As part of its work to increase budget transparency and accountability in Croatia, in 2010 the Institute of Public Finance (IPF) undertook a project to evaluate the disclosure of public budget information and assess how open to public participation budget processes are at the subnational level. The IPF combined a questionnaire about the availability of budget documentation with individual surveys of government and civil society representatives in this research. The results show that while local governments generally provide the public with some budget information and opportunities to participate, there is a need to increase the amount, and level of detail, of information to enable meaningful public participation throughout the budget process and to ensure adequate accountability.

The IPF’s effort to assess and measure different aspects of subnational budget transparency in Croatia examined the budget processes and systems of the 33 largest cities in the country, which are home to roughly half of both Croatia’s population and total subnational budget expenditures. To assess the public availability of budget information, the IPF developed the Croatian Open Local Budget Index (COLBI) by adapting the International Budget Partnership’s (IBP) Open Budget Index (OBI) to the local context. The COLBI was based on a questionnaire and included an aggregate index and two subindices.

The primary subindex measured the quantity and quality of publically available (e.g., upon request, posted on the Internet, published in newspapers, etc.) local budget information. This subindex was calculated from the answers to 37 questions regarding various budget documents, such as the Budget Proposal with projections, the Enacted Budget, enacted projections, budget execution decisions, Mid-Year report, Year-End Report, and Citizens Budget.

The secondary, or additional, subindex evaluated how open local government budget processes (and local government in general) are to the public. The additional subindex was calculated from the answers to 15 questions, as well as information gathered through the surveys described below. The scores on the two subindices were also combined for a total COLBI score that ranges from 0 to 100. In addition to providing a measure of budget transparency and participation for each city studied, the aggregate scores allow for a comparative evaluation across the cities for a snapshot of the general level of local budget transparency in Croatia.

The results of the questionnaires were supplemented with information from opinion surveys of local and national officials and civil
Key Findings
The scores of the combined COLBI and its two subindices provide a broad perspective on the overall level of local government budget transparency in the 33 cities studied. The average combined index score is 65 out of 100, which masks a substantial gap between the highest score of 82 and the lowest at 45. This indicates that while some local governments are providing the public with extensive budget information and opportunities to participate, there is much room for improvement across the 33 cities studied. To get a clearer picture, it is useful to look at the results of the two subindices.

The average score for the primary subindex is 57, which indicates that while local governments are making some budget information publicly available, these efforts are less than those needed for meaningful public engagement in budget decision-making and oversight processes. The subindex research found that only one-third of the city governments make the Executive Budget Proposal reports available and only 20 percent of the cities publish a Citizens Budget. This subindex also shows that less than 25 percent of the cities publish information about expenditures by functional classifications (i.e., disaggregating expenditures by services like health care, education, public safety, etc.), which substantially limits the ability of civil society and citizens to connect actual allocations by function to the governments’ stated policy goals and, thereby, hold government to account for meeting public needs and priorities.

The cities studied generally performed better on the secondary index that examines how open the local government units and their budget processes are to the public, with an average score of 82. While this result appears promising, the low response rate to the surveys cautions against seeing these results as more than indicative.

From the surveys that were completed, the IPF observes that the local executives are the most involved in and informed about the budget process and, therefore, are crucial in ensuring that budget documents are comprehensive and made publically available. The responses from legislators identify a need to have more time to review and influence the budget before it is adopted, and overall responses indicate that MOF officials often ignore deadlines and inquiries involving local units. MOF officials cited frequent changes in regulations, the lack of a systematic way for dealing with local units, complicated laws with multiple interpretations, too many local units, and a shortage of MOF personnel as constraints on local budget transparency.

The survey results from civil society representatives report serious issues with publically available budget information and public engagement in budget processes. These include the use of complex legal terminology that hinders understanding of budget reports, limited time and opportunities to participate in decision-making and oversight processes, frequent changes to laws and regulations, and a lack of understanding of the local budget and budgeting process.

In the final test of transparency, the results of the online searches for budget documents on the official websites of the 33 cities identified
recurring problems: no direct links to the budget, complicated website designs, and a lack of standardization in the presentation of information across different years and different cities.

Dissemination

The results and recommendations from the IPF’s analysis of local budget transparency in Croatia provide a valuable perspective of the strengths and weaknesses that are present in a range of localities; however, this information must be disseminated to both governments and citizens to have any beneficial impact on budget transparency. To date the Institute for Public Finance has shared their results and recommendations through a variety of formats, including organizing roundtable discussions and posting the results and analyses online. The project and its findings were presented on 14 June 2011, and an award was presented to the mayor of the city with the highest combined COLBI score, Slavonski Brod. The study also received widespread media coverage in local and national newspapers, and on radio programs and online news sources. The IPF intends to publish their results through a variety of other media, including scientific papers, professional articles, newsletters, and press releases. For more information on this project, visit the Institute for Public Finance’s website at [http://www.ijf.hr/hr/konferencije/indeks-otvorenosti-proracuna-33-hrvatska-grada/362/](http://www.ijf.hr/hr/konferencije/indeks-otvorenosti-proracuna-33-hrvatska-grada/362/) or contact Mihaela Bronić at mihaela@ijf.hr or Katarina Ott at kott@ijf.hr.

Recommendations

The results of the IPF study suggest a number of actions that can be taken to increase local budget transparency in Croatia.

- Cities should not only make available important local budget documents but also should provide simple and clear explanations of legal and technical language.

- Information published on the Budget Proposal and Enacted Budget should include detailed specifics on revenues and expenditures, including disaggregating expenditures by functional classification and presenting the economic forecast models used for the assumed revenue and expenditure levels.

- Local government officials should be more responsive, timely, and thorough in making public budget documents available, including posting information on user-friendly and accessible websites and expediting responses to requests for information.

- The local legislatures should demand from the executive, and particularly the MOF, more time to review budget proposals and greater opportunities to debate and influence budget policies.

- To support subnational transparency, the MOF should reduce the frequency of changes to local budget laws and regulations, set deadlines for the publication of budget documents, and establish divisions to focus on local budget issues and work with local authorities.

Local governments, civil society organizations, and citizens also can work together to increase the transparency and accountability of local budgets. Local authorities should organize public hearings and encourage citizen proposals for the budget to promote public participation; and all stakeholders, from local executives and representatives to civil society groups and citizens, need more education and information on local budgets and budget processes to enable enhanced participation in decision making and oversight. The media could play an important role here by being more active in promoting citizen participation and providing accessible information to public. Civil society and the public also have a responsibility to become more aware of the importance of local budgeting and its issues, participate in the local budget process, and demand more complete and timely budget information.
Figure 1. The Main Croatian Open Local Budget Index (COLBI)