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# Budget transparency in Croatian local government units – employees' views<sup>1</sup>

KATARINA OTT AND MIHAELA BRONIĆ

*This article presents a survey conducted among employees in Croatian local government units<sup>2</sup> which may help in identifying the factors that promote (or hinder) local budget transparency. Despite the continued improvement in the budget transparency of Croatian local government units, the situation is still far from satisfactory.<sup>3</sup> As the research so far has remained inconclusive about the determinants of local budget transparency in Croatia, the first step in this respect was to send out an online survey to establish the views of the public<sup>4</sup>, and then those of the county, city and municipality employees dealing with local budgets. Results of this second survey (the response rate for local government units was 42%) showed that the local government units were generally more satisfied with their levels of transparency than they should be, given the actual results. They believed that neither the public nor legislation required that they should publish more budget information. Moreover, the survey revealed inadequate administrative capacity and overload of other tasks in many cities and municipalities. Given that all the local government units have their own budgets, they should publish key budget documents transparently, if they want to provide adequate services to citizens. If they are unable to do so, the number, purpose and sustainability of current number of local government units should be reconsidered.*

As the research so far has generally remained inconclusive about the determinants of local budget transparency in Croatia, an online survey on the views of local government unit employees who were directly engaged in local budgets was conducted between 3 and 17 May 2016. The survey was previously announced to

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<sup>1</sup> This article was written under the project *Understanding, monitoring and analysing local government budget transparency: the case study of Croatia and Slovenia – Open Local Budget Index (OLBI)*, IP-2014-09-3008, funded by the Croatian Science Foundation, and is aimed at identifying the level and determinants of local budget transparency in the two countries. The full version of the article was presented at the Institute of Public Administration's professional and scientific conference titled „Citizens, public administration and local self-government: is there a possibility for trust, cooperation and support”, held on 16 February 2017. It has been published in Ott, K. and Bronić, M. (2017). *Lokalna samouprava i građani: proračunska transparentnost lokalnih zajednica – stavovi zaposlenika*. In: I. Koprić, A. Musa and T. Giljević, eds. *Građani, javna uprava i lokalna samouprava: povjerenje, suradnja, potpora*. Zagreb: Institut za javnu upravu, 477-502. The authors wish to express their gratitude to all the survey participants from the local government units, as well as to Martina Fabris, Danijela Kuliš and Marina Nekić for their assistance in conducting and analysing the survey.

<sup>2</sup> Regardless of the formal differentiation among units of local and regional self-government, for the purposes of this article the term local government units covers all 20 counties, 128 cities and 428 municipalities, and the term local budgets relates to the budgets of those local government units.

<sup>3</sup> For the local government units' budget transparency scores, see Ott, Bronić and Petrušić (2013; 2014; 2015); and (Ott et al., 2016).

<sup>4</sup> For the survey results, see Ott and Bronić (2015).

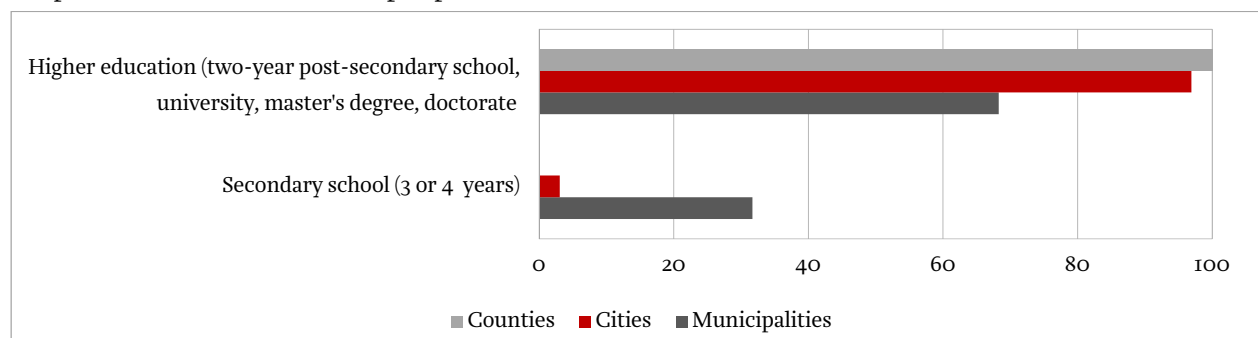
all local government units, requesting them to send the names of future respondents: directors/heads /officers in the finance and budget departments/sections and their respective deputies. On 3 May, a notice was sent to the e-mail addresses of those persons, requesting them to fill out the survey. The representatives of 9 counties (45%), 65 cities (51%) and 170 municipalities (40%) responded to that request.<sup>5</sup>

Despite the optional character of the request, an average of 60% of all respondents indicated the names of their respective local government units. This allowed a comparison between average budget transparency in surveyed local government units and that in all Croatian local government units during the last research cycle.<sup>6</sup> The average budget transparency in surveyed counties approximated the total county average (4.25 vs. 4.3), whereas the average transparency in surveyed cities considerably exceeded the average for all cities (3.93 vs. 3.05), as in the case of municipalities (2.34 vs. 2.04).<sup>7</sup>

## CHARACTERISTICS OF RESPONDENTS

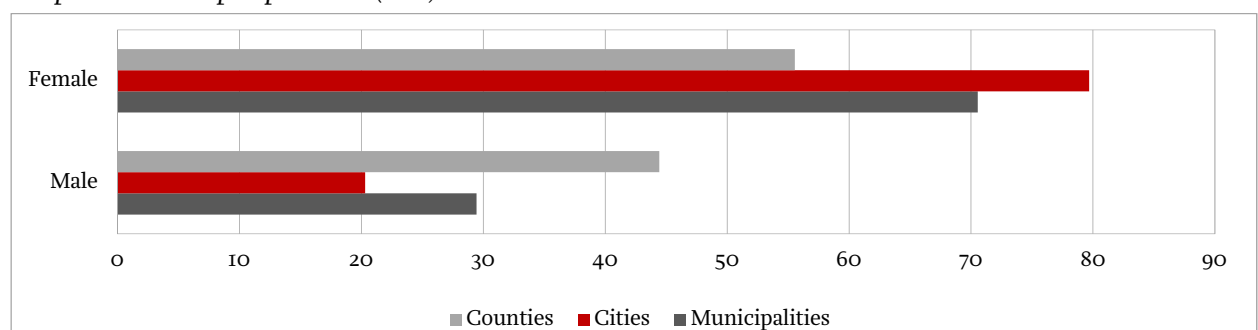
Of the numerous collected characteristics of respondents, we will only highlight those that might influence the respondents' views. There are considerable differences in the educational attainment level among the respondents. As much as 100% and 97% of respondents coming from counties and cities respectively, but as little as 68% of those from municipalities have higher education levels (graph 1). Therefore, the transparency differences among counties, cities and municipalities are probably not surprising. Higher education is expected to provide certain knowledge and skills that facilitate the performance of administrative tasks, including the publication of budget information.

Graph 1: Formal education level of respondents (in %)



Women prevail among the local government unit employees who responded to the survey (graph 2).

Graph 2: Gender of respondents (in %)



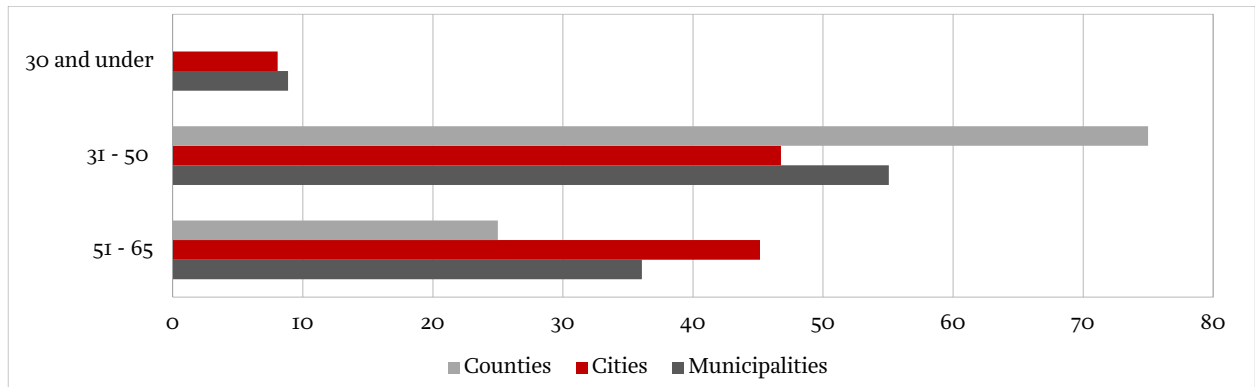
<sup>5</sup> On 9 May, a reminder was sent to all local government units. Some of the units have completed the survey several times (the Vukovar-Srijem County and municipalities of Selca, Motovun and Vrpolje – twice, and the City of Zagreb – three times). For each local government unit, one (the most completed) survey form was selected for the analysis.

<sup>6</sup> For budget transparency scores for all local government units, see Ott et al. (2016).

<sup>7</sup> The survey was also completed by 12 municipalities with zero transparency scores that also indicated their names.

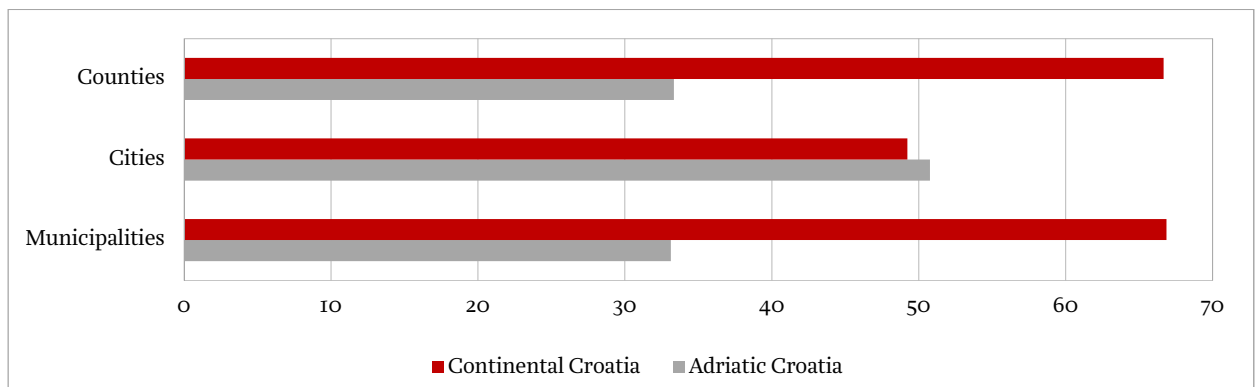
Respondents are usually aged between 31 and 50 years, most of them coming from counties (graph 3).

Graph 3: Age of respondents (in years)



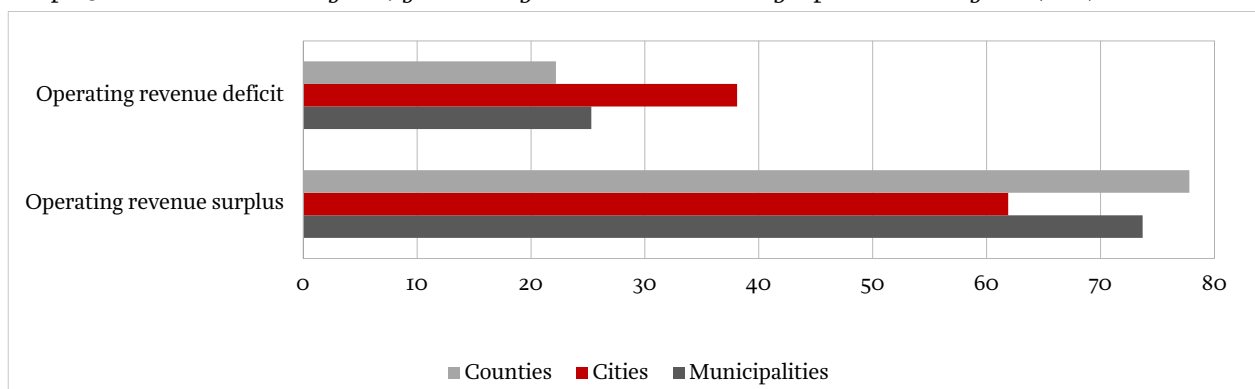
According to the National Classification of Spatial Units for Statistics, the majority of surveyed municipalities and counties are located in Continental Croatia and the majority of surveyed cities in Adriatic Croatia (graph 4).

Graph 4: Location of local government units according to the National Classification of Spatial Units for Statistics (in %)



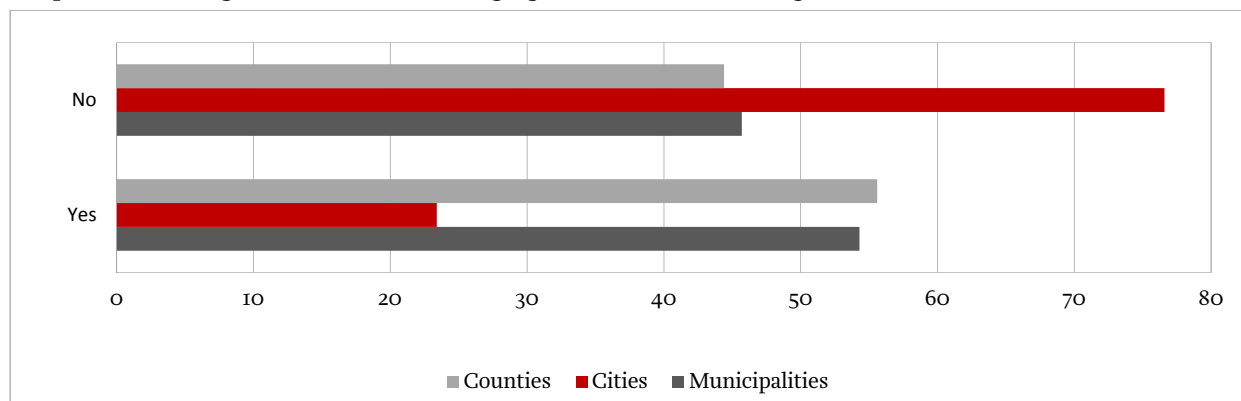
Over the last three years, surveyed local government units mostly recorded operating revenue surpluses (graph 5). This is quite understandable, given the principle of balanced budget, laid down by the Budget Act, which provides that the budget should be balanced, i.e. that total revenues and receipts should equal total expenditures and outlays.

Graph 5: Over the last three years, your local government unit's budget predominantly ran (in %) an



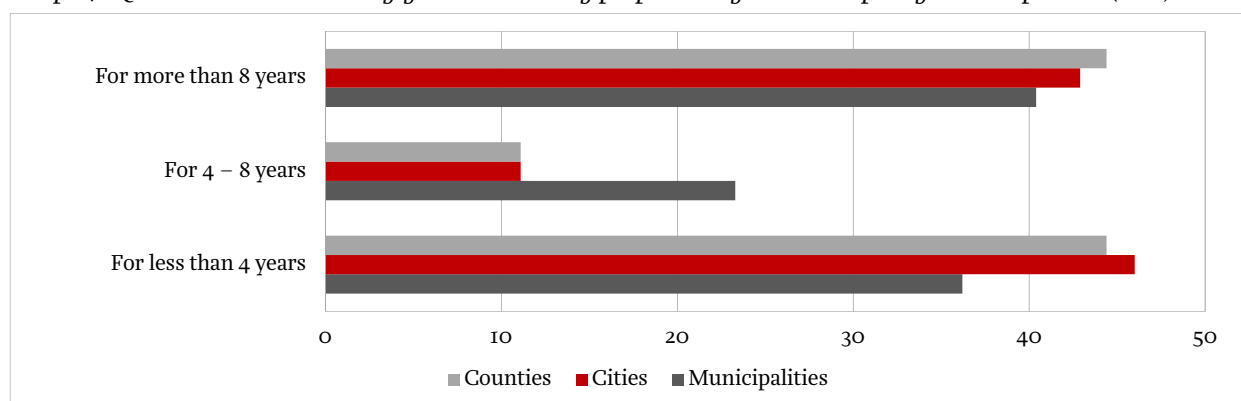
The majority of surveyed municipalities and counties belong to the assisted areas system, whereas the opposite is true for most of the surveyed cities (graph 6).

Graph 6: The local government unit's belonging to the assisted areas system (in %)



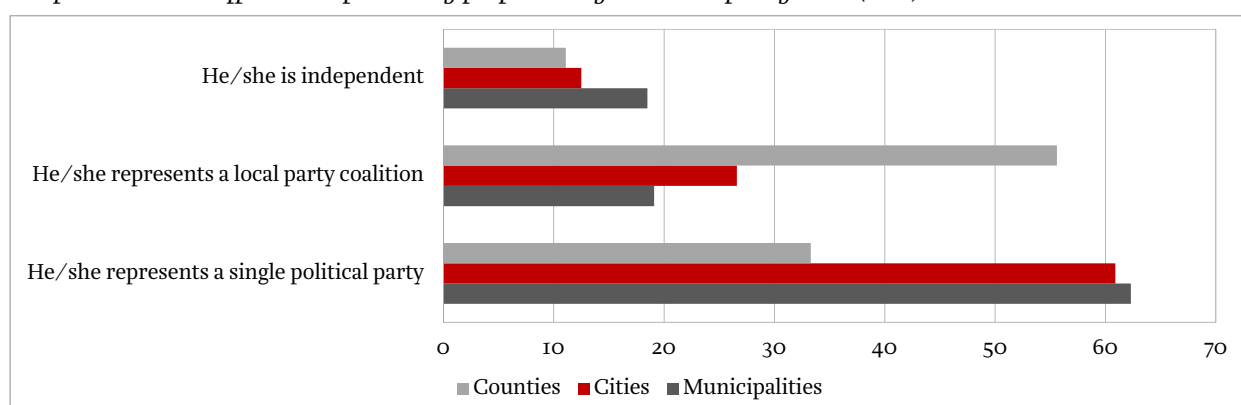
In most of surveyed local government units, the county prefects, mayors and municipality heads are in power for less than 4, or more than 8 years (graph 7).

Graph 7: Question: For how many years is a county prefect/mayor/municipality head in power? (in %)



At the level of surveyed municipalities and cities, most of the elected municipality heads and mayors represent a single political party, whereas at the level of counties, most of the elected county prefects represent a local party coalition (graph 8).

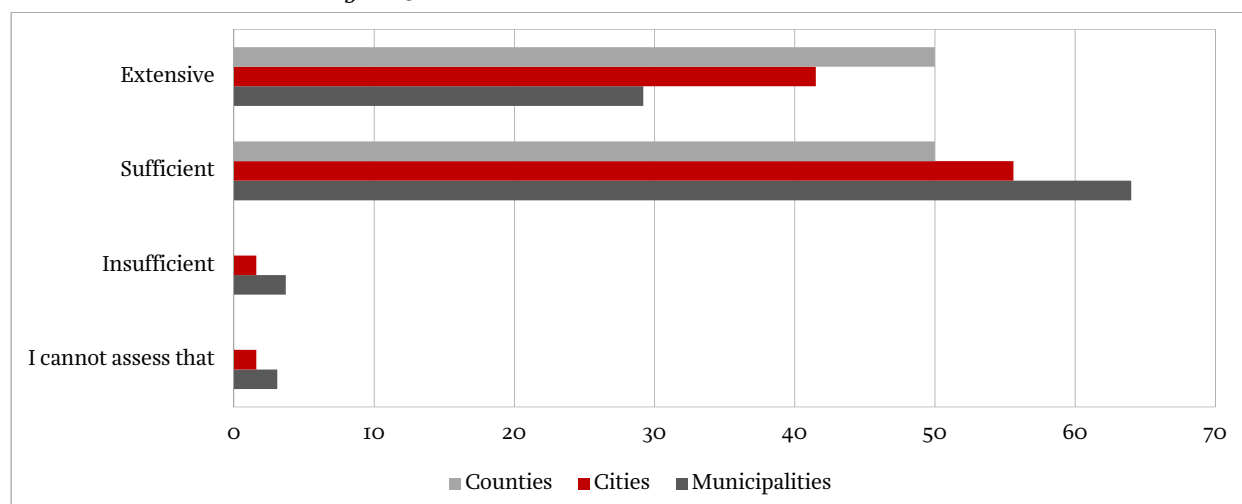
Graph 8: Political affiliation of a county prefect/mayor/municipality head (in %)



## VIEWS AND COMMENTS OF THE RESPONDENTS

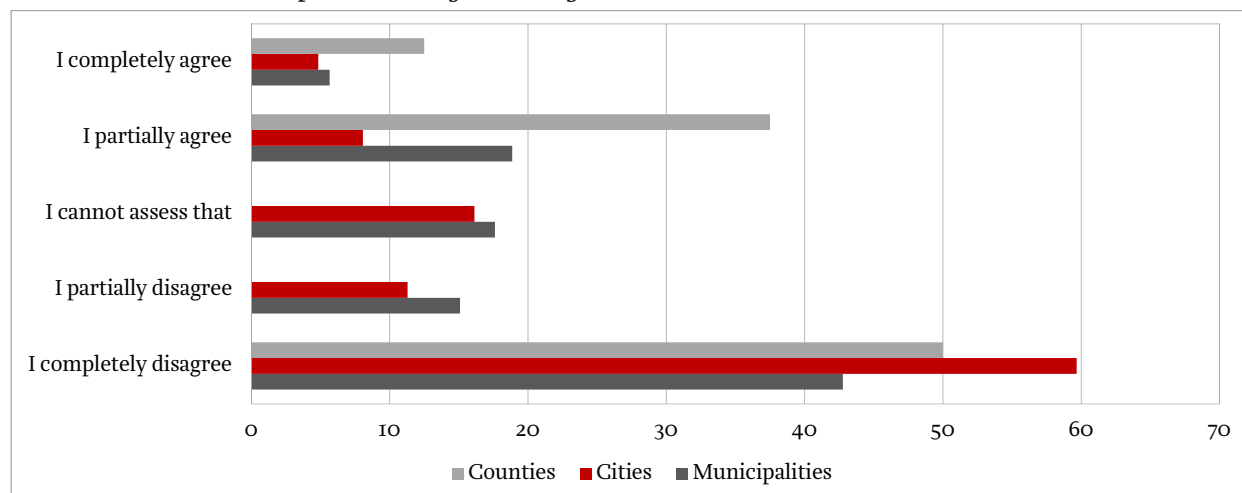
Given the average budget transparency score for all Croatian local government units which, according to the latest survey cycle, stands at 4.3 for counties, 3.05 for cities and as little as 2.04 for municipalities (the maximum score is 5), it is not surprising that all surveyed counties believe the amount of budget information available at their official websites in 2015 to be sufficient or extensive. However, it is surprising that surveyed cities and municipalities share the same view, while only a negligible percent of the cities and municipalities believe the amount of that information to be insufficient (graph 9).

Graph 9: Question: Do you think the amount of budget information publicly available at your local government unit's website during 2015 was



Nevertheless, the good news is that a relatively low percentage of respondents agree with the statement that there is even no need for certain budget information to be published on the website<sup>8</sup>. Only a little more than 10% of counties and about 5% of cities and municipalities completely agree with this statement (graph 10). Those who do indicate that the information on one-off aid, sources of financing, liabilities, social welfare benefits, concluded agreements and donations and gross salaries of employees should not be publicly disclosed. However, some respondents indicate that even the budget should not be published!

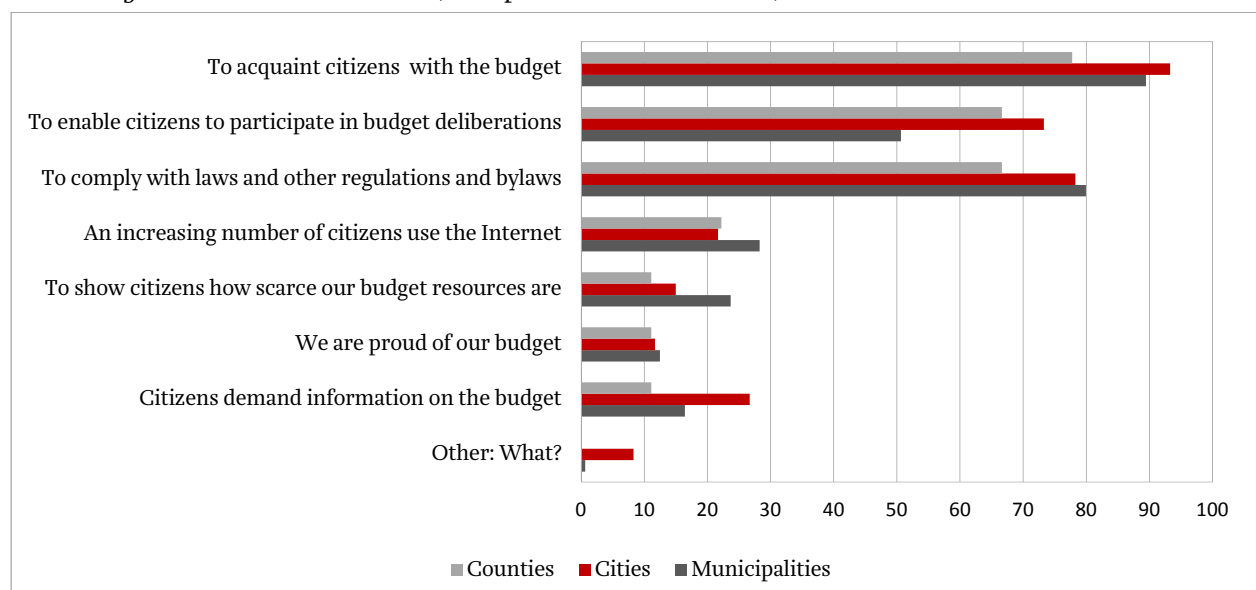
Graph 10: Question: To what extent do you agree/disagree with the statement: Certain budget information should not be published on your local government unit's website? (in %)



<sup>8</sup> The persons scored according to the Likert scale (1-5) express their (dis)agreement with the offered statement by circling one of the following responses: I completely disagree (1), I partially disagree (2), I cannot assess that (3), I partially agree (4), completely agree (5).

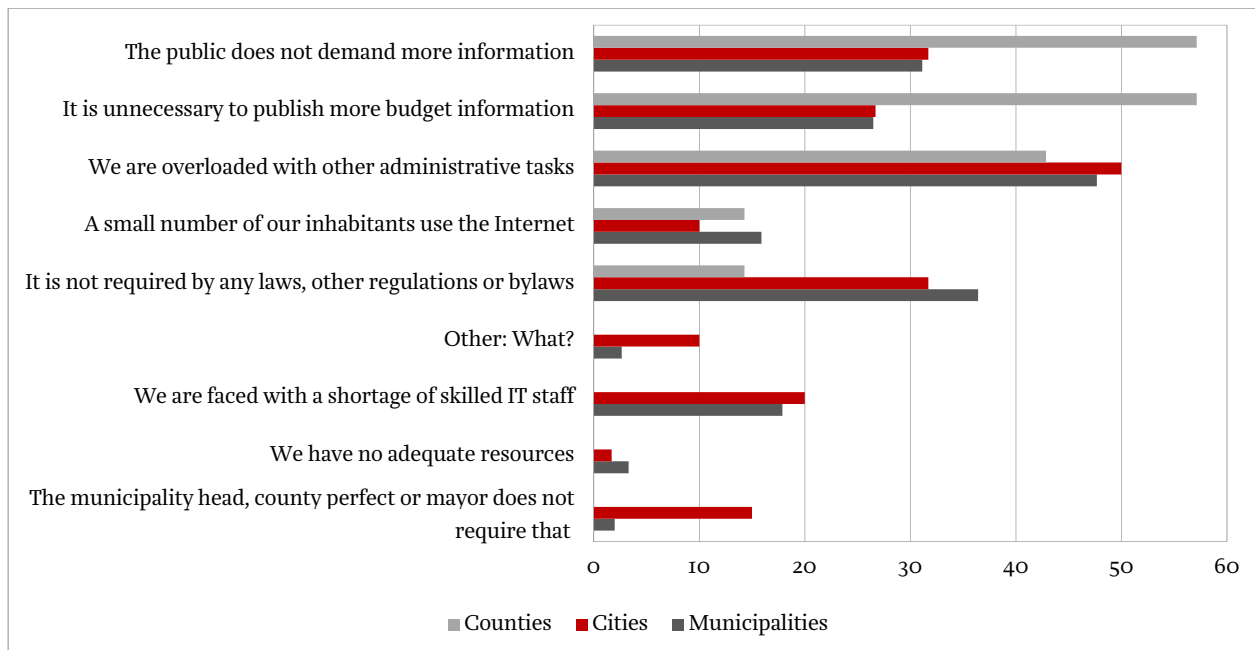
Among the reasons for publishing budget information on the relevant websites (multiple answers were allowed, see graph 11), as much as 90% of cities and municipalities and about 80% of counties indicated the need for citizens to get acquainted with the budget. Almost 80% of cities and municipalities and about 70% of counties explained that by the need to comply with laws and other regulations and bylaws. About 70% of counties and cities, but only about 50% of municipalities wanted to enable citizens to participate in the budget process. An additional reason for that, indicated by about 20% to 30% of all respondents, was an increasing number of citizens using the Internet. Interestingly, about 30% of cities, 15% of municipalities and 10% of counties claimed to publish budget information because citizens demanded that. Among other reasons indicated by the respondents was the wish to be transparent, raising the awareness of citizens about budget spending and encouraging citizen participation in budgeting.

Graph 11: Question: What are the main reasons why budget information should be published on your local government unit's website? (Multiple answers are allowed)



When it comes to reasons for not publishing more budget information on the websites (multiple answers were allowed, see graph 12), about 60% of counties and about 30% of cities and municipalities believe that it is unnecessary to publish more information and that the public does not even demand that. About 15% of counties and about a third of cities and municipalities believe that this is not required by any laws, regulations or bylaws. On the other hand, a large percentage of respondents (about half of cities and municipalities and about 40% of counties) indicate that they are overloaded with other administrative tasks, whereas about 20% of cities and municipalities additionally mention a shortage of skilled IT staff (which is not perceived as a problem by any of the counties). It is very interesting, however, that a shortage of funds is indicated by an almost negligible percentage of municipalities and cities and no county. This does not mean that local government units are satisfied with their resources. As shown by graph 11, about a fifth of all local government units account for providing budget information to citizens by the wish „to show citizens how scarce their resources are”. As for the main reasons for not publishing more budget information, counties perceive that to be unnecessary, as the public does not demand more information, whereas cities and municipalities indicate that they are overloaded with other administrative tasks.

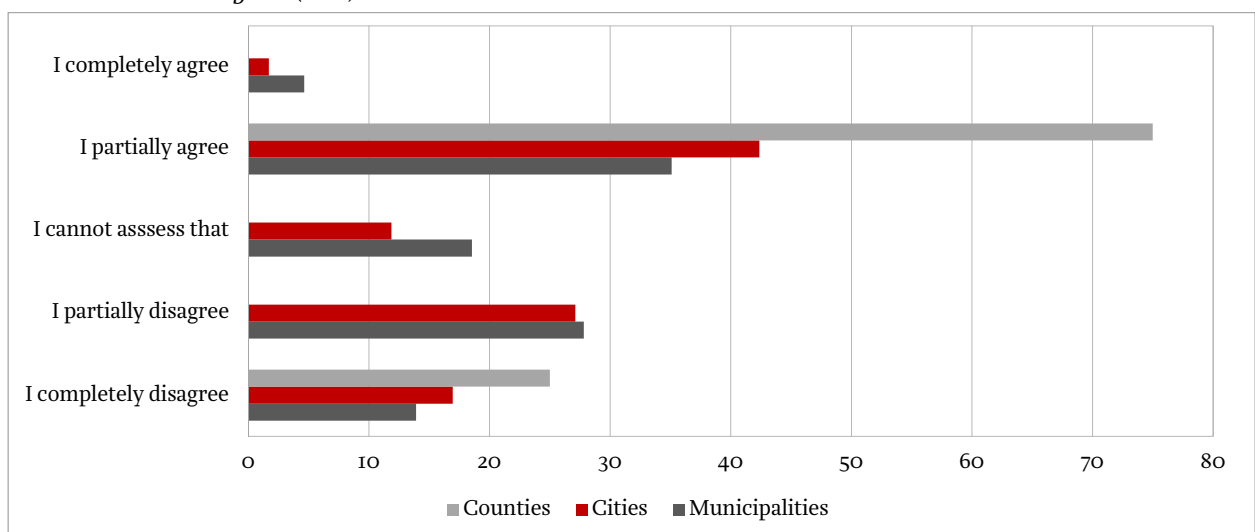
Graph 12: Question: What are the main reasons for not publishing more budget information on your local government unit's website? (Multiple answers are allowed)



When asked what would help them most in providing the public with more budget information, respondents basically indicated the following: more opportunities for hiring young and skilled IT experts, funds for better-designed websites, a uniform country-wide data entry application, clear rules on what information should be published, as well as when and how to publish it. They also indicated the need to be relieved of producing numerous statistics and reports, as well as the need for more interest, suggestions and comments from citizens.

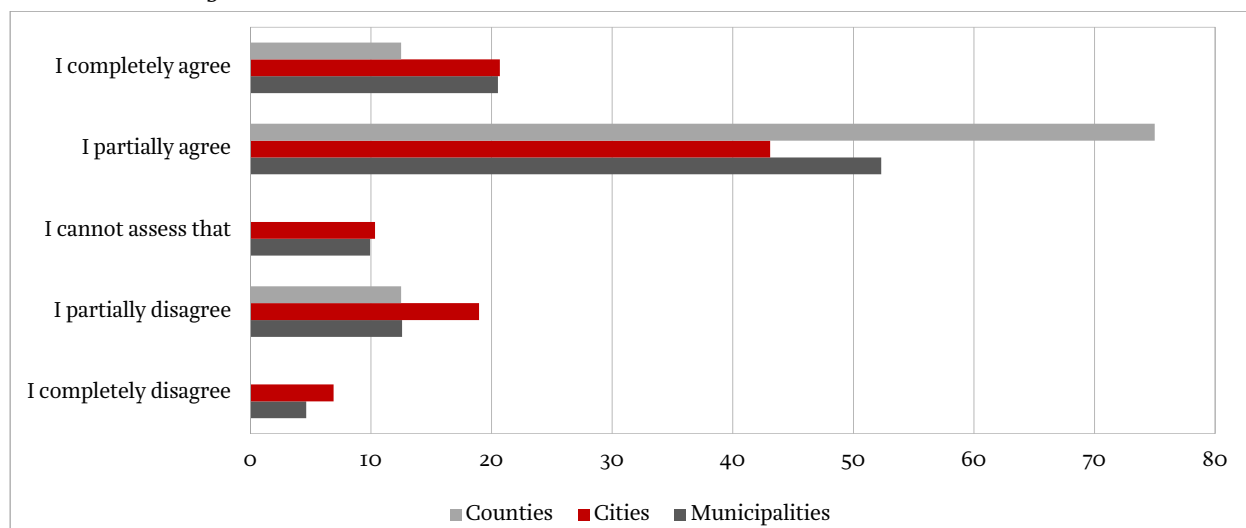
Building on the above mentioned view that the public does not demand more information than already offered on the local government units' websites (graph 12), respondents are fairly in agreement (again according to the Likert scale) that: *the public is not interested in the budget* (graph 13), *the public does not understand the budget* (graph 14) and *the public feels unable to change anything about the budget* (graph 15). Agreement with all the three statements is expressed by more counties than cities and municipalities.

Graph 13: Question: To what extent do you agree/disagree with the statement „The public is not interested in the budget”? (in %)

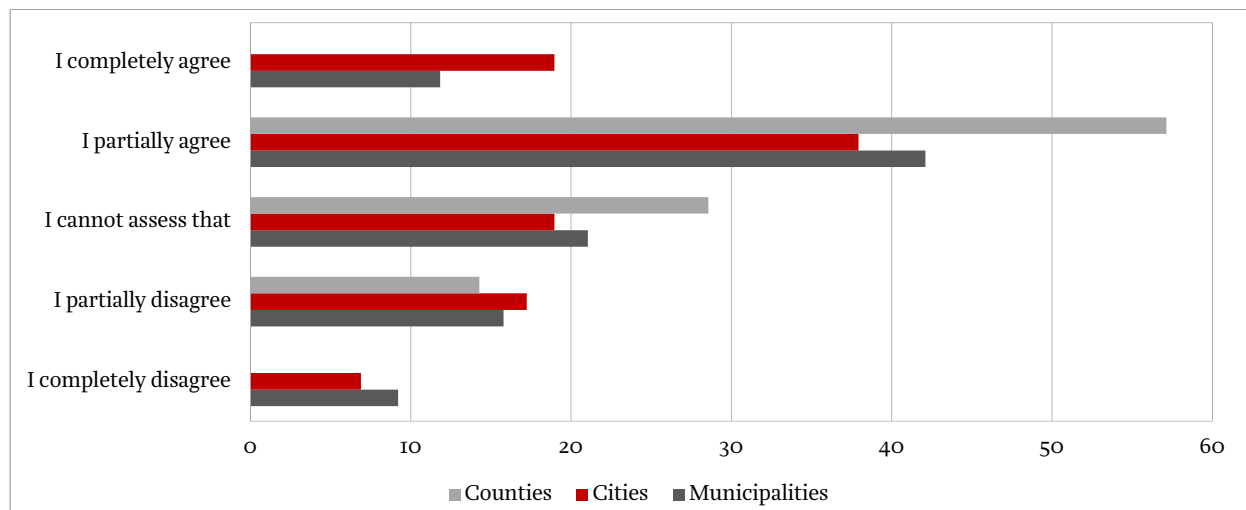




Graph 14: Question: To what extent do you agree/disagree with the statement „The public does not understand the budget”? (in %)



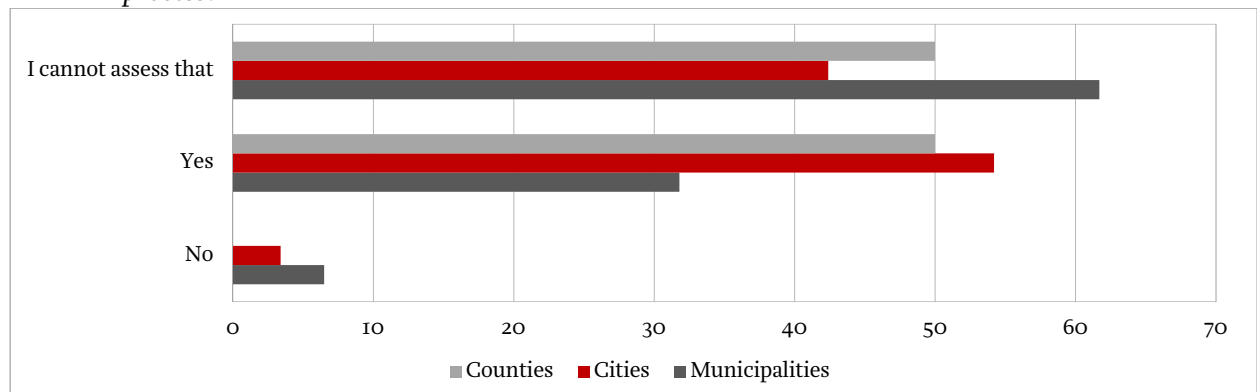
Graph 15: Question: To what extent do you agree/disagree with the statement „The public feels unable to change anything about the budget”? (in %)



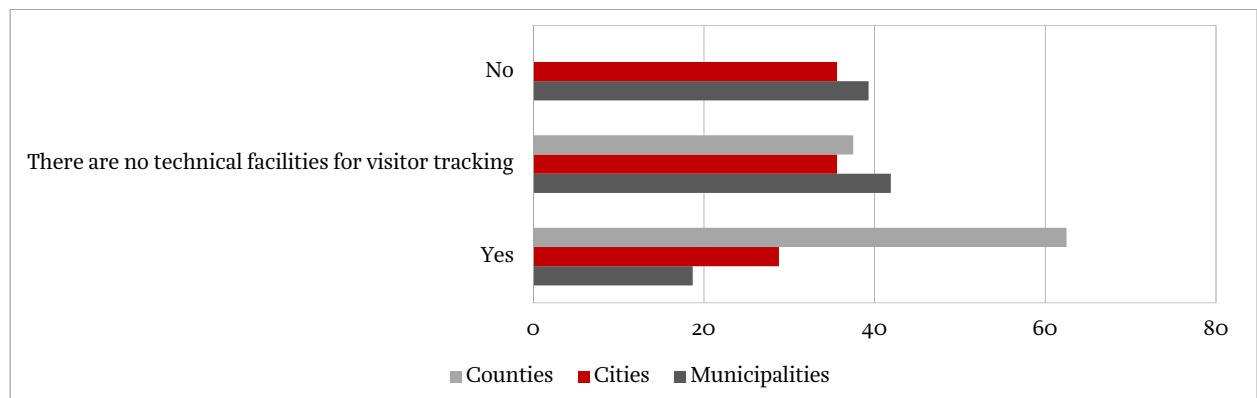
A negligible percentage of total respondents believe that the local government units' executives should not encourage residents to intensify the use of budget information provided on the websites and participate more in budgeting (see graph 16). By contrast, as little as half of counties and cities and less than a third of municipalities believe the executives should do so. Surprisingly, almost two thirds of municipalities, half of counties and over 40% of cities cannot assess whether the executives should do so or not.

About two thirds of counties and a much lower percentage of cities and municipalities tracked visitors to budget information on their websites during 2015. However, approximately a third of all local government units indicated that they were technically under-equipped for website visitor tracking (see graph 17).

Graph 16: Question: Do you think that the executive of a local government unit should encourage the public to intensify the use of budget information provided on the websites and participate more in the budget process?

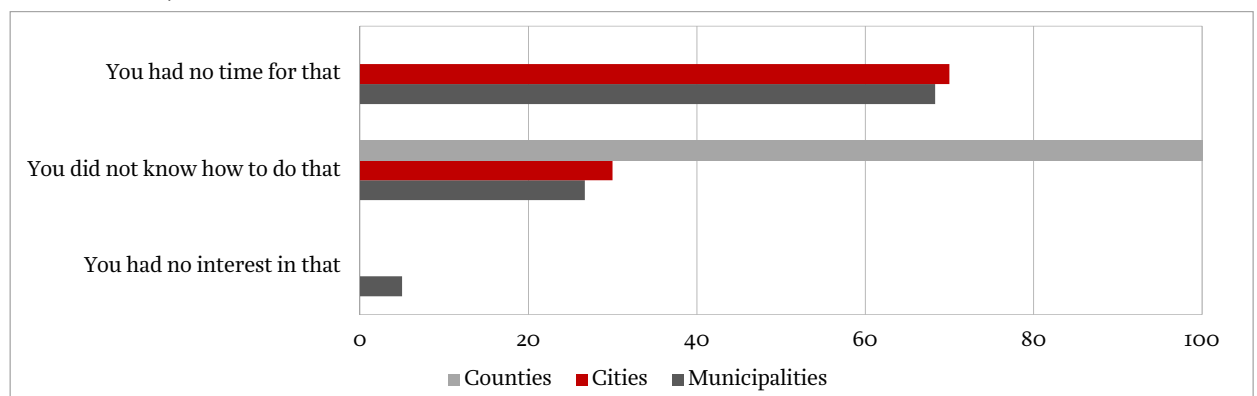


Graph 17: Question: Did you track visitors to budget information on the website of your local government unit during 2015?



Among the 'non-trackers' (graph 18), one county and slightly less than 30% of cities and municipalities „did not know how to do the tracking” (other non-tracking counties even failed to respond to the question). However, as much as 70% of cities and municipalities „did not have the time for that”. Only 5% of municipalities admitted to have no interest in that. By contrast, some local government units intensively track their website visitors; in some of them even the mayors and municipality heads do that. There are also units that indicated the actual numbers of visitors to the websites and to certain links.

Graph 18: Question: If you did not track visitors to budget information on the website of your local government unit, this was because:



The respondents' comments also revealed the following:

- *Given general resignation and apathy among the population, most of the (few) clients who seek budget information are presidents or administrative staff members of associations and clubs who are mainly interested only in the amounts of funds allocated to them.*
- *Too much redundant information confuses citizens. Unfortunately, even municipal councillors who have served several terms of office can neither understand nor interpret the budget. Budgets should be more understandable and clear, instead of being just piles of paper and documents understood by very few and sought by almost nobody. All this costs money and wastes the working time of executive authorities.*

The respondents indicated many difficulties interfering with their work performance:

- *I think that we are completely transparent, but given the serious shortage of budgetary resources, it is difficult to meet the demands of citizens.*
- *As long as public needs are several tens of times greater than the budget capacity, budget transparency is our least concern. Our biggest concern is the urgency of fiscal decentralisation.*
- *In small municipalities, a small number of employees are required to prepare many reports for various institutions and ministries, which might be very difficult, given all kinds of regular tasks and fields of activity. Therefore, there is no time to publish all that should be published. It is not fair that small municipalities with only two or three staff members should have the same scope of work as big cities and counties that have numerous administrative departments and large staffs.*
- *A small municipality with as little as four employees can hardly deal with an increasing number of administrative tasks assigned to them.*
- *Smaller local government units need professional assistance in drawing up their internal regulations. This should be the responsibility of government, which has required numerous reports and statistics from local government units, especially since the EU accession, without having regulated the rules of organisation and without performing the (administrative) quality control of operations. There are no signs of any significant improvement in the organisation of the state, including local government units as its constituent parts.*

However, respondents express their readiness and offer suggestions for budget transparency improvement, as follows:

- *Budget transparency improvement calls for fiscal decentralisation.*
- *In order to improve transparency, it would be good to provide the guidelines and good examples of others.*
- *It would be useful to create a software application that enables local government units and other budget users to enter mandatory and optional data in one place. This would make it easier for citizens to monitor budget transparency, access information and navigate through the websites.*
- *Transparency should be included in the criteria for state budget allocations.*
- *It is necessary to hold public hearings on the budget, such as, for example, those on urban development plans.*
- *The specificities of local government units in the assisted areas should also be taken into account.*

On the other hand, there are also comments showing misunderstanding of the purpose of transparency:

- *Once adopted, the budget proposal does not need to be kept on a local government unit's website. It is just the opposite: all key budget documents, i.e. the budget proposal, adopted budget, mid-year and year-end reports on budget execution, as well as citizens' guides to the budget, must be permanently available to enable comparisons between the proposed, adopted and executed documents.*
- *I do not dispute that the budget should be drawn up in a prescribed format and submitted to the Financial Agency and Ministry of Finance, but budget projections and reports according to the functional, economic,*

*programme and other classifications are nothing but confusing for the councillors.* However, it is exactly the duty of councillors to educate themselves, learn how to navigate through the budget documents, actively participate in budget preparation and control it. In order to facilitate all this, local government units should publish guides to the budget to accompany all the key budget documents.

## CONCLUSIONS

After several years of tracking the local government units' websites and very useful communication with the employees of some local government units who willingly sent us their comments, remarks and suggestions, this survey provides an insight into the views of executive authority representatives of a large number of Croatian local government units. The respondents have expressed their views about transparency, citizens and the problems facing them, not only by responding to the questions but also through numerous, extensive and often emotional comments and suggestions. The commitment, shown by at least the representatives of those local government units that have completed the survey, contradicts sweeping generalisations about the indifference and incompetence of public administration.

The survey analysis reveals that most counties (with an already high level of average transparency) believe the amount of budget information available on their official websites to be sufficient or extensive. It is worrying, however, that this is also the view of cities, with barely sufficient, and municipalities, with insufficient levels of transparency. An only negligible percentage of respondents consider that amount of information to be insufficient.

Nevertheless, the following findings are encouraging: only a relatively small percentage of respondents agree with the statement that some budget information should not at all be published on the websites; a high percentage of them wish to publish the information in order to bring the budget closer to citizens; and a negligible percentage believe that local government units' executives should not encourage the public to intensify the use of budget information and participate more in budgeting. A source of concern is that an inadequate percentage of respondents believe the executives should do so, whereas a high percentage of them cannot even assess whether the executives should do so or not.

Counties fail to publish more budget information because they do not deem that necessary and because the public „does not demand more information”, whereas cities and municipalities complain about being overloaded with other administrative tasks. In this context, a vast majority of respondents plead for opportunities to hire young IT experts. It is evident that many cities and municipalities simply lack adequate administrative capacity to perform the necessary tasks.

Despite the view, shared by a relatively high percentage of respondents, that the public has no interest in the budget and that it feels unable to change anything about it, citizens do contact their respective local government units, either per email (counties and municipalities) or personally (municipalities), which shows that they are still interested in the budget.

Notwithstanding numerous difficulties, local government units are willing to improve budget transparency. To this effect, about two thirds of counties, but significantly less cities and still less municipalities, track visits to budget information on their respective websites. However, some units are technically under-equipped to do so, whereas others do not even know how to do that, which is again an indicator of inadequate administrative capacity.

The respondents' comments also reveal problems, especially in small municipalities with inadequate resources and staff shortages. They claim that government should provide them with greater technical

assistance and a uniform data entry application. They also emphasize the urgency of fiscal decentralisation, but do not believe it will ever be implemented.

Given numerous sparsely populated areas in Croatia, it is reasonable to ask whether there is any sense in insisting on budget transparency, especially when it comes to local government units' websites. However, since local government units already exist and have their own budgets, in order to provide public services in accordance with citizens' needs, they should be able to publish those budgets in a transparent way. This analysis is only one in a series of attempts to highlight the first and foremost issue, i.e. the number, purpose and sustainability of current number of local government units.