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# Citizen Participation in Fiscal Policy and Budgetary Processes<sup>1</sup> in Croatia

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*The objective of this paper is to explain the importance of citizen participation in fiscal policy and budgetary processes and to present the results of an online questionnaire conducted at the beginning of 2015 among students in their final years at universities in the Republic of Croatia. Students were selected as representatives of the younger population that were expected to be particularly interested, for they will long have to cope with the consequences of the currently unsound, ineffective and inequitable public finances. The results, however, reveal how little interested and poorly informed the respondents were and, even more, how meagrely they participated in budgetary processes. Although 50% of the respondents thought that it was possible to participate, and 80% that citizens should participate, only 7% had actually tried to. What is more, fewer than 14% of the students regularly kept up with media information about the budget. The knowledge and level of involvement of the respondents were clearly very far from being at a satisfactory level. Because only 16% of the Croatian adult population is educated to tertiary level, it can be assumed that the situation in the population at large is even worse. Although in the last fifteen or so years institutions have been established and numerous measures passed to achieve higher levels of budgetary transparency and greater citizen participation in the budgetary processes, they function at a level well below that which would give grounds for satisfaction.*

The participation of the citizen in fiscal policy and budgetary processes is necessary for public finances to be sound, effective and equitable, to be harmonised with the capacities and requirements of the society. This entails various ways in which citizens can directly communicate with the authorities about issues of public finances (for instance, the extent to which the tax burden will be borne by the wealthy, or by the poor, whether more or fewer public resources will be spent on education or healthcare, whether the state will take on more or less debt, who is going to shoulder the burden of this borrowing, and so on).

Citizens have to be enabled to say what they think and to take part in decision making about these very significant issues, particularly in countries with very grave fiscal and budgetary problems. For years

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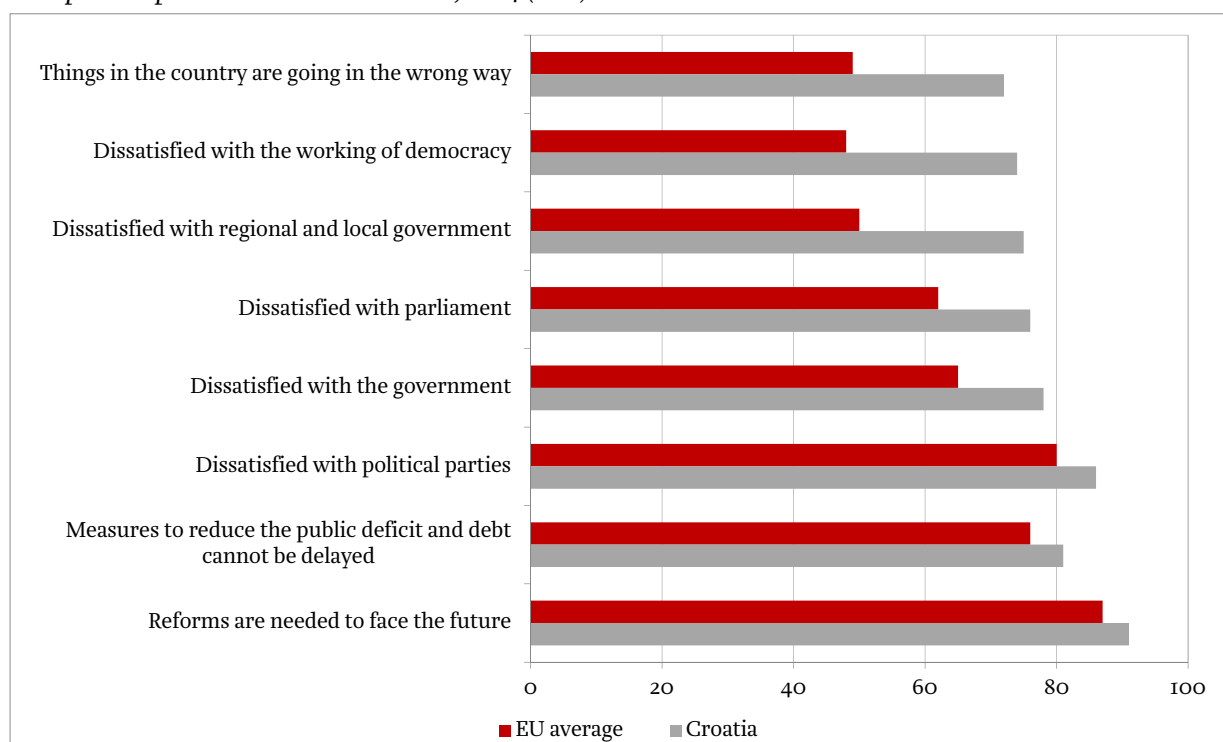
now, Croatia has been unable to finance public spending with public revenues, and an annual fiscal deficit in excess of 5% of GDP is regularly recorded. Debt-financing of the deficit has resulted in a very large public debt (of over 80% of GDP), which can be expected to rise (European Commission, 2015a). The situation is not good in many other countries as well – the average budget deficit of EU member states comes to about 3% of GDP, and the average public debt is over 80% of GDP (the Eurozone average is over 90% of GDP) (European Commission, 2015b). Such critical fiscal problems result in slow economic growth over the long term and high unemployment. Hence there is increasing discontent among the citizens, provoking social and political problems, undermining confidence in the government and the very functioning of democracy.

### CITIZEN DISSATISFACTION AND THE DESIRE FOR CHANGES

Public opinion research that is regularly carried out by the European Commission reveals a high degree of dissatisfaction with national institutions and a desire for changes (Graph 1).

#### Graph 1

Viewpoints of Croatian and EU citizens, 2014 (in %)



Source: European Commission (2014)

In order to increase the satisfaction and trust of the citizens and to achieve an optimal equilibrium between citizens' wishes and the capacity of governments to conduct fiscal and budgetary policies that are as effective as possible, the **European Union**, the **OECD**, **IMF** and the **World Bank** are doing their utmost to encourage transparency in the public sector, government accountability and citizen participation. Various international initiatives have been launched: **the Global Initiative for Fiscal Transparency**, **the Global Movement for Budgetary Transparency, Accountability and Participation** and **the Open Government Partnership**

The fundamental precondition for citizen participation is the prompt accessibility of accurate and intelligible budgetary and fiscal information, in other words, the openness and transparency of the budget, the fiscal system and the whole of the public sector. Although still unsatisfactory, transparency

has been improving over the course of time at national and at regional and local levels<sup>2</sup>, and citizen participation is entailed as a priority objective. The IMF, for example, put into its **Fiscal Transparency Code** of last year the principle of the participation of the public, that is, the demand that citizens be enabled formally to participate in budget deliberations. The Global Initiative for Fiscal Transparency, which has already worked out high-level principles and good practices for fiscal transparency (GIFT, 2012) is in the final phase of elaborating high-level principles and good practices for the participation of the public in budgetary processes and fiscal policies (GIFT, 2014).

In the last fifteen or so years, on the whole because of its accession to the EU and membership in the Open Government Partnership, Croatia has undertaken a number of measures to step up transparency and citizen participation in fiscal and budgetary processes. Particularly worth pointing out are **the Government Office for Cooperation** with NGOs, which fosters and coordinates numerous activities, **the Right of Access to Information Act** (OG 25/13), **the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts**<sup>3</sup>, **the Central Portal for Consultation with the Interested Public**, **the National Strategy for the Creation of an Enabling Environment for the Development of Civil Society**, the existence of **external members of parliamentary committees and commissions**, **the Information Ombudsman as well as the Local and Regional Self-Government Act** (OG 33/01, 60/01, 129/05, 109/07, 125/08, 36/09, 150/11, 144/12, 19/13.).

Although formally, legally and institutionally speaking the preconditions for citizen participation do exist, implementation is still far from being at a satisfactory level (Government of the Republic of Croatia, 2015). Among the many obstacles in the way of any very considerable public participation, the following are particularly prominent: the insufficient political will of those in power; the inadequate organisational skills and expertise of the public administration; the lack of interest and low level of informedness of citizens; and the want of non-government organisations specialising in fiscal/budgetary transparency and citizen participation.

### **FEEBLE INTEREST AND LACK OF PARTICIPATION AMONG THE YOUNG**

In order to ascertain the knowledge and views of citizens about public participation in fiscal policy and the budgetary process, as well as their experiences, a pilot questionnaire was conducted among students in their final years in Croatian universities. Students were selected to represent the younger population, and were expected to be particularly interested, for they will long have to face up to the consequences of the currently unsound, ineffective and inequitable public finances.

During January 2015, an online questionnaire was created with the help of the Survey Monkey tool, and individual faculties were asked to forward the questionnaire to final year students. The questionnaire was fully completed by 857 students, on the whole between the ages of 22 to 25, with a preponderance of women (almost 60%). All faculties were represented, including art academies and medical faculties, but almost half of the respondents were students of economics faculties, mostly from Zagreb and Split.

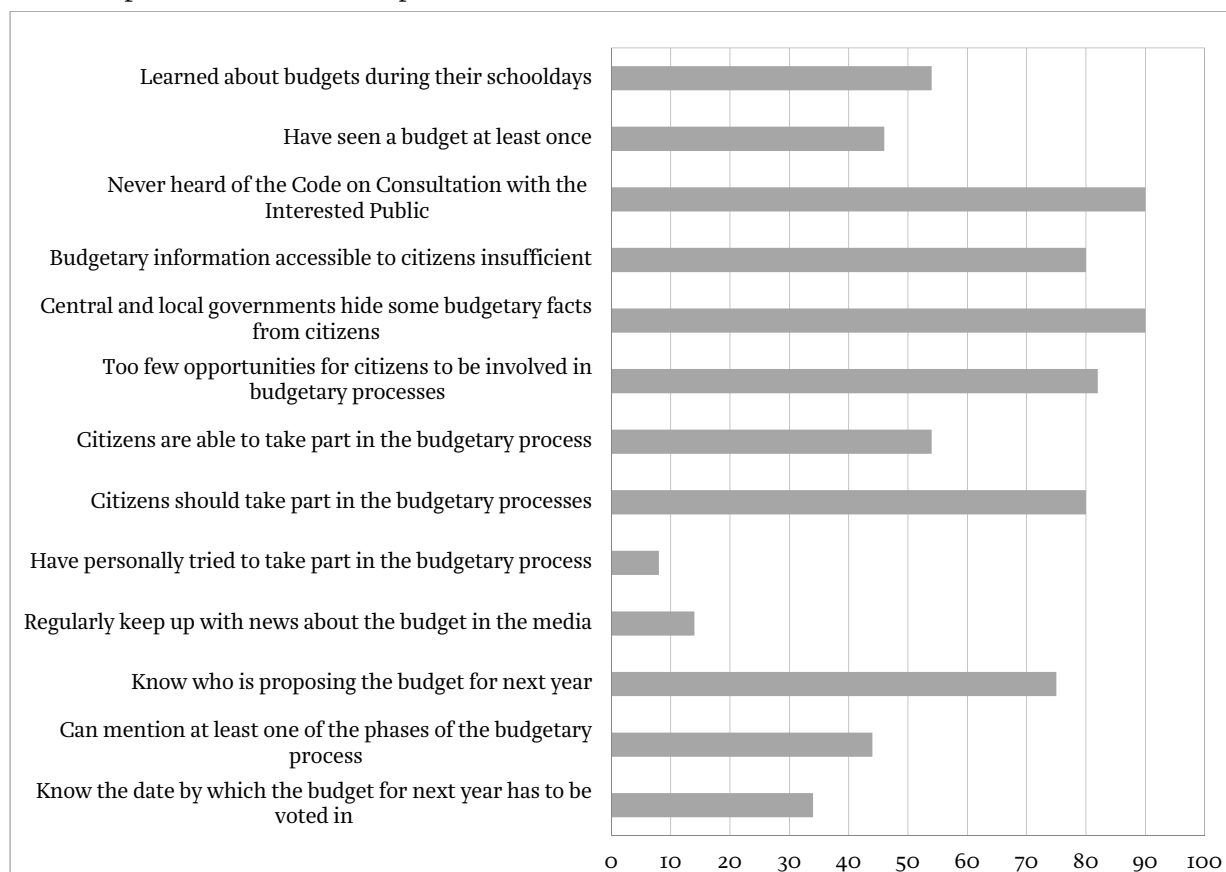
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<sup>2</sup> For more about transparency, see for example Bronić and Urban (2013) as well as Ott, Bronić and Petrušić (2014).

<sup>3</sup> The Code binds public authority bodies to carry out on their internet sites public consultations about drafts of laws, other regulations and acts, in principle for 30 days, to publish the drafts of laws and regulations, and the reasons for them to be passed and the expected results. After the consultation has been carried out, the bodies are bound to publish a report about the criticisms and proposals accepted and rejected and deliver it to the Government. The obligation to implement consultations relates to drafts of acts of local government units and legal entities with public authorities with which they regulate the issues in their purview and with which they address the needs of citizens or other issues of interest for the general welfare of citizens and legal entities in their domain (for example, the disposition of housing and housing estates, physical planning, utilities and other public services, environmental protection and so on).

## Graph 2

Answers of the students who were polled (in %)



Source: authors

According to the results of the questionnaire (shown in Graph 2), Croatian students are poorly informed and take part to an even lower extent in fiscal policy and budgetary processes. Although 55% of respondents think that it is possible for citizens to be involved in the budgetary process, and 80% that citizens should be involved, a mere 7% of them have tried in any way whatsoever actually to take part (for example, by asking executive or representative authorities questions about the budget, taking part in public debates or analysing the budget). In addition, only 14% of them regularly keep up with news about the budget in the media. When such responses from students are considered – and most of them are students of economics who might be expected to have a greater interest than students of other subjects – the situation in the population at large is very likely much worse. And in addition it has to be borne in mind that in Croatia only 16% of the population have had a tertiary level education (CBS, 2011).

And how discouraging the comments of the students are.

- They think that facts are hidden from citizens because:
  - “interest groups in politics don’t want to reveal the facts, in order to make it easier to manipulate numbers and results”;
  - “the party and private interests of party members and their supporters prevail”;
  - “their objective is to stay in power at all costs”;
  - “they work for their own benefit, not the good of society”.
- They do not inform themselves about these matters, because:
  - “anyway, nothing can be found out, and still less can you influence anything in a country in which you can just take part in the elections, and then you don’t vote for what you think is good, but only for what is less bad”;
  - “I can’t affect anything, and so it doesn’t interest me”.

- They do not take part, because:
  - “not even for much smaller and simpler questions in everyday life can I get any concrete answers, because many of the rules and regulations are subject to purely ad hoc interpretations”;
  - “any kind of interaction of citizens or individuals and the government is futile”.
- They might perhaps take part, if:
  - “the public were educated and given high quality information by the media, without censorship, with the objectives and reasoning given”;
  - “debates were carried out at lower levels and if coherent answers were got about conclusions and opinions from responsible persons willing to put their names to them”;
  - “the fat cats did not just do things their own way”
- Yet they ought to take part, for:
  - “the budget gets filled with our money”;
  - “citizens pay taxes and everything that is done ought to be for the sake of the citizens”;
  - “it’s the citizens’ money that is being spent”;
  - “the budget would be subordinated more to those it ought to be meant for, in other words, the citizens who fill it up”;
  - “this is our money”.

### **THE FUNCTIONING OF INSTITUTIONS AND MEASURES FOR CITIZEN PARTICIPATION**

The answers, viewpoints and comments of the responding students fit in with the views of the respondents in the research of the European Commission already mentioned, people who do not trust national institutions and want a change. Since "the world is left to the young", the dissatisfaction, distrust, lack of interest and failure to participate of this younger population, and of the older as well, should concern everyone. The Government has to do everything needful for the institutions and measures founded and adopted over the last fifteen years to promote greater transparency and citizen participation at last to start working more effectively. Institutions cannot be allowed to exist on paper only; they have to take hold in the general public.

- So that the institutions and measures should begin to support sounder and more effective and equitable public finances, aligned with the capacities and needs of society, it is essential for citizens to be better informed and more active. For this the following are necessary:
- Citizens and media that are better informed and educated about the budget, budgetary processes and fiscal policy, as well as about the opportunities for citizen participation.
- The prompt publication of all the key budgetary documents (guidelines of economic and fiscal policy, the proposal of the budget, the budget as adopted, the monthly report, the half-yearly and annual report about the execution of the budget and the auditor’s report).
- The publication of a citizen’s guide to each key budgetary document, at the national and the county, city and municipality levels.
- Disclosure of the impact the budget will have on the ordinary citizen in all citizens’ budgetary guides.
- Improvement of the mechanisms for involvement of the public in the process of preparing and executing the budget, with mandatory improvement of the implementation of the Code on Consultation with the Interested Public in Procedures of Adopting laws, Other Regulations and Acts.
- Promotion of the Code on Consultation and acquainting citizens with the opportunities it provides them.
- Better definition of the acts to which the Code on Consultation refers, and the mandatory prescription that it also refers to the procedure of adopting the budget and the law on the execution of the budget.
- Fostering competitiveness in budgetary transparency and participation among the counties, cities and municipalities.

- Copying already existent self-initiated good practices of transparency and participation from local and regional government units to central government level.
- Collaboration of Government and associations of counties, cities and municipalities in the promotion of transparency and participation for the budgets of all levels of government.
- Sanctioning of executive levels of government that do not abide by budgetary and fiscal laws and regulations.
- Giving external members of parliamentary committees voting rights.

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