



PRESS RELEASES

Croatia's score on the Open Budget Index 2012 - a slight improvement in the quality and comprehensiveness of budget information

MIHAELA BRONIĆ, PHD, Institute of Public Finance, Zagreb
IVICA URBAN, PHD, Institute of Public Finance, Zagreb

The Washington-based International Budget Partnership (IBP) on January 23 released the Open Budget Survey 2012 covering 100 countries. Croatia's score is 61 out of 100, a slight increase from the 2010 Survey results. However, this score points to a need for further improvement in the quality and accessibility of budget information.

The IBP has calculated the Open Budget Index (OBI) 2012 for 100 participating countries on the basis of the 2010 and 2011 data¹. The OBI is the only independent and internationally comparative indicator used for measuring and monitoring budget transparency in a large number of countries at two-year intervals.

The national budget openness refers to the possibility for citizens to have access to simple, understandable and timely information on the central government (hereinafter: government) budget.²

Each of us wants, and has a right to learn from the national budget documents about the amounts of social benefits, expenses for government and public officials, the way in which the government plans to reduce unemployment and relieve poverty, who the state aid recipients are, how much is to be spent on public procurement and what will be procured, and whether, and how much we are going to pay for our children's education. If citizens understand the national budget and are given an opportunity for informed participation in the budgeting process³ this should facilitate the political and economic decision-making, curb corruption and step up the efficiency of providing public goods and services.

The IBP conducts and coordinates the Open Budget Survey and has compiled an open budget (budget transparency) questionnaire to be completed by local budget experts from a large number of countries, who are independent of the government and political parties and who have completed the questionnaire on the basis of objective criteria and documented evidence. The questionnaire explores whether the government publishes certain budget documents during the budgeting process, and how comprehensive the information disclosed in those documents is. The following documents are analysed: economic and fiscal policy guidelines, a Budget Proposal, the Enacted Budget, Citizens' Budget, Monthly Reports, a Mid-Year Report, the Year-End Report and Audit Report. The OBI 2012 has been computed on the basis of 95 questions and the scores range from 0 to 100.

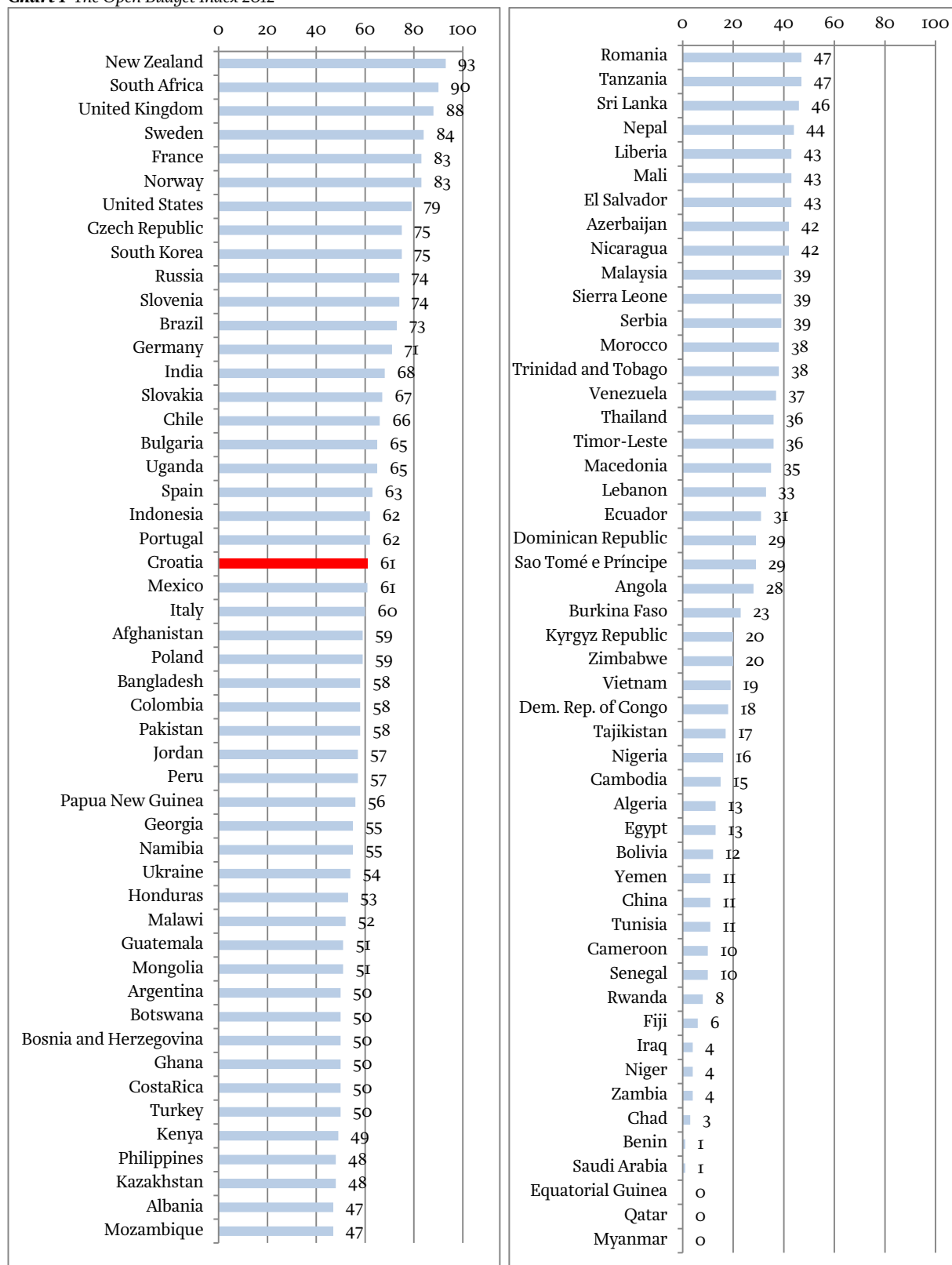
¹ The Open Budget Index 2012 is available at: <http://internationalbudget.org/what-we-do/open-budget-survey/>

² The central government budget includes all government budgets excluding the budgets of local government units (municipalities, cities and counties) and the budgets of their respective users.

³ The budgeting process includes the preparation, adoption, execution and supervision of the budget and its main participants are the finance ministry, budgetary and extrabudgetary users, parliament, government and the state audit office.

The best overall score on OBI 2012 is that of New Zealand, followed by South Africa, United Kingdom, Sweden, Norway and France (Chart 1). The worst performers are Qatar, Myanmar and Equatorial Guinea with 0 scores. The average OBI score is 43, which means that the citizens of the surveyed countries have access to an average of only 43% of requested information on government revenues and expenditures. Croatia's score on OBI 2012 is 61.

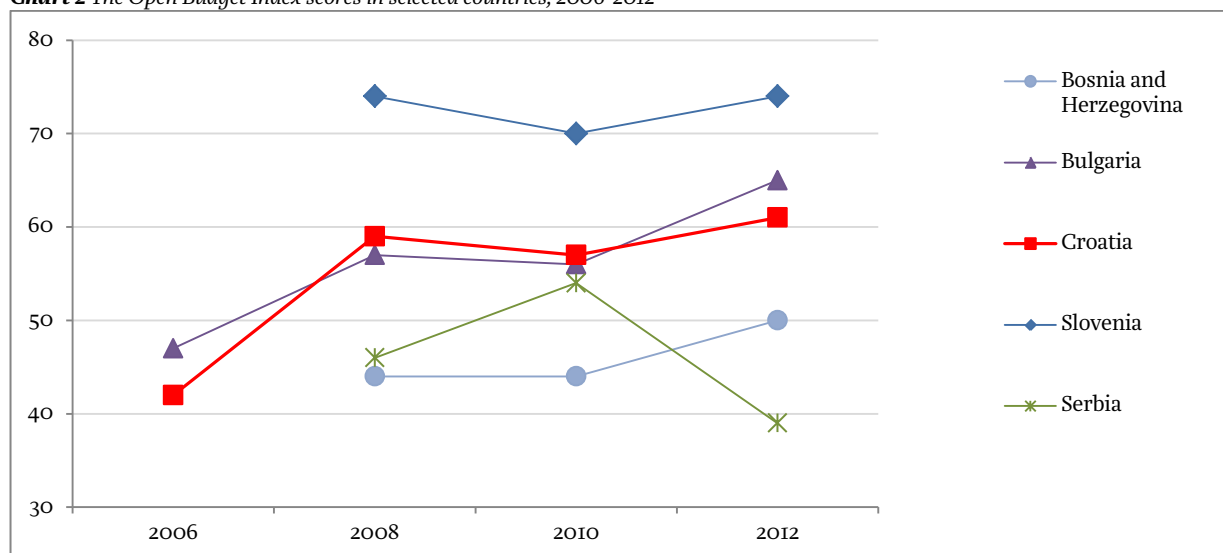
Chart 1 The Open Budget Index 2012



Source: The Open Budget Survey 2012. Available at: <http://internationalbudget.org/what-we-do/open-budget-survey/>

In the first round of the Survey (2006), Croatia's score was as low as 42 points. In the second round (2008), it increased to 59 points, while in the third, the score fell to 57 points (Chart 2). Hence, the most recent, 2012 Survey results (61 points) suggest an only slight improvement from a few previous Survey rounds.⁴ The progress made in comparison with the previous round (2010) is due to the publishing of more detailed descriptions and performance indicators of budget activities and programs in the budget proposal.⁵

Chart 2 The Open Budget Index scores in selected countries, 2006-2012



Source: The Open Budget Survey 2012. Available at: <http://internationalbudget.org/what-we-do/open-budget-survey/>

Recommendations

In order to provide opportunities for informed participation of Croatian citizens in taking decisions on public revenues and expenditures, the quality and comprehensiveness of information in the budget documents should be further improved. Given no significant improvements in recent years, recommendations are almost identical to those from the previous surveys, and are briefly repeated below. The Ministry of Finance should do the following:

- resume the publishing of the Citizens' Budget, a publication intended for general public, which provides simplified versions of the main national budget documents. It is advisable to publish the citizens' budget across all the four stages of the budgeting process, i. e. the budget formulation, approval, execution and audit stages.⁶
- publish a Mid-Year Report on budget execution, drawn up in accordance with the guidelines of international institutions (OECD, MMF).⁷ More specifically, a „Mid-Year Report on Budget Execution“ is published in Croatia in the middle of each year⁸, but it lacks essential information, such as revised data on the planned amounts of revenues, expenditures and debt, and values of macroeconomic variables) for the current year and the following two budget years. It is important to publish such semi-annual reports in order that the budget figures can be promptly adjusted to new circumstances, e.g. unexpected inflation growth or a decline in industrial production in the period between the budget approval and the end of the first semi-annual period;

⁴ For more details about the previous rounds of the Survey see Press Release No. 8 [<http://www.ijf.hr/eng/releases/8.pdf>] and Press Release No. 26 [<http://www.ijf.hr/eng/releases/26.pdf>].

⁵ See: *Obrazloženje Prijedloga finansijskih planova korisnika Državnog proračuna za 2011. godinu i projekcija za 2012. i 2013. godinu* (Explanation of the Financial Plan Proposals of the Users of the 2011 State Budget and of Projections for 2012 and 2013) [http://www.vlada.hr/hr/naslovnica/sjednice_i_odluke_vlade_rh/2010/91_sjednica_vlade_republike_hrvatske].

⁶ Several Citizens' Budgets were published in Croatia so far, in the period 2006-2008 [<http://www.mfin.hr/hr/proracunske-publikacije>].

⁷ See: IMF, 2007. *Manual on Fiscal transparency* [<http://www.imf.org/external/np/pp/2007/eng/101907m.pdf>] and OECD, 2002. *Best Practices for Budget Transparency* [<http://www.oecd.org/gov/budgeting/BestPracticesBudgetTransparency-completewithcoverpage.pdf>].

⁸ Polugodišnji izvještaj o izvršenju Državnog proračuna Republike Hrvatske za prvo polugodište 2010. godine (The Mid-Year Report on the Execution of the National Budget of the Republic of Croatia for the first half of 2010) [http://www.vlada.hr/hr/naslovnica/sjednice_i_odluke_vlade_rh/2010/77_sjednica_vlade_republike_hrvatske].

- show expenditures in budget documents (especially in the Budget Proposal and Year-End Report) in terms of a functional classification; show, as extensively as possible, the information on public debt, expenditure arrears, government guarantees and quasi-fiscal government activities, the lists and values of financial and non-financial assets, the amounts of the government's future liabilities assumed previously or incurred during the current fiscal year, data on tax expenditures and tax burden distribution tables;
- include in the Budget Proposal more detailed explanations, in both qualitative and quantitative terms, of how newly adopted policies will influence the budget revenues and expenditures (as compared to the previous ones). In general, the links between budget items and strategic fiscal policy goals in a multiple-year period should be more clearly explained.