on the one hand, using the tax system for establishing new work places in separate sectors and regions as well as overcoming poverty, making decentralization reforms and, on the other hand, searching the ways for hardening the fiscal policy from the point of view of monitoring, planning, spending and auditing public expenses. In the process of the research are used general scientific methods (systemic, structural, functional) and private methods (graphic and those of conformity). Official statistical data existing in the country as well as the data and evaluations officially published by international organizations are also used.

Introduction

Like in many countries of Central and Eastern Europe, global financial crisis had impact on macroeconomic situation of Georgia what was expressed in decreasing export and changing other indicators related to crisis. Leveling of the acute crisis happened in the country not by direct stimulation but at the expense of the financial resources allocated by the international commonwealth. One of the objectives of the government was to maintain the tendency of economic growth in the conditions of non-budgetary stimulation.

Implementation of fiscal policy is directed to strategic allocation of state resources. It implies effective allotment of state resources on the priorities of the state as well as making a long-term stable packet for financing these priorities. Georgia has achieved significant success in this field. There is no doubt that the fiscal policy carried

out by the government contributes to creating the environment which will be beneficial for the development of business. Though, several major problems are still unsolved; particularly, the use of fiscal instruments for creating new jobs, such as giving right for using tax credits and tax holidays in order to decrease unemployment on the basis of the development of business. Though, the opportunity to use tax instruments gives opportunity not only to overcome the problem of unemployment; it is possible to use them also for achieving other goals of the state policy.

In Masud Ahmed's paper are discussed the ways for leveling the acute crisis in the country not by direct stimulation but at the expense of the financial resources allocated by the international commonwealth. It is also substantiated that the new global environment requires strengthening of the financial sector what, in its turn, requires development of fiscal instruments.

In the work "Neighbouring Policy : Accomplishing the objectives of the action Plan of EU-Georgia" (2010) is proved that the fiscal policy conducted by the government contributes to creating environment beneficial for business development. Though, several major problems are still unsolved.

In the project financed by the Development Agency of the USA "Social Forum and Dialogue" is discussed that the fiscal policy should be directed towards strategic allocation of state resources what implies effective allotment of state resources on the priorities of the state as well as making a long-term stable packet for financing these priorities.

In Arnold Horner's work "Geographic Regions in Ireland – Thoughts of Millennium" is determined that opportunity to use tax instruments is not confined to the sphere of unemployment; it is possible to use them also for achieving other goals of the state policy, namely the project of urbane renovation caused by encouraging taxation. This topic is also touched in the local economic development plan for Tbilisi municipality – methodology for implementing the effective strategy. In the work is discussed that the Georgian government is also accomplishing urbane projects but never uses encouraging measures for attracting private capital.

In Roy W. Bahl's work "Tax Policy in Developing Countries: Looking Back and Forward" is substantiated that the reform implemented in the country did not refer to the following significant problems from the position of taxpayers: level of taxes, their allocation and the tax payment methods.

In the reference book for the transition economy "Management of State Expenses" is underlined that focusing the whole attention on the financial activities and

ignoring the fact how resources are allocated and management is accomplished is a serious danger for ensuring the fiscal policy of the country. It is possible to prove the mentioned statement with the statistical indexes. The Minister of Finances of Georgia Mr. Kakha Baindurashvili touches namely this problem in his review of the budget of Georgia according to years. The great part of the budget is directed to Defense, Police, Court. According to the international standards, the expenses of Defense are rather high, but expenses spent on Healthcare and Education are very low.

In the Humane Development Report of Georgia “Reforms and Beyond Reforms” is determined that only small part of budget expenses are directed towards business. Assistance to private sectors, especially towards agriculture should increase and the budget should be more socially oriented. It is possible on the basis of budget monitoring and searching the ways to hardening the fiscal policy.

Methodology

The research methodology is based on merging abstract-theoretical, specific-historical and logical analyses. In the process of the research are used general scientific methods (systemic, structural, functional) and private methods (graphic and those of conformity). Official statistical data existing in the country as well as the data and evaluations officially published by international organizations are also used.

- On the initial stage of the approach of the used methodology, on the bases of abstract theoretical and specific-historical materials are searched the data indicating which instrument, used in the process of reforms in industrially developed countries, ensured most of all establishing new work places in separate sectors and regions.
- Correlation between implementing new fiscal instrument and establishing new work places in order to overcome poverty, to make urbane renovation and make decentralization reforms is studied.
- For the purpose of planning measures to improve the rules and methods of the tax administration, the private methods of research (graphic and those of conformity) are used.
- General scientific methods (systemic, structural, functional) are used for searching the ways for hardening the fiscal policy from the point of view of monitoring, planning, spending and auditing public expenses.

Discussion of expected results

As a result of the research, for the first time in the Georgian reality will be implemented the scientific research of the fiscal policy for conducting such measures which will ensure fitting fiscal instruments with other fields of the state policy what implies, on the one hand, using the tax system for establishing new work places in separate sectors and regions as well overcoming poverty, making decentralization reforms and, on the other hand, searching the ways for hardening the fiscal policy from the point of view of monitoring, planning, spending and auditing public expenses.

Study of the above mentioned fiscal instruments and research of the relations of other fields of the state policy and working out the conclusions based on the scientific analysis will contribute to revealing the shortcomings of the fiscal economic policy of the country and searching the specific ways for their improvement.

Deep study of the existing situation of fiscal policy in Georgia as well as working out specific recommendations will contribute to maintaining the sustainability of the economic policy of the country.

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