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IPF NOTES

Central government budget transparency: Croatia records slight drop compared to previous research cycle

Mihaela Bronić, Josip Franić

The latest results of the international research conducted by the [International Budget Partnership \(IBP\)](#) on budget transparency show that Croatia is still ranked among countries that publish a substantial amount of information regarding central government budget. Croatia scored 64 points on the Open Budget Index for 2021 (out of a maximum 100), which is 4 points lower than the score recorded in the previous research cycle (2019). This means there is substantial room for improvement regarding the publication of timely and comprehensible information on the collection and spending of budgetary funds, as well as the involvement of citizens in the process of budget adoption and implementation.



Even though public finances have been under severe strain ever since the outbreak of COVID-19, new challenges lie ahead. In most cases, the heavily burdened and indebted central government budgets will need to secure additional funds in the upcoming period to combat growing inflation and income inequality.¹ Therefore, to ensure that budget funds are collected and spent in a more efficient and fair manner, it is important to secure timely publication of accurate and comprehensible information on the central government budget (hereinafter: budget), budget supervision and public participation in the budget process.

The results of the new round of research of the international **Open Budget Survey** were published on 31 May.² The survey provides answers to three key questions: the level of government transparency when adopting and implementing national budgets, the level of control over the budget by national parliaments and

¹ The central government budget includes all budget and extra-budgetary users of the national budget (<https://mfin.gov.hr/istaknute-teme/drzavna-riznica/racunovodstvo/registar-proracunskih-i-izvanproracunskih-korisnika/178>).

² The most recent research cycle covered 120 countries. The research is based on a comprehensive Questionnaire which assesses four stages of the budgetary process (preparation, adoption, implementation and oversight). The Questionnaire responses have been compiled by independent experts in each of the participating countries. Their responses have been peer-reviewed by other anonymous (independent) experts. Moreover, the participating countries' finance ministries have also been invited to comment on the Questionnaire responses and to highlight potential misinterpretations.

other supervisory bodies and the opportunity for the public to engage in various stages of the budget process.

Research results for 2021

The Open Budget Index (OBI) is the only long-standing, independent and internationally comparable indicator of the quality and quantity of online budget information. OBI uses a 0-100 scale, whereby higher scores indicate higher transparency levels. It is compiled on the basis of 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 OBI 2021 is the result of the eighth cycle of the IBP Survey (the previous cycles were carried out in 2006, 2008, 2010, 2012, 2015, 2017 and 2019). The results do not paint a too optimistic picture since budget transparency levels on the global scale have not risen in comparison to pre-pandemic periods. The average OBI 2021 score for 120 analysed countries is 45, which is the same as the score recorded in the previous research cycle. This means that the analysed countries made only 45% of key information on budget revenues and expenditures available to their citizens in 2021. Even though South Africa, New Zealand and Sweden are once again among the top-ranked countries, the highest score in the present

³ The Open Budget Index for 2021 has been calculated on the basis of budget documents for fiscal years 2019, 2020 and 2021. All available budget documents published up to 31 December 2020 were taken into account. For more details on the methodology, see www.openbudgetsurvey.org.

cycle has been recorded by Georgia (Table 1). On the other hand, Equatorial Guinea, Yemen, Comoros and Venezuela provide no budget information whatsoever to their citizens.

Table 1. Open Budget Index 2021

Category	Countries
Extensive information available (81-100)	Georgia (87), South Africa (86), Sweden (85), New Zealand (85), Mexico (82), Norway (81)
Substantial information available (61-80)	Brazil (80), Australia (79), Dominican Republic (77), Italy (75), United Kingdom (74), South Korea (74), Russia (73), Germany (73), France (72), Bulgaria (71), Indonesia (70), United States (68), Philippines (68), Slovenia (66), Ukraine (65), Slovakia (65), Moldova (65), Benin (65), Croatia (64), Guatemala (64), Romania (63), Costa Rica (63), Kazakhstan (63), Kyrgyz Republic (62), Peru (61), Jordan (61), Japan (61), Honduras (61), Armenia (61)
Limited information available (41-60)	Portugal (60), Poland (60), Mongolia (60), Czech Republic (60), Chile (60), Zimbabwe (59), Uganda (58), Thailand (58), Azerbaijan (57), Ghana (56), Turkey (55), Spain (54), Timor-Leste (52), Albania (52), Papua New Guinea (50), Colombia (50), Kenya (50), Jamaica (50), Argentina (50), Morocco (48), Paraguay (47), Cote d'Ivoire (47), Malaysia (47), Serbia (46), Pakistan (46), Ecuador (46), Sierra Leone (45), Rwanda (45), Nigeria (45), Mozambique (45), Liberia (45), Vietnam (44), Hungary (44), Egypt (43), Afghanistan (43), Tunisia (42), Dem. Rep. of Congo (42), Nicaragua (42), Namibia (42), El Salvador (41)

Minimal information available (21-40)	Senegal (40), Nepal (39), India (37), Fiji (37), North Macedonia (36), Gambia (35), Trinidad and Tobago (34), Cameroon (34), Botswana (34), Cambodia (33), Bosnia and Herzegovina (32), Togo (31), Sao Tome e Principe (31), Eswatini (31), Canada (31), Burkina Faso (31), Sri Lanka (30), Myanmar (30), Bangladesh (30), Angola (30), Niger (27), Madagascar (27), Lesotho (26), Saudi Arabia (23), Tanzania (21)
Scant or no information available (0-20)	Somalia (20), Malawi (20), China (20), Bolivia (20), Zambia (19), Tajikistan (16), South Sudan (15), Lebanon (9), Burundi (9), Mali (8), Ethiopia (8), Iraq (6), Chad (6), Algeria (3), Qatar (2), Sudan (1), Venezuela (0), Comoros (0), Yemen (0), Equatorial Guinea (0)

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

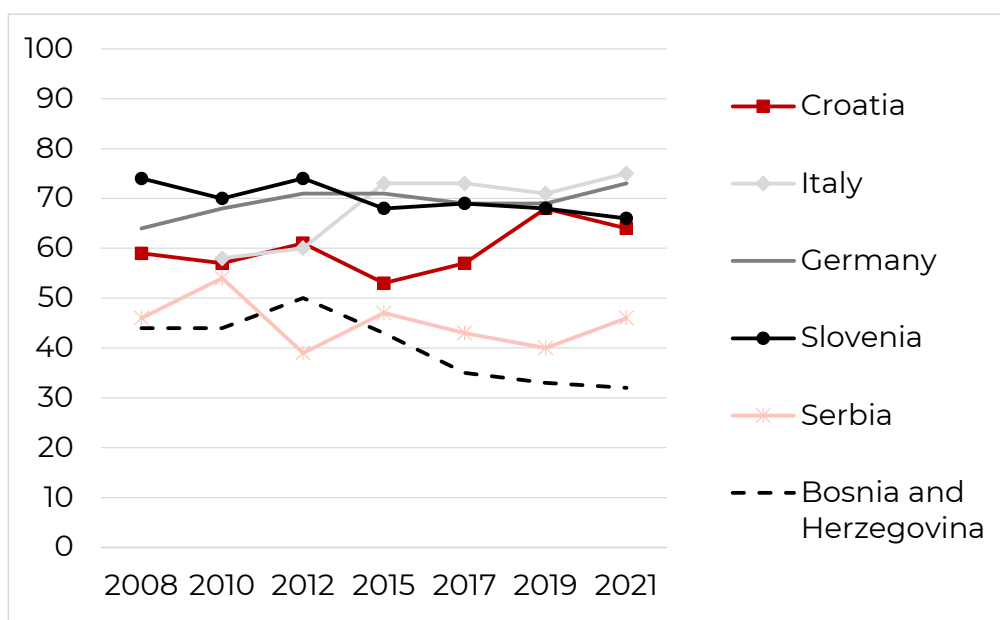
Source: IBP (2022)

Unfortunately, Croatia recorded a four-point drop compared to the previous research cycle. The 64 points earned in the Questionnaire rank it 25th in the world ranking list, which is four positions lower than the 2019 rank. However, this still places Croatia in the category of countries that publish a “substantial amount of budget information”. Even though it is ranked slightly lower than its Western neighbouring countries, it outranks all its neighbours from South-East Europe (Graph 1).

The drop in budget transparency levels is primarily due to the fact that In-Year Reports, Mid-year Report and the Audit Report contain less information than in previous cycles. For instance, the In-Year Reports based on the organizational classification of the State budget no longer provide information on current borrowing. In addition, the Audit Report for 2019 of the State Audit Office (SAO)

included only the reports for Hrvatske vode (Croatian Waters) and the Environmental Protection and Energy Efficiency Fund, whose funds make up less than two-thirds of total funds intended for extra-budgetary users. Some improvements are visible, primarily with regard to the Year-End Report. For instance, the latest Year-End Report provides more detailed information on interest rates and maturity of new borrowings as well as poverty alleviation policies.

Graph 1. Open Budget Index for selected countries, 2008-2021



Source: IBP (2022)

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

The engagement of the public in budget processes and enabling it to influence the adoption of budgetary policies are key pre-requisites for proper management of public finance. In line with this, the present research also evaluates to what extent the Government, Parliament and SAO enable the public to participate in the budget process. The participation level was assessed through 18 questions and the final result is expressed on a 0-100 scale.

Croatia scored 17 points on this scale, which is 5 points less than the 2019 result. By way of comparison, the average score for all 120 analysed countries in 2021 is 14. Like most other countries, Croatia does not have well-established mechanisms for easy and efficient public participation, which would enable the public to directly express their opinion on the collection and spending of budget funds. Given this, the Government should design more effective instruments for determining what the public, especially the more vulnerable and other underrepresented groups and non-government organizations representing these groups, think about the budget proposal and its implementation. The Parliament should enable the public to get actively involved by participating in the discussion about the budget proposal and its implementation, while SAO should establish formal mechanisms for the public to participate in audits (e.g. as witnesses).

The research also evaluates the role of institutions that are crucial in the budget oversight process. The results show that SAO provides adequate budget oversight (89 out of 100), which is not the case with the oversight provided by the Parliament (53 out of 100). To

enhance the role of the Parliament in the budget oversight process, it is recommended that the Pre-Budget Statement (Decision on the Budget Framework for the Upcoming Three-year Period) also be discussed in the Parliament.

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 cycle as they are still relevant:

- information on tax expenditures for the budget year should be included in the Budget Proposal, along with the explanations regarding the main purposes of each expenditure, the relevant target groups and estimates of lost tax revenues,
- the Budget Proposal should also include the data on the government's financial assets (the list of assets and their valuation) and non-financial assets (the list of assets by category), and
- 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' Budgets to other key documents should also be published (e.g. the Budget Proposal and Budget Audit Report).