

Local budget transparency: the case of 33 Croatian cities

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Preliminary communication**

JEL: H70, H83

UDC: 336

doi: 10.3326/fintp.2012.36.4.2

* This article derives from the project "Measuring local units' transparency and accountability: The Croatian open local budget index" co-funded by the Center on Budget and Policy Priorities (CBPP), Washington, USA and the Institute of Public Finance, Zagreb, Croatia. The authors thank the CBPP, the main collaborators on the project (Ivan Škoc, Marijana Badun and Marko Primorac) and two anonymous referees of this article. All errors and inconsistencies are our own.

** Received: December 28, 2011

Accepted: May 2, 2012

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Abstract

We measure budget transparency in 33 Croatian cities in 2010, investigating the quality of city budget information and the openness of the city budget process to the public. We construct and answer a questionnaire on the basis of which we calculate an Open City Budget Index (OCBI), as a general measure of the budget transparency for each city. We also carry out a survey among the representatives of executive and representative bodies and civil society organizations in the observed cities and among representatives in the Ministry of Finance. The general measure of budget transparency – the OCBI – in the analyzed cities is, on average, 65% (ranging from 82% to 45%), the main problems in most of the cities being related to the poor quality of data in the main local budget documents. The survey indicates that the process of exchange of local budget documents is not transparent enough.

Keywords: cities, budgets, budget process, transparency, Croatia

1 INTRODUCTION

The processes of democratization and fiscal decentralization have resulted in a rising number public goods being locally provided. So that these goods should be furnished as efficiently as possible, citizens need to understand their local budgets and to participate actively in the local budget process. Once enacted, a local budget has an effect on each and every citizen. It determines, e.g. how much citizens will pay for local public transport, how much they will pay if their children go to public kindergartens, or whether they will have public street lighting.

Still, in spite of its exceptional importance, many people do not understand the local budget. Citizens usually do not have enough time or interest to analyze the data or to examine the topics needed for them to participate in the local budget process. The necessary data are often unavailable or, when available, unintelligible to the citizens.¹ Also, as Benito and Bastida (2009) claim, given the complexity of modern economies' budgets, policy makers are able to hide certain tax burdens and government liabilities. It is often not in the interest of politicians to have simple, clear and transparent central or local budgets.

According to Wehner and de Renzio (2012:1) “empirical evidence on the beneficial effects of fiscal (budget) transparency ranges from improved budgetary outcomes, to lower sovereign borrowing costs and decreased corruption.” Local budget transparency also allows citizens and financial markets to assess properly the local units' financial positions and performance, and enables citizens to participate

¹ E.g., GONG (2010) argues that less than 50 per cent of responses to its questionnaire sent out to Croatian public administration bodies (including counties, municipalities and cities) were received on time and in accordance with the Right of Access to Information Act (in Croatian *Zakon o pravu na pristup informacijama*) and that the answers by public administration bodies to citizens are very often only formal and incomplete, concluding that citizens can sometimes gain access to this information only with great difficulty.

more actively in the local budget process and hold the local authorities accountable.²

Are the budgets and budget processes in Croatian cities open to the public and what can be done to make them more transparent? To answer these questions, during 2010, we conducted research in 33 Croatian cities involving the following steps.

Firstly, we carried out a survey among city information officers (INFO)³, representatives of city executive bodies (EXE), city representative bodies (REP) and city civil society organizations (CSO) in the observed cities and among the representatives in the Ministry of Finance (MF).

Secondly, in the central part of the research, we formulated and filled out a questionnaire containing 52 questions on the quality of publicly available information presented in city budgets and the openness of the city budget process to the public. The majority of the questions were concerned with information presented in the city budget documents and on the cities' official websites. Responses to several questions were based on the information gathered through the survey.

We constructed three versions of the Open City Budget Index (OCBI) based on the questionnaire. OCBI-1 measures the quality of publicly available information presented in city budgets, OCBI-2 quantifies the openness of the city budget process to the public, while Overall OCBI is a summary measure taking into account both areas of openness.

Finally, we engaged a "representative citizen", unacquainted with the budget, to explore, independently of other researchers, the official websites of the analyzed cities.

Although some of the survey findings were used for filling the questionnaire, the survey and the representative citizen's insights served us primarily for a better understanding of the budgeting process and for the formulation of conclusions and recommendations.

The main findings are as follows. Firstly, Croatian city budgets are not transparent enough. The average OCBI-1 obtained for all the 33 cities is 57, meaning that, on average, only 57 per cent of the expected quality of information in city budget documents is obtained. This is an area requiring significant improvements.

² "Transparency is the first step towards holding the local governments accountable for how they use public money. Open budgets are empowering. They allow people to be the judge of whether or not their local government officials make good use of public funds" (---, 2010).

³ The bodies of public authority (including the city executive body) are obliged to designate an official person – information officer – to receive and consider individual requests for access to information.

Secondly, the budget process in Croatian cities is relatively transparent. The average OCBI-2 is 82, which means that the cities provided us with 82 per cent of the expected openness of the budget process. However, INFO, REP and EXE often failed to answer our requests and, in addition, the city budget information provided by INFO directly to us was often incomplete or provided in a complicated way.

The survey responses from REP and EXE also indicate that budget process in Croatian cities is mostly transparent. Thus, regarding the exchange of city budget documents, most participants know what has to be done, what the deadlines are and who is responsible for what. However, some problems persist: (1) in the case of EXE and REP, the party in power usually plays a major role whereas the opposition is just a marginal player, often not very well informed and with little possibility of influencing a city budget or participating in the city budget process; (2) most citizens cannot find the interest or do not have time to participate in the city budget process; and (3) the Ministry of Finance (MF) is understaffed and mostly preoccupied with the central government budget, pursuing *an unsystematic approach to local unit financing issues*, which complicates and lengthens the document-exchange procedure between MF and city executive bodies.

Finally, the main problems concerning the cities' official websites are: (1) lack of a clear and user-friendly website design; (2) non-existence of direct links to the budget documents; and (3) large differences in the scope and layout of the presented budget information for different years in each city.

Following this introduction, the second part of the article displays the common definitions and ways of measuring budget transparency, including our methodology. The third and fourth parts respectively explain our index and survey results. The article ends with conclusions and recommendations.

2 CONCEPTS AND MEASUREMENT

2.1 DEFINITIONS OF BUDGET TRANSPARENCY

For the purpose of this research, we define city budget transparency by how possible it is for citizens to obtain information about their city's budget that is complete, relevant, correct, timely and intelligibly presented. It is a combination of two definitions: (1) the full disclosure of all relevant fiscal information in a timely and systematic manner (OECD, 2002), and (2) the ability of all the people in a country to access the information on how much is allocated for different types of spending and what revenues are collected (IBP, 2008).⁴

⁴ There are other, broader definitions of budget transparency relating to more than just the information from the budgets. IMF (2008) uses the term fiscal transparency and defines it as being open to the public about the government's past, present, and future fiscal activities, and about the structure and functions of the government that determine fiscal policies and outcomes. According to Poterba and von Hagen (1999:3-4) "a transparent budget process is one that provides clear information on all aspects of government fiscal policy. Budgets that include numerous special accounts and that fail to consolidate all fiscal activity into a single 'bottom line'

City budget transparency tells us: (1) about the quantity and quality of information presented to the public in city budget documents, (2) whether a citizen can obtain and understand city budget information, and (3) whether citizens can trust these documents.

We focus on measuring city budget transparency and, to some extent, the transparency of the city budget process. By transparency of the city budget process, we actually mean that all participants – MF, REP, EXE and citizens – understand what has to be done, when and by whom.⁵

Actually, the principle of budget transparency is one of the main budget principles in Croatia's Budget Act,⁶ it refers to the obligatory publication of certain budget documents in the national official gazette (for central government) or in the local official gazette (for local units).⁷

2.2 DIFFERENT MEASURES OF BUDGET TRANSPARENCY

There is no unique or exact way of measuring budget transparency, but some very useful guidelines can be found in Best Practices for Budget Transparency (OECD, 2002), Code of Good Practices on Fiscal Transparency (IMF, 2007), and Guide to the Open Budget Questionnaire: An Explanation of the Questions and the Response Options (IBP, 2010a).

Different researchers have used questionnaires and surveys and, based on the answers, constructed different types of budget transparency indexes (table 1). We have found only two published research articles on local budget transparency: Boubeta, Santias and Alegre (2010) and Beales and Thompson (2010). In Croatia, we came across six research projects that are to some extent related to budget transparency. One of them deals with the openness of the central government (IBP, 2006; 2008; 2010b), while others relate to local budget transparency and were carried out by Croatian organizations and authors (Maletić, 2006; GONG, 2009; Profeta, 2009; Bratić, 2008; and Antić and Malatestinić, 2010). Only one research project calculated the index of budget transparency – for the central government in Croatia (IBP, 2006; 2008; 2010b).⁸

measure are not transparent. Budgets that are easily available to the public and to participants in the policy-making process, and that do present consolidated information, are transparent”.

⁵ For the purposes of our research, EXE is considered to include the mayor and his deputy, as well as the city's administrative bodies.

⁶ In Croatian *Zakon o proračunu*.

⁷ According to the Budget Act (87/08) the following documents have to be published: the adopted budget, adopted projections, amendments to the adopted budget and adopted projections, the decision on temporary financing, half-year report and year-end report.

⁸ It should be mentioned that GONG (2009) calculated for each city and municipality in Croatia a summary index relating local unit transparency in general taking into account the: (1) availability of public information about city/municipality council meetings, (2) availability of public information about city/municipality decisions, (3) cooperation of city/municipality with civil society, (4) respect for the Right of Access to Information Act, and (5) functioning of the city/municipality.

TABLE 1
Measures of fiscal/budget transparency

Authors	Index of	Sample	Method
Alesina, Hausmann and Hommes (1999)	budget institutions	20 Latin American and Caribbean countries	Two questionnaires covering ten characteristics of the budget procedures
Bastida and Benito (2007, 2009)	budget transparency	41 countries	Questionnaire based on OECD's <i>Best Practices</i>
Beales and Thompson (2010)	fiscal transparency	134 local units in Virginia, US	Availability of information on local units' websites using 16 criteria on a 100 point scale
Boubeta, Santos and Alegre (2010)	fiscal transparency	33 Galician municipalities, Spain	Questionnaire based on three pillars of the IMF's <i>Code</i> and authors' knowledge about budget process and local units' realities
Hameed (2005)	fiscal transparency	57 countries	Assigning numbers to practices following IMF's <i>Code</i>
IBP (2002)	budget transparency	5 Latin American countries	Survey
IBP (2006)	open budget	Over 80 countries	Questionnaire
Jarmuzek et al. (2006)	fiscal transparency	27 transition economies	Survey of relevant websites based on a questionnaire following IMF's <i>Code</i>
von Hagen (1992)	fiscal transparency	8 European countries	Questionnaire

Source: IPF, 2011.

Our literature review shows that: (1) Croatian citizens do not sufficiently participate in the local budget process (Maletić, 2006; Antić and Malatestinić, 2010), (2) both Croatian local and central government budgets are perceived as not transparent enough (GONG, 2009; Profeta, 2008; IBP, 2006, 2008, 2010b), and (3) city budget transparency could be measured by some kind of index (table 1).

After studying the literature, we decided to conduct our own research on the budget transparency of local units, following the usual approach of designing a questionnaire. In order to better understand the budgeting process, we also carried out the survey among EXE, REP, INFO, CSO and MF.

2.3 MEASUREMENT METHODOLOGY

2.3.1 The questionnaire

The key part of our research was the formulation of the questionnaire. The first part contains 37 questions about the quality of information available in the five most important city budget documents. The next 15 questions are concerned with the openness of the city budget process to the public.⁹

⁹ More details are available in IPF (2011).

Questions 1-37, mostly based on IBP's Open Budget Survey, are concerned with the public availability of the most important budget documents and extensiveness of information presented in them. Thus, we ask at what level of disaggregation the different budget items are shown: expenditures, revenues (tax and non-tax revenues and grants) and the outstanding debt. Furthermore, we check whether the budget figures are accompanied by relevant verbal explanations and descriptions.

Questions 38-52, based on the GONG (2009) research and our survey, allow us to get a deeper insight into the transparency of the budgeting process and the openness of local units to the public in general. First, they evaluate the cooperation of INFO, REP, and EXE contacted for help during our research. Second, they examine whether different information is available to citizens: important budget-related city documents (e.g. the city council's rules of procedure and the city's statutes), the member lists of the city council and of the committee on budget issues, procedures related to the council meetings, etc.

We decided to analyze the latest editions of each budget document available at the time of our research (April 2010): (1) budget proposal documents (BPD) for budget year 2010,¹⁰ (2) adopted budget documents (APD) for budget year 2010, (3) half-year report for budget year 2009, (4) year-end report for budget year 2007 or 2008, and (5) citizens budget for budget year 2008 or 2009.¹¹

Two researchers searched the websites of 33 cities, trying to find the needed local budget documents and to answer the questionnaire for each city. They used guidelines that specify how to respond to each question. Where some local budget documents could not be found on the city's website, we asked the EXE to send them to us.

For most of the 52 questions, multiple-choice answers are offered. For example, three-choice answers are "All", "Some" and "None", while two-choice ones are "Yes" and "No". For some questions, the response is a number.

2.3.2 Selection of local units sample

After designing the questionnaire, we had to decide on the sample of local units to analyze. Croatia has 576 local units (21 counties, 126 cities and 429 municipalities). In this, first and preliminary, round of research into local budget transparency, we decided to include into the sample the 33 Croatian cities that took over decentralized functions in 2001.¹² We have chosen 33 cities because: (1) their budgets account for about 56 per cent of the total budget of all cities and municipi-

¹⁰ The budget proposal documents include: the budget proposal, the projections proposal and the decision on the budget execution proposal.

¹¹ The citizens budget is non-technical presentation of the budget intended for a wide audience.

¹² In the fiscal decentralisation programme, the central government transferred responsibility for financing education, health care, welfare and fire departments to the local units. Parts of the functions/expenses, for school education, health care and social welfare, have been decentralised to the counties, 32 cities and the city of Zagreb, while the regular activities of public fire brigades are financed by 126 municipalities/cities.

palities, and (2) their population accounts for almost 50 per cent of the total population in Croatia. The sample is therefore biased toward large and more developed local units.

3 INDEX RESULTS

After the questionnaire for each city is filled in, the first step in the construction of indices is the numerical evaluation of responses. Numerical values are assigned to *a priori* particular responses. Thus, the responses “All”, “Some” and “None” are assigned 1, 0.5 and 0 points, respectively. The responses “Yes” and “No” are assigned 1 and 0 points, respectively. If there are four possible answers, the numbers of points assigned are 1, 0.67, 0.33 and 0, respectively.

OCBI-1 is calculated on the basis of 37 questions about the quality of publicly available information presented in the five most important city budget documents. We add together the points for all 37 questions in order to obtain the “score”. As each question brings a maximum of 1 point, the potential score is 37. By dividing the actual score by the potential score and multiplying this by 100, we obtain the OCBI-1, which ranges from 0 to 100.

The analogous procedure applied to questions 37–52 gives us OCBI-2. To obtain Overall OCBI, we take into account all 52 questions.

According to OCBI-1, the best performing city is Slavonski Brod (79), and the worst is Pazin (34). The average OCBI-1 for all 33 cities is 57 out of 100, which means that on average, we obtained about 57 per cent of the expected quality in publicly available city budget documents.¹³

Evidently, much can be done to improve the quality of the city budget information presented to the public. Firstly, although BPD are the most important documents in the budget process, during our research only 10 cities have made them available on their official websites.¹⁴ Secondly, regarding BPD and APD, there are following most important deficiencies: 80 per cent of the cities do not provide verbal descriptions (explanations) of various revenues and expenditures according to economic classification; more than two thirds of cities fail to provide information on expenditures by functional classification; 85 per cent of cities do not include the macroeconomic forecasts underlying the budget projections. Furthermore, only 20 per cent of cities provide a citizens budget.¹⁵

¹³ Incidentally, Croatia’s score on the IBP’s Open Budget Index for 2010 (representing the transparency of Croatian central government budget) was also 57 per cent (see Badun and Urban, 2010).

¹⁴ Accordingly we contacted EXE of the other 23 cities, requesting them to send us their BPDs. From one city, we obtained a hard copy of BPD. Eleven cities sent no further information about BPD. As to the remaining 11 cities, their EXE informed us that BPD existed, but they failed to send us the document. They informed us that BPD was identical in content to the APD, indicating that as a reason why BPD were not made available on these cities’ official websites.

¹⁵ Similar problems exist with respect to the central budget transparency, e.g. the non-existence of a citizens budget (see Badun and Urban, 2010).

According to OCBI-2, the best performing cities are Karlovac and Labin (100), and the worst is Vinkovci (47). The average openness of the city budget process to the public is 82 per cent. The performance of the cities according to OCBI-2 is much better than according to OCBI-1: only 5 cities have OCBI-2 scores lower than 75, while only one city attained an OCBI-1 score higher than 72.

We conclude that budget processes in most cities are extensively open to the public, but still much can be improved. Thus, for example, INFO, EXE and REP should respond to all citizens' requests for access to information and the agendas of the city council meetings should be available on the city's official websites prior to the meetings.¹⁶

The most important problem concerning OCBI-2 was the relatively low rate of response of INFO, REP and EXE to our survey. According to the Right of Access to Information Act, all information possessed, disposed of or controlled by bodies of public authority must be made available to interested persons. The bodies of public authority (including the city executive bodies) are obliged to designate an official person – e.g. INFO – to receive and consider individual requests for access to information. The INFO must respond to these requests within 15 days of their submission, and the information provided must be complete and accurate.

However, we sent the survey questions to INFO on 3 May, but after 15 days, the response rate was very low (about 10 per cent). After we had several times reminded INFO of the survey, by 26 July the final response rate was 58 per cent (19 out of 33 cities answered). Furthermore, of these 19 cities in which INFO did respond to the Survey, 12 cities failed to provide us with complete or accurate information. They confirmed the existence of certain documents, but, despite our written request, they neither submitted them nor explained where they could be found (e.g. the list of privileged users of city-owned apartments or allocation criteria for donations from the city budget).¹⁷

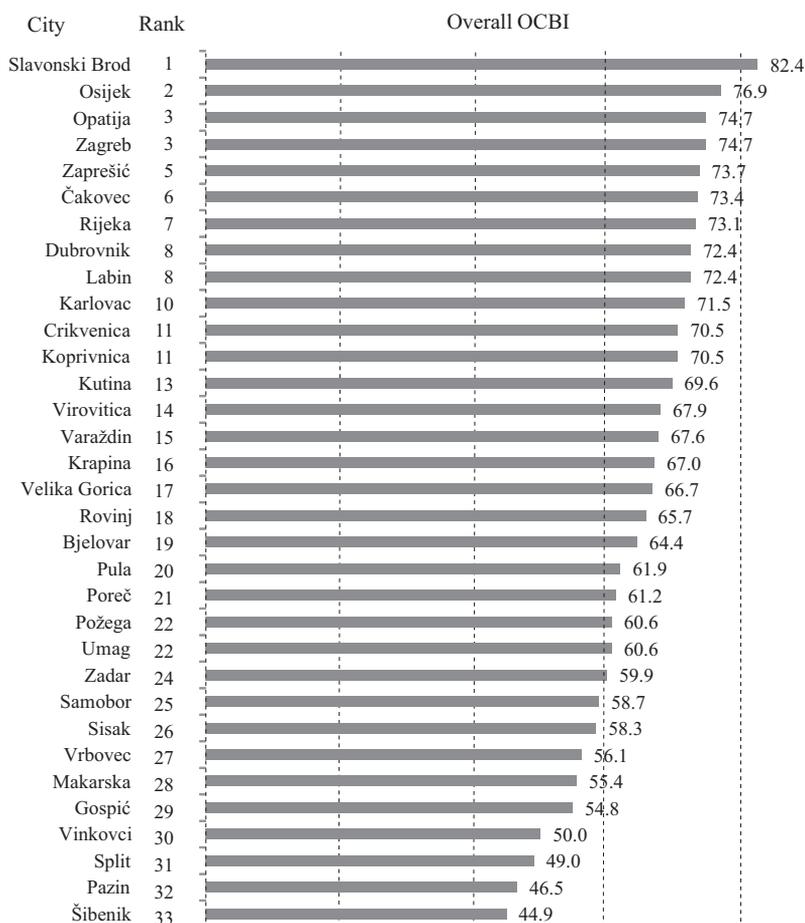
The Overall OCBI describes both the quality of budget information and the openness of the budget process to the public. It is based on all 52 questions from the questionnaire. The best placed is Slavonski Brod (82), and the worst is Šibenik (45). The average OCBI is 65 out of 100, meaning that, on average, cities provided us with about 65 per cent of the expected quality of budget information and the openness of budget process to the public.¹⁸

¹⁶ During our research, the agendas of the city council meetings were available prior to the meetings on the websites of only 24 out of 33 cities.

¹⁷ However, it should be noted that the openness to the authors of this survey does not necessarily imply the same level of openness to other citizens, because we did not hide the fact that we were conducting research.

¹⁸ The Overall OCBI is well correlated ($p=0.6$) to the GONG index (see footnote 8) which measured Croatian local units transparency in general (GONG, 2009).

FIGURE 1
Overall OCBI



Source: IPF, 2011.

The difference between the best and the worst performing city is less than 50 per cent, which seems to be moderately high compared with the IBP's Open Budget Index where the difference between the best and worst performing country is more than 90 per cent (IBP, 2010b). However, this difference would have certainly been much bigger if we had researched all cities and municipalities in Croatia, as overall transparency seems to be higher in cities than in municipalities (GONG, 2009).

4 SURVEY RESULTS

From May to July 2010, we carried out a survey among INFO, representatives of EXE¹⁹, REP²⁰ and CSO²¹ in the observed cities and among the representatives of the MF. We sent over two hundred survey forms to respondents by mail.

The main purpose of the survey is to acquire a closer insight into the city budget process, which would help us to draw conclusions and properly interpret the OCBI results. We primarily wanted to find out what our respondents think about questions like: (1) Is the local budget process transparent? (2) Do they understand the local budget documents? (3) What is the biggest problem in understanding the budget documents? and (4) What can be done to make the local budget more transparent?²² The survey was not structured in such a way as to enable comparison of its results with OCBI results. Furthermore, we did not obtain the survey responses from each city. The response rates were: 61 per cent (EXE), 58 per cent (INFO), 52 per cent (CSO), 39 per cent (REP), and 28 per cent (MF).

4.1 THE PROCESS OF EXCHANGE OF BUDGET DOCUMENTS BETWEEN THE CITY EXECUTIVE AND REPRESENTATIVE BODIES

The majority of EXE and REP respondents find the process of exchange of budget documents between the EXE and REP transparent (figure 2). These respondents answered that they knew, relating to the process of exchange of budget documents between the EXE and REP, what had to be done, what the deadlines were, and the nature of the responsibilities of different participants.

In all cities, EXE seem to be better informed about this process than REP. Thus, many REPs complain about too much improvisation and endorse the general opinion that the transparency in process of exchange of local budget documents could be improved and the entire system made more efficient. For example, in six cities, less than eight days passed between the receipt of 2010 budget proposal documents by REP and the adoption of the proposed budget. The question is whether, in these cities, the REP really had a chance, in such a short time, effectively to analyze the 2010 budget proposal documents prepared by the EXE and to exert any influence on the budget adoption procedure itself.

¹⁹ Principals/heads of the financial departments.

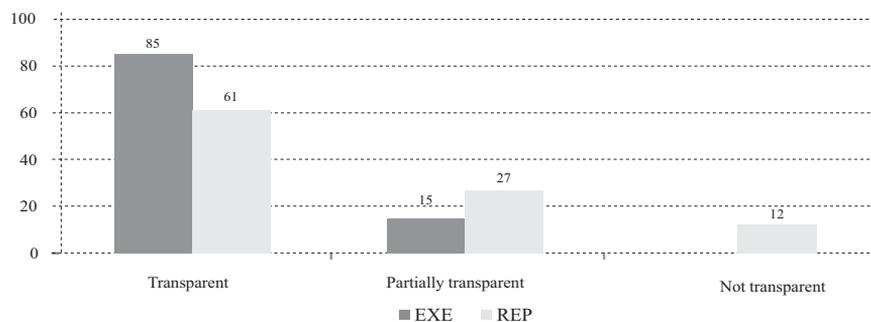
²⁰ One from the party in power/ruling coalition and the other from the opposition.

²¹ Our idea was to include civil society organizations (CSOs) from various areas of local unit financing, e.g. culture, sports, environmental protection, health care. The first step was to select a sample for each city, consisting of three areas of financing that had received the largest amounts of funds from the city budget in 2007. From each of these three areas, we selected the city CSO that had received the largest amount of funds from the city budget. In selecting the sample, we received assistance from the Government's Office for Cooperation with NGOs. Despite the initial goal of questioning only one CSO in each city, surveys were sent to two randomly chosen CSOs in each of the cities, in order to increase the likelihood of response.

²² The complete survey and results are available at <http://www.ijf.hr/eng/conferences/measuring-local-units-transparency-and-accountability-the-croatian-open-local-budget-index/362/report-and-annexes/370/>.

FIGURE 2

Transparency of the process of exchange of budget documents between city executive and representative bodies (%)



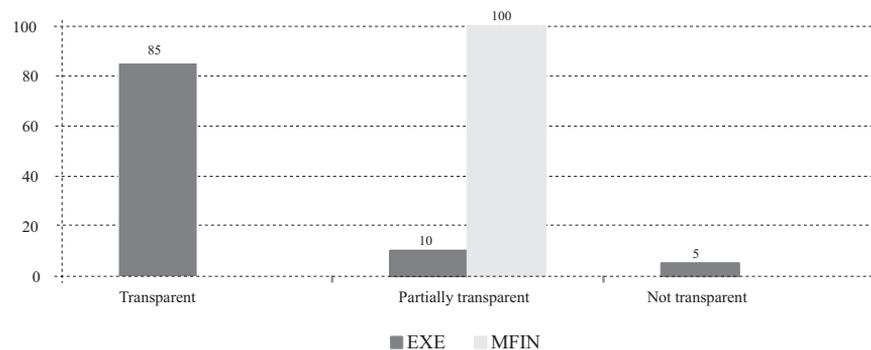
Source: IPF, 2011.

4.2 THE PROCESS OF EXCHANGE OF BUDGET DOCUMENTS BETWEEN THE CITY EXECUTIVE BODY AND THE MINISTRY OF FINANCE

The majority of the EXE find the process of exchange of budget documents between EXE and MF transparent, while all MF respondents find this process partially transparent (figure 3).²³

FIGURE 3

Transparency of the process of exchange of budget documents between city executive bodies and the Ministry of Finance (%)



Source: IPF, 2011.

Still, in our survey some of the EXE complain that MF (1) does sloppy work, (2) does not observe the deadlines for submission of the documentation to city executive bodies, (3) is preoccupied with central government and pays too little attention to local units, and (4) ignores and does not respond to EXE inquiries.

²³ This question was answered by 21 EXE and two MF respondents.

The MF also set forth some of the most important reasons why the process of exchanging city budget documents and communication between MF and city executive bodies is not fully transparent:

- MF pursues an unsystematic approach to local unit financing issues;
- there are frequent changes in regulations within a relatively short period of time, which results in omissions and errors, and, consequently, in numerous amendments that complicate and lengthen document exchange between MF and city executive bodies;
- the laws are complicated and hard to understand, and their interpretations do not actually facilitate their application. Sometimes there are even multiple interpretations of one and the same issue, which causes confusion for local units;
- local units are sometimes poorly equipped (both technically and in terms of personnel);
- there are too many local units (576 cities and municipalities); and
- MF – local units financing department, with only seven employees, is understaffed.

City executive bodies often delay the submission of their reports to MF due to the above-mentioned problems relating to the process of the exchange of budget documents between MF and city executive bodies. For example, although it is stipulated by the Budget Act (Art. 112) that city executive bodies should submit year-end reports to MF and the State Audit Office within 15 days of its adoption by city representative bodies, as of 8 March 2010, only 379 out of 576 (i.e. 66 per cent) local units had submitted the year-end reports for 2008 to MF. The problem is that the deadline by which city executive bodies are required to submit the year-end reports to city representative bodies is set, but the deadline for the adoption of the year-end report by city representative bodies is not defined. Therefore, it happens that some of the city representative bodies fail to adopt the year-end report, and consequently city executive bodies fail to send the adopted year-end report to MF.

4.3 CITY CIVIL SOCIETY ORGANIZATIONS (REPRESENTATIVES OF CITIZENS)

In our survey, slightly fewer than 50 per cent of CSO argue that they understand the city budget documents they use very well, and another 41 per cent indicate that they understand them partially. Most CSO also indicate that they understand or partially understand only the part of the city budget documents relating to their own organisation.

The majority of CSO indicate that the biggest challenges in using the city budget documents are the incomprehensible legal terminology, frequent changes in budget classifications and the lack of time. Obviously, CSO do not use city budget documents very often, so they need simple explanations of legal terminology, more basic information about the city budget and budget process (e.g. what the

city budget is and what items it comprises), simple explanations of changes in budget classifications and simple guidelines on how CSO, as well as citizens, can participate in the local budget process.

5 CONCLUSIONS AND RECOMMENDATIONS

Our research represents the first attempt to measure local budget openness in Croatia. The main products are the indexes OCBI-1, OCBI-2 and Overall OCBI, which rank 33 Croatian cities according to quality of budget information and the openness of the budget process to the public. The average Overall OCBI indicates that, on average in 2010, 33 Croatian cities provided 65 per cent of the expected quality of budget information and the openness of budget process to the public.

The results of this research should be interpreted with caution. Our indexes may not capture all the important criteria for measuring local budget transparency and are inevitably, to some extent, constructed in arbitrary way. The second problem of measuring the city budget transparency is related to data collection. It might be that some of the necessary information exists, but we could not find it because the official websites of some cities are not well organized, and it is therefore hard to find data (e.g. the official website of Vinkovci at the time of our research). Furthermore, the data and links on the official city websites are often changed.

As a separate problem, we should be aware of Benito and Bastida's (2009) argument that although formal rules and procedures do exist in local units, in practice they might not be implemented. For example, it may be defined by city regulations that citizens can attend city council meetings, but in practice, they cannot exert that right.

The research results might have implications for all parties involved in city budgets and the budget process. It shows that:

- City executive bodies should concentrate on timely release of the most important documents, preferably on their official websites, regularly updating and improving the website layout, publishing the Citizens Budget, organizing public hearings, increasing investment in their own training, activating citizens and being more responsive to citizens.
- Although playing second fiddle to city executive bodies, city representative bodies should demand from city executive bodies the full and correct disclosure of all the relevant local budget information in a timely manner and in an understandable form. They should scrutinize the budget documents more closely, discuss and influence the budgeting policy, hold city executive bodies accountable, and require opportunities for their professional development.
- MF should be more cooperative and better coordinated with city executive bodies, better organize its unit in charge of the cooperation with city executive bodies, and pressure the Government to reduce the number of local units. It should try to reduce changes to the relevant laws, regulations and budget

classifications, or at least better inform city executive bodies and include them in the preparations for those changes, send all the documents to them on time and promptly answer their questions.

- Although being perceived as the most important entity in the unofficial monitoring and controlling of local budgets, the media should be even more involved in the local budget process in order to provide timely information to citizens about the most important budget events.
- Citizens should try to educate themselves and demand timely, relevant, simple and understandable information from city executive bodies and participate more in the local budget process.

Finally, it should be mentioned that information gathered in this research could serve as a basis for drawing conclusions about further important research topics such as why some cities are more transparent than others or what advantages better transparency might bring about. But, in this stage our primary focus was to define research methodology that can be further improved according to future research needs. In addition, in order to obtain more credible findings, the research should use a larger and more representative sample of local units.

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