

OPEN BUDGETS: OPEN DATA AS A TOOL FOR FISCAL AND TAX TRANSPARENCY

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Keywords: Open budget data; budget transparency; budget openness; tax transparency; local units; Croatia.

Today, the principles of government transparency, openness and responsiveness in relation to public are inevitable components of good governance in general. In area of public finances they are particularly emphasized because citizens' informing and familiarization with government revenues and expenditures represents basic mechanism for holding public authorities accountable in relation to public, but is also related to the protection of human rights taxpayer protection and possibilities for public participation. Fiscal transparency has intensely been advocated by international organizations, such as International Monetary Fund (IMF), World Bank, United Nations, and other, particularly within the initiatives such as Open Government Partnership (OGP) and other anti-corruption programmes. As a principle, it includes standards such as comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present, and future state of public finances (Bronić, 2013). Areas of fiscal transparency according to IMF's Fiscal Transparency Code include fiscal reporting, fiscal forecasting and budgeting, fiscal risk analysis and management and resource revenue management.

In area of public finances, transparency occurs in two main forms – the budget (fiscal) transparency and the tax transparency. Budget transparency is related to expenditure side, while tax transparency refers to the revenue side of public finance system. The principle of budget transparency is one of the youngest budget principles. Informing citizens about government spending represents a mechanism of holding government accountable for its actions, which means it is an instrument for performing public oversight. It also ensures less opportunities for corruptive and other unethical behaviour and has potential to strengthen legitimacy and public trust in political institutions.

On the other hand, tax transparency primarily focuses on enabling tax authorities to collect taxes in line with the worldwide principle and hence achieving the principle of equity in taxation. Automatic exchange of information and its accompanying instruments, such as beneficial ownership registries and Country-by-Country reporting serve to avoid the unfavorable outcome of double non-taxation in cross-border affairs by limiting tax evasion and tax avoidance to the minimum level. Abolishing bank secrecy and enhancing tax transparency is expected to significantly reduce the impact of tax havens.

In this paper, our focus is limited to the budgetary dimension – its transparency, openness and availability as open data (**Figure 1**). First, an important conceptual distinction has to be pointed out. In the literature, as well as in different international benchmarks, terms of budget (fiscal) transparency and openness are often used as synonyms. Although interrelated, they refer to different processes in relation between government and the public. The principle of transparency is related to the visibility and availability of different types of government information to the public, i.e. it connotes a one-way process of communication from government to the public (Musa, 2017). The principle of openness includes the principle of transparency, but goes even further – citizens' access to information is a prerequisite for opportunity to provide a feedback information. Therefore, openness is actually related to the possibility of public to provide their opinions, suggestions and comments to the government on different aspects of its functioning. Instruments for achieving government transparency are numerous and include catalogues, brochures, databases and other types of information available on official websites of governments organizations (proactive provision of information), but access to information can also be achieved upon request of physical or legal person for obtaining an information (passive provision of information) (Musa, 2017). Instruments for achieving government openness include different instruments for involving interested public in policy making process, such as working groups for drafting regulation, public consultations, citizens' panels, questionnaires, etc. In different countries diverse instruments are applied, and they differ in the mode of involving public, the level of inclusiveness and influence provided to the public, and other features of the participatory process (Đurman et al., in press; more on participation in public administration see: Đurman, 2020). When referring to budgetary process, e-consultations and participatory budgeting are among most commonly used instruments. Finally, open budget data embraces only government information, that is, data on budgetary process available in open formats and appropriate for re-use on behalf of interested public (users). In the following section, all three aspects – budget transparency, openness and open data – will be briefly analyzed in Croatia.

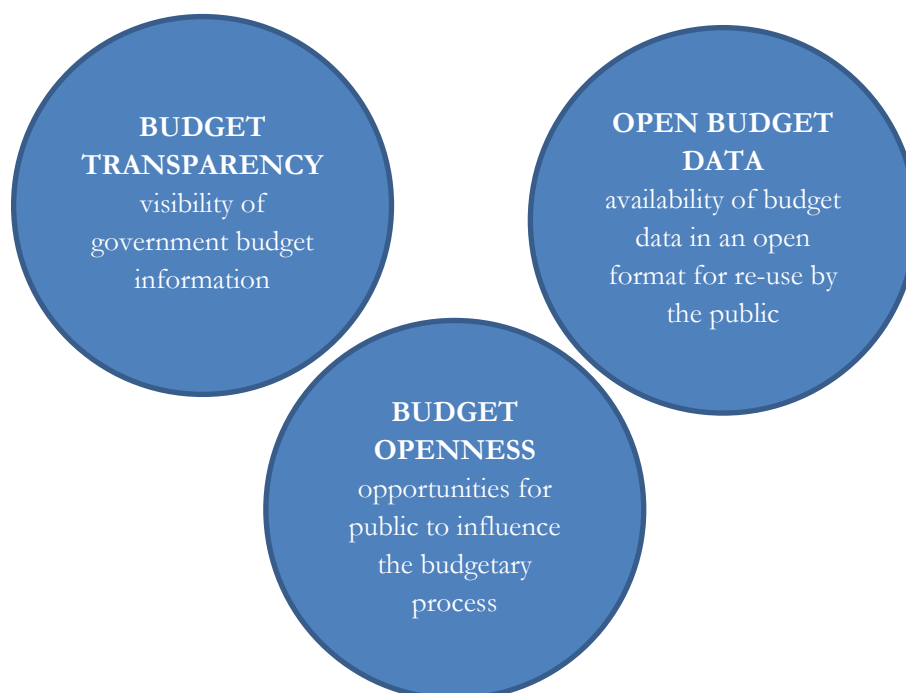


Figure 1. Budget transparency, budget openness and open budget data – conceptual distinction.

In Croatia, a legal framework for ensuring budget transparency is in place. The Law on the right to access information (LRAI) as a systemic regulation for ensuring government transparency postulates an obligation for all public authorities to publish different government acts, documents and information, while the Budget Law as a specific, sectoral law mandates transparency of financial documents. Financial acts and documents mandated to be published in open formats include budget and budgetary projections, revisions and amendments of the budget, decisions on temporary financing, reports on budget implementation, annual financial reports, strategic documents, financial plans, and public procurement procedure. According to the LRAI, financial documents and information should be published in easy searchable and machine-readable form (article 10; 28). In practice, a continuous and significant improvement in the level of government fiscal transparency has been achieved at the national, local and regional level during the last decade. This can be argued based on formal national reports, such as annual reports on the implementation of the LRAI by the Information Commissioner (specialized ombudsman for right to access information), scientific and professional analyses (such as annual analysis of the budget transparency of local and regional units in Croatia by the Institute of Public Finance), as well as some cross-national benchmarks (for example, Open budget index and others). In sum, a more consistent government transparency and openness policy is in place in general, as well as open data policy (introduced in 2018), which reflected the level of budget transparency. According to the Report of the Information Commissioner (2022), the level of proactive transparency of public authorities in general is the highest for the category of financial documents – 86.5% of all public authorities published financial reports in 2021, 85.3% published financial plans/budgets and 78% published reports on budget implementation, and there has been a continuous increase in the percentage per year in all of this categories. The level of local and regional transparency has also been increasing every year, with most transparent being counties (Croatian regional units), followed by cities (urban type of local units), while municipalities (rural type of local units) proved to be the least transparent, although with greatest disparities between them. Indicators used in the analyses by Croatian Institute of Public Finance include annual and semiannual execution of budget, budget approved and budget projections, and citizens' budget. (https://www.ijf.hr/transparentnost/?params_1=transparentnost).

With regard to openness dimension, online public consultations represent mandatory participatory instrument (according to LRAI, in all policy areas, including fiscal policy), and are largely consistently applied, especially at the national, but also at the local and regional level (with some deficiencies, though). Additional participatory instruments are facultative and rarely applied, such as participatory budgeting which has recently become more often applied instrument in cities, however, with significant differences in the implementation (see Džinić, 2021). There are some examples of 'good practice' including educational budgetary games and 'real' participatory budgeting, but they could be described more as islands of excellency than as common practice. Some international benchmark scores for Croatia point at the same direction (see [Figure 2](#)).

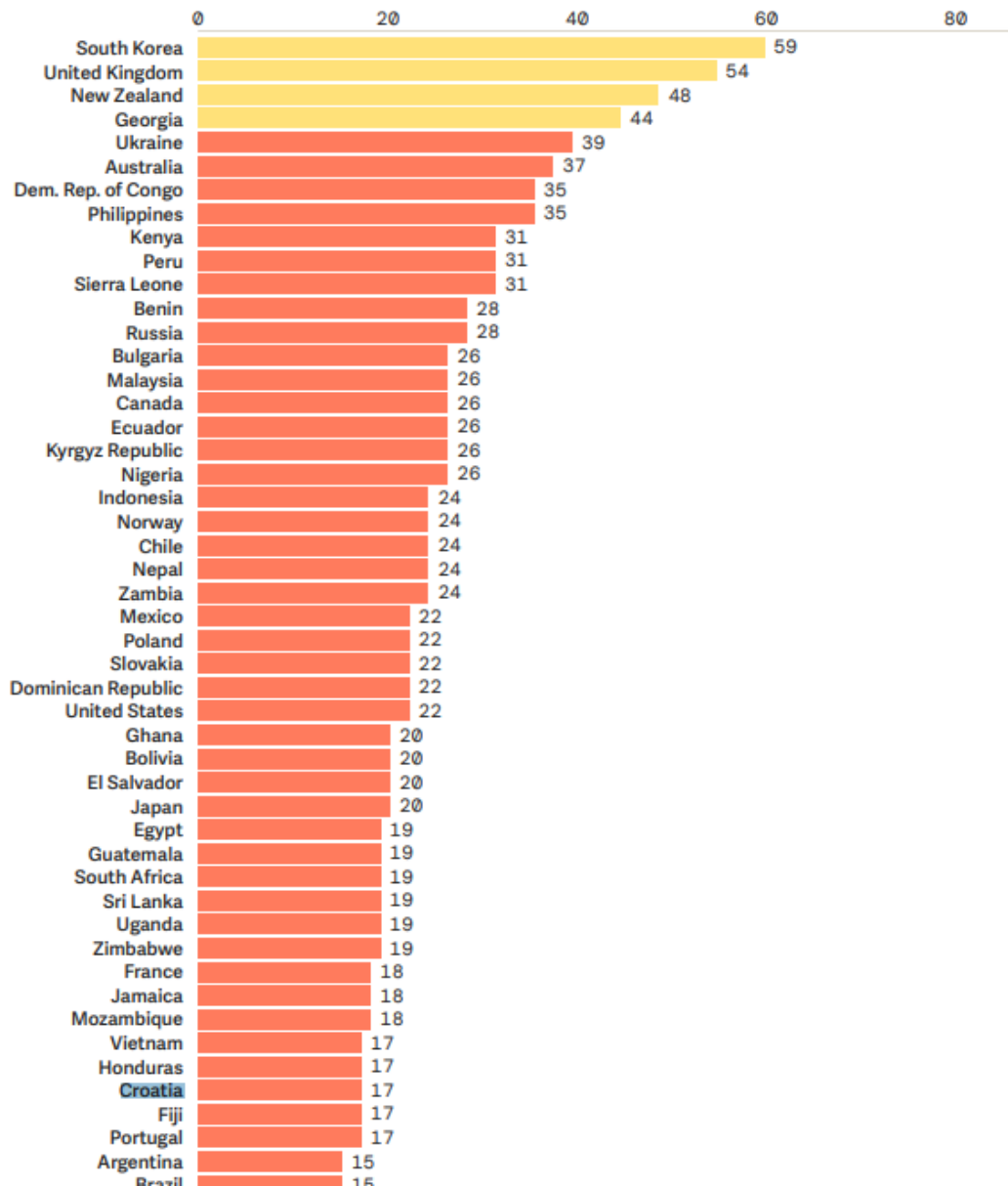


Figure 2. Croatian score on the public participation dimension according to the Open Budget Survey 2021.

With respect to open budget data in Croatia, first it has to be stressed that sectoral analyses of that open data category are lacking. Since cross-national comparisons show limited and superficial insights (predominantly focus only on transparency dimension) the aim of the paper is to investigate the availability and content characteristics of open budget data in Croatia, with special focus on local level, where greater citizens' interest for engagement can be theoretically assumed. As mentioned above, there is a legal obligation to publish budget data in an open format according to systemic law (LRAI) as well as sectoral regulation (Budget Law). Preliminary analysis of open budget data points at significant differences at national level on one hand, and local (and regional) level of government, on the other. Budgets in open formats are more often available at national level, while at the local level very diverse situation has been detected, with budget data being in some cases published in open formats (such as doc, xls, csv) as well as in other cases available in pdf or jpg formats. In addition to differences is the level of openness of budget data, there is also

an issue of content quality of budget data, which is often not formulated in a way to be clear to an average citizen/user. Recently some examples of good practice and improvements in opening budget data have been undertaken at local level, such as budget applications and efforts to achieve 'complete' budget transparency i.e. public availability of all local units' public expenditures (for example, City of Bjelovar, Split, Trogir, municipalities Omišalj, Primošten).

To conclude, main research question of the paper refers to the level of availability and quality of open budget data at local level of government in Croatia, and factors affecting the level of openness and the quality of data. In order to conduct our analysis, we rely on content analysis of budget data published by Croatian local units (cities and municipalities), with aim to analyse formats in which budget data are published, available datasets and content of budget data. Our preliminary analysis has shown that (i) legal requirements for open budget data are in place, but focused on quantitative rather than qualitative aspects of budget data; (ii) significant differences in the format of open budget data can be found between cities; and (iii) certain specificities of open data in area of public finances can be detected in relation to other categories of open data, referring to the content of open budget data and in relation to citizens' interest and familiarization with public budget.

Acknowledgements: The authors acknowledge the financial support from TODO project that has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 857592.

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