

This paper discusses the possible impact of budget institutions design on the fiscal performance in the Czech Republic and Slovakia. The second chapter treats the theory of budgeting, outlines the main sources of excessive budgeting and the most common way of budget process in European countries. The third part of the work briefly concludes the main problems of the budgetary rules on the European level. The emphasis of the paper is on the Czech Republic and Slovakia and their fiscal situation and related institutions. The paper modifies the work of Holger Gleich who followed the hypothesis that there exists the relation between fiscal performance and national budget institutions and accomplished the econometric survey on this topic for the period 1994 - 1998. The purpose of our paper was to extend the work of Gleich and point our look to two selected economies in the time period of 2000 – 2003. Chapter four of the paper deals with the public finance situation and relevant budget institutions in these countries in this period. At the end we complete our research of the quality of budgetary institutions from the fiscal discipline and centralization point of view. Part five concludes.