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Central government budget transparency: Croatia with much room for improvement

Mihaela Bronić, Josip Franić

The most recent round of research conducted by the International Budget Partnership (IBP) on central government budget transparency sees Croatia scoring 67 points (out of a maximum of 100), ranking 24th out of the 125 countries included in the analysis. Even though this score is three points higher than in the previous research round (2021), there is still substantial room for improvement, not only with regard to publishing timely and intelligible information on the collection and spending of budget funds, but also with regard to including the public in budget-related processes.

Due to growing global insecurity and continuous fight against inflation and its effects, political and social dialogue around the world focuses on the need to collect and spend public funds in a sensible manner. However, basic prerequisites that would ensure a higher quality of public finance management are often not met, which primarily pertains to engaging the public in the adoption process of the central government budget¹ (hereinafter: budget), the existence of a clearly defined system for overseeing budget implementation and publication of timely and comprehensive information on state revenues and expenditures.

¹ The central government budget includes all budget users as well as extra-budgetary users of the national budget.

In this respect, the most recent round of the [Open Budget Survey](#)², whose results were published on 29 May 2024, provides answers to three key questions: how transparent is the government when adopting and implementing national budgets, what level of control over the budget do national parliaments and other supervisory bodies have and is there any opportunity for the public to engage in various stages of the budget process.

Research results for 2023

The Open Budget Index (OBI) is the only independent and internationally comparable indicator of the quality and quantity of online information on central government budgets. It has been published regularly since 2006 and is compiled based on responses to [109 questions](#) exploring the availability, timeliness and exhaustiveness of eight key budget documents: Pre-Budget Statement, Budget Proposal, Enacted Budget, Citizens Budget, In-Year Reports, Mid-Year Report, Year-End Report and Audit Report.³ The final result is expressed on a 0-100 scale, whereby higher scores indicate higher transparency levels.

Table 1. Open Budget Index 2023

Category	Countries
Extensive information (81 - 100 points)	Georgia (87), New Zealand (87), Sweden (85), South Africa (83), Moldova (81)
Substantial information (61 - 80 points)	Brazil (80), Mexico (80), Norway (80), Benin (79), Bulgaria (79), Australia (78), Dominican Republic (77), Italy (76), Germany (76), Philippines (75), France (74), Canada (74), South Korea (71), Peru (71), Indonesia (70), USA (69), Slovakia (69), Azerbaijan (67), Croatia (67), Russia (66), Honduras (65), Guatemala (64), Slovenia (64), Türkiye (64), Japan (63), Kazakhstan (63), Zimbabwe (63), Czechia (62), Mongolia (62), Portugal (62), Romania (62), United Kingdom (62), Kyrgyz Republic (61), Costa Rica (61)

² The research is based on a comprehensive [Questionnaire](#), which assesses four stages of the budget process: preparation, adoption, implementation and oversight. In each of the 125 countries included in the analysis, the questionnaire was completed by independent experts, and their answers were later peer-reviewed by other anonymous (and also independent) experts. The countries' finance ministries could also comment and/or highlight potential inconsistencies and oversights in the questionnaire responses.

³ The Open Budget Index for 2023 has been calculated on the basis of budget documents for fiscal years 2021, 2022 and 2023. All available budget documents published up to 31 December 2022 were taken into account. For more details on the methodology, visit www.openbudgetsurvey.org.

Category	Countries
Limited information (41 - 60 points)	Armenia (60), Chile (60), Jordan (60), Thailand (60), Poland (59), Uganda (59), Albania (57), Kenya (55), Sierra Leone (55), Namibia (54), Cote d'Ivoire (54), Spain (54), Liberia (52), Papua New Guinea (52), Argentina (51), India (51), Serbia (51), Vietnam (51), Jamaica (50), Cameroon (50), Columbia (50), Nepal (50), Rwanda (50), Egypt (49), Montenegro (48), Ecuador (48), Malaysia (48), Paraguay (48), Morocco (47), Mozambique (47), Ghana (46), Nicaragua (44), Cambodia (43), Senegal (42), Democratic Republic of Congo (41), Tanzania (41)
Minimal information (21 - 40 points)	Botswana (39), Madagascar (39), Trinidad and Tobago (38), Ukraine (38), Bangladesh (37), Somalia (37), Sri Lanka (37), Timor-Leste (37), Gambia (36), North Macedonia (35), Lesotho (35), Fiji (34), Zambia (34), Niger (33), Tajikistan (33), Sao Tome e Principe (32), Nigeria (31), Burkina Faso (30), Pakistan (30), Eswatini (30), Bosnia and Herzegovina (27), Angola (26), Saudi Arabia (26), El Salvador (24), Hungary (22)
Scant information (0 - 20 points)	China (20), Lebanon (17), Togo (17), Tunisia (16), Algeria (15), Burundi (14), South Sudan (13), Bolivia (11), Ethiopia (10), Guinea (10), Mali (10), Iraq (8), Palestine (8), Chad (6), Malawi (6), Central African Republic (6), Guinea-Bissau (5), Equatorial Guinea (4), Comoros (4), Myanmar (3), Qatar (2), Sudan (2), Afghanistan (0), Yemen (0), Venezuela (0)

Note: Countries have been classified into 5 categories according to Open Budget Index levels pursuant to IBP's definition.

Source: IBP (2024)

The results of the ninth round of IBP's survey for 2023 (previous rounds were implemented in 2006, 2008, 2010, 2012, 2015, 2017, 2019 and 2021) once again do not paint an optimistic picture at the global level. The average Index value for all 125 countries included in the analysis still stands at 45, just like in the previous two research rounds. In other words, only 45% of key budget revenue and expenditure information was made available to the citizens of the analysed countries on average. Similar to previous rounds, the highest-ranked countries are Georgia (87), New Zealand (87), Sweden (85) and South Africa (83) (Table 1). The bottom of the list is populated by Afghanistan, Yemen and Venezuela, whose governments provide no information about the budget to their citizens.

Due to a three-point Index increase, Croatia climbed to rank 24, which is one position higher than in the previous round. This improvement is largely due to the fact that a document that used to be analysed as a Pre-Budget Statement has been replaced by a new one. Specifically, following the legislative changes, the *Economic and Fiscal Policy Guidelines* were replaced by the **Convergence Programme**. This

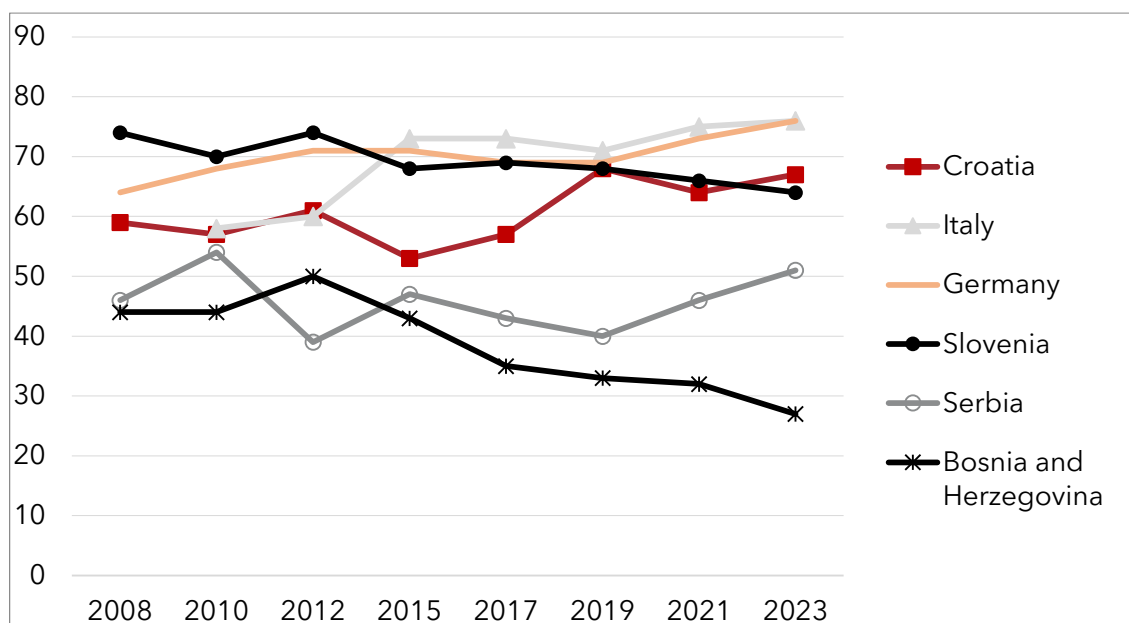
document provides slightly more information than the *Economic and Fiscal Policy Guidelines*, so the higher score in this section is not unexpected.

The only substantial changes in the respective documents themselves are visible in the Budget Proposal, which now provides slightly more information on macro-economic predictions used for planning revenues and expenditures but, on the other hand, no longer includes information on transfers to publicly owned enterprises or all relevant information on loans and debts.⁴

Even though, with its 67 points, Croatia is classified as a country that publishes a “substantial amount of budget information”, results in previous years used to be even better. For instance, in 2019 Croatia scored 68, ranking it 21st among the world’s countries. Given this, we can conclude that there has been no visible improvement in recent years.

Although it is ranked slightly lower than Western countries, Croatia outranks all of its neighbouring countries (Graph 1). While Serbia and Bosnia and Herzegovina have been ranked below Croatia in all previous research cycles, this is the first round of research in which Slovenia ranked below Croatia.

Graph 1. Open Budget Index for selected countries, 2008-2023



Source: *IBP (2024)*

⁴ The new **comparison tool** provides insight into changes in index values as well as items where there is room for improvement.

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

Getting citizens and other interested stakeholders to participate in budget processes and enabling them to make a direct impact on the creation of budget policies are crucial for managing public funds. In line with this, the present research also evaluates to what extent the Government, Parliament and State Audit Office (SAO) include the public in the budget process. This index is measured through 18 questions, and the overall result is also expressed on a 0-100 scale.

Just like in the previous research round, Croatia scored 17 points in the present round. Even though this result is five points lower than the 2019 results, it still ranks Croatia above the world average of 15 points. Croatia, like most other countries, still has no formal mechanisms in place that would get the interested individuals and groups involved in budget-related processes simply and efficiently, i.e. which they could use to express their opinions on the collection and allocation of state budget funds.

The Government should therefore design processes that could determine what stakeholders, primarily the most vulnerable groups and organizations representing them, think about the proposed budget policies and their implementation. The Parliament is expected to enable the involvement of all interested parties in the discussion regarding the adoption and execution of the budget. Finally, the SAO should establish formal mechanisms that would enable the public to take part in audit processes (e.g. as witnesses).⁵

With regard to overseeing budget execution, which is also analysed in this research, results show that the SAO is doing an adequate job (89/100), unlike the Parliament (50/100). The Parliament can assume a more prominent role in the process of budget oversight only if it becomes involved in the process of budget policy planning, i.e. in the initial state of the budget process. For example, the Government should send a Budget Proposal to the Parliament at least two months before the start of the new fiscal year so that the MPs would have enough time to analyse the document.

⁵ Examples of innovative practices of public engagement in budget processes in other countries are available [here](#).

Key recommendations for improving budget transparency

The results provided herein indicate substantial room for improvement. To ensure more transparent and accountable management of public finances, we therefore reiterate the **recommendations provided in connection with the previous research cycles** as they are still relevant:

- information on tax expenditures should be included in the Budget Proposal, along with explanations regarding the main objectives of each tax expenditure, the relevant target groups and the estimated value of lost tax revenues,
- the Budget Proposal should also include information on the state's financial assets (the list of assets and their valuation) and non-financial assets (the list of assets by category),
- the content and comprehensiveness of Citizens Budgets published by the Ministry of Finance should be improved; besides establishing mechanisms to identify what information citizens want to read in the existing Citizens Budgets, this also means that they should be made more prominent on the relevant websites and that citizens versions of other key documents should also be published (e.g. Citizens Guides to the Budget Proposal and Budget Audit Report),
- the Ministry of Finance should restart the publication of **Yearbooks** and **Statistical Reports**.