

# Central government budget transparency in Croatia: in spite of noteworthy achievements, there is still a lot of room for improvement

---

**Bronić, Mihaela; Franić, Josip**

*Source / Izvornik:* **Press releases, 2020, 13, 1 - 4**

**Journal article, Published version**

**Rad u časopisu, Objavljena verzija rada (izdavačev PDF)**

<https://doi.org/10.3326/pr.2020.114>

*Permanent link / Trajna poveznica:* <https://um.nsk.hr/um:nbn:hr:242:140785>

*Rights / Prava:* [Attribution-NonCommercial-NoDerivatives 4.0 International/Imenovanje-Nekomercijalno-Bez prerada 4.0 međunarodna](#)

*Download date / Datum preuzimanja:* **2025-02-05**



*Repository / Repozitorij:*

[Institute of Public Finance Repository](#)

# PRESS RELEASES

## Central government budget transparency in Croatia: in spite of noteworthy achievements, there is still a lot of room for improvement

MIHAELA BRONIĆ, Institute of Public Finance, Zagreb  
JOSIP FRANIĆ, Institute of Public Finance, Zagreb

---

**The International Budget Partnership (IBP), a non-profit Washington based organisation, on April 29 released the Open Budget Index 2019. Croatia scored 68 out of a possible 100, thus ranking among countries that release substantial information on the central government budget. However, regardless of considerable progress from the previous round of the research (2017), there are still many areas that can and should be improved.**

---

Readers could ask themselves to what extent information about the transparency of the central government budget<sup>1</sup> is important at this particular moment. Yet while the authorities need to act swiftly and decisively in order to alleviate the consequences of the pandemic, they also need to secure public support for various policy measures to be introduced in this regard. This underlines the tremendous importance of budget transparency (i.e. timely publication of accurate and comprehensive budget information) and public participation (i.e. involvement of citizens and other stakeholders in the budget process). The results of the latest **Open Budget Survey (OBS)**<sup>2</sup>, which refer to the central government budget (hereafter: budget), provide answers exactly to these questions: what is the level of budget transparency, to what extent can the public take part in the budget process<sup>3</sup>, and how efficient are the Parliament and State Audit Office (SAO) in budget supervision?

### Budget transparency – results for 2019

Budget transparency is periodically measured by the Open Budget Index (OBI), the only independent and internationally comparative indicator of the quality and quantity of online budget information. The OBI 2019 is the result of the seventh round of the IBP Survey (the previous rounds were carried out in 2006, 2008, 2010, 2012, 2015 and 2017).

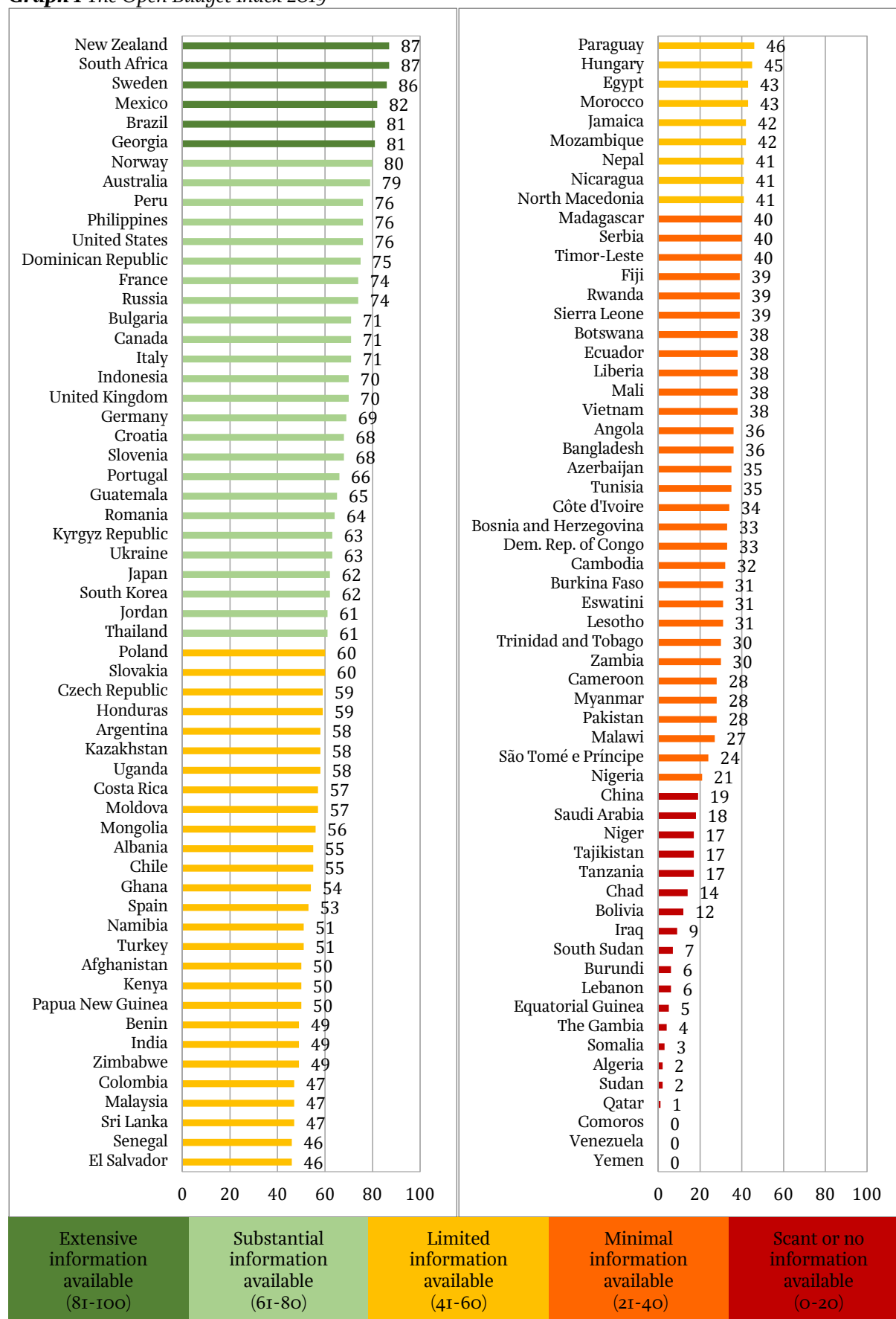
---

<sup>1</sup> The central government budget includes all budget and extra-budgetary users of the national budget. For more details, please see [Ministry of Finance](#).

<sup>2</sup> Open Budget Questionnaire, which was compiled by the IBP following internationally accepted criteria, is completed by experts from 117 countries who are independent of their governments and political parties. Their responses are based on documented evidence and objective criteria, and are peer-reviewed by other independent experts. Moreover, the responding countries' finance ministries have been invited to comment on the Questionnaire responses.

<sup>3</sup> That is the preparation, adoption, implementation and oversight of the budget. The main participants in these activities are: the Ministry of Finance, budget and extra-budgetary users, the Parliament, Government and State Audit Office.

**Graph 1** The Open Budget Index 2019



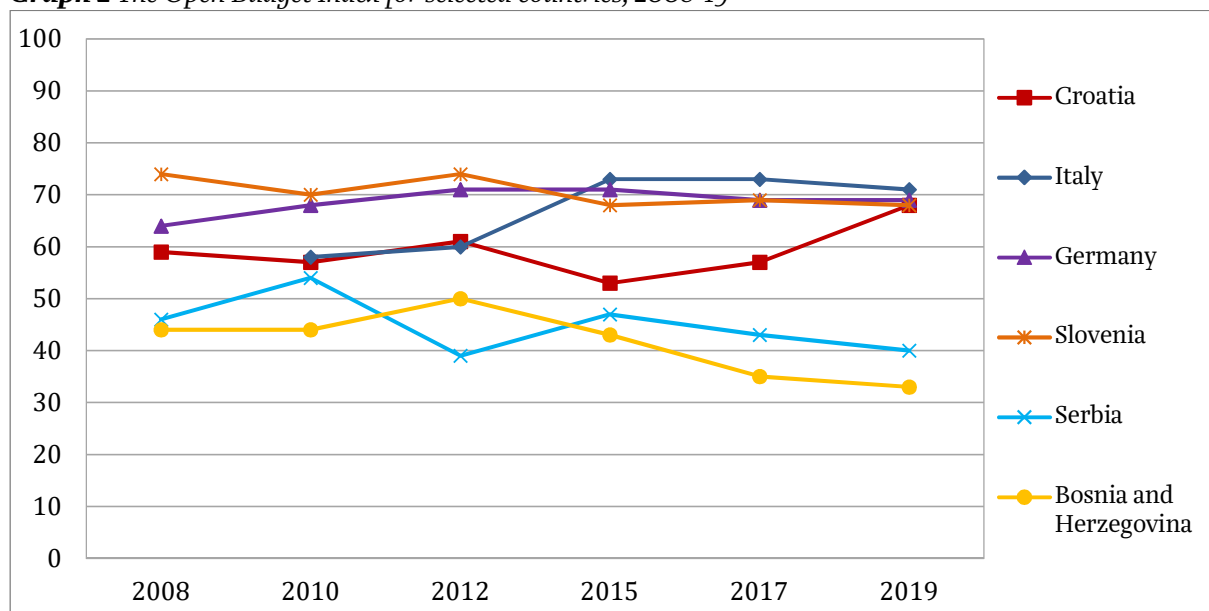
The column colours represent groups of countries according to OBI scores, as defined by IBP.  
 Source: IBP (2020)

The OBI displays, on a scale from 0 to 100, the extent to which the public has online access to up-to-date, understandable and sufficiently comprehensive budget information. It is compiled on the basis of **109 questions**, which explore the availability, timelines and exhaustiveness of the eight key budget documents: Pre-Budget Statement, Executive’s Budget Proposal, Enacted Budget, Citizens Budget, In-Year Reports, Mid-Year Review, Year-End Report and Audit Report<sup>4</sup>.

The average value of the OBI 2019 for the 117 countries analysed amounts to 45, which indicates a slight increase in global transparency from the previous round of the survey (the average score was 42 in 2017). This would say that the publics of the surveyed countries have access to as little as 45% (on average) of key information on government revenues and expenditures. As in the previous rounds of the survey, the highest scores were achieved in New Zealand, South Africa and Sweden, while Yemen, Venezuela, Comoros and Qatar occupy the bottommost positions on the list (Graph 1).

Croatia is amongst the countries that recorded the most significant improvement concerning the volume and quality of publicly available budget data: its OBI 2019 score is 68, which is 11 points up from 2017. This brought Croatia to the 21<sup>st</sup> position on the world list, i.e. to a group of countries that publish substantial budget information.<sup>5</sup> In fact, this is the best result for Croatia since the launch of the survey (Graph 2)<sup>6</sup>.

**Graph 2** The Open Budget Index for selected countries, 2008-19



Source: IBP (2020)

One of the key reasons for this positive change can be found in the timely publication of all budgetary documents, which was not the case in the previous round (2017). Furthermore, although it was the same as in previous years, the Mid-Year Review was this time accepted as a valid document owing to the methodological changes, which also had a significant impact on the final value of the OBI 2019 for Croatia. Nevertheless, there were also some structural enhancements. For instance, the Executive’s Budget Proposal now provides data on new borrowing and overall public debt, while the Enacted Budget presents expenditures by functional classification and gives more information about extra-budgetary users.

<sup>4</sup> The OBI 2019 was calculated on the basis of budget documents for the budget year 2017, 2018 and 2019. The analysis covered the latest available documents published for the period ending December 31, 2018. For more details on the methodology see [www.openbudgetsurvey.org](http://www.openbudgetsurvey.org).

<sup>5</sup> According to the methodology, any OBI value above 61 implies that the published amount of budget information is most probably sufficient for constructive discussions on budgetary policies and priorities.

<sup>6</sup> For more details on the previous rounds of the Survey, see Press Releases Nos 8, 26, 47, 85 and 102.

## **Opportunities for the public to engage in the budget process and the roles of Parliament and the State Audit Office in budget oversight**

Effective public finance governance requires not only the inclusion of the public in the budget process but also the involvement of citizens and other stakeholders in the creation of budgetary policies. In line with this, the OBS also evaluates what opportunities for public participation in the budget process are provided by the executive, Parliament and the SAO. This was assessed through 18 questions and the final result was again expressed on a scale from 0 to 100. Croatia's score for 2019 was 22, which is above the global average of 14. Like most other countries, Croatia does not have well-established mechanisms for appreciable public participation. Given this, the SAO should, among other things, establish formal mechanisms for the public to participate in audits (e.g. as witnesses), while the executive should develop effective instruments for determining what the public, especially the more vulnerable and other usually underrepresented groups, think about the budget proposal and its implementation.

Finally, the OBS also measures the adequacy of budget oversight. The results show that the SAO provides adequate budget oversight (89 out of 100), whereas the oversight provided by Parliament is limited (47 out of 100). To enhance the role of the Parliament in the process, it is thus recommended that executive budget proposals should be provided to MPs at least two months before the start of the budget year.

## **Key recommendations for improving budget transparency**

Despite substantial progress on the world ranking list, Croatia still has a lot of room for improvement. For more transparent and accountable management of public finances, we therefore suggest the following steps be taken in the upcoming period:

- ensure that information on tax expenditures for the budget year is included in the Executive's Budget Proposal, along with explanations of the main purposes of each expenditure, an indication of target groups and estimates of lost tax revenues,
- ensure that the data on government's financial assets (the list of the assets and their evaluation) and non-financial assets (the list of the assets by category) are included in the Executive's Budget Proposal, and
- improve the content and comprehensiveness of Citizens Budgets published by the Ministry of Finance. Besides establishing mechanisms to identify what information citizens want to read in the existing Citizens Budgets, this also means publication of Citizens Budgets on other key documents (e.g. the Executive's Budget Proposal and Audit Report).