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GLOBAL INITIATIVE FOR
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PUBLIC PARTICIPATION IN FISCAL POLICY AND BUDGET PROCESSES IN CROATIA

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Abstract

Croatia adopted, over the course of last 15 years, a series of reforms that are designed to promote transparency and participation in fiscal policy/budgets. The push to adopt that new institutional procedures came from the EU (Croatia had to adopt them to join EU) and the OGP. Thus, the strongest support to adopt new institutions came from international organizations. There has been extensive formal and legal adoption of institutions and programs.

However, one consequence of the implementation of these reforms is that there is very limited active support from government officials to bring them to life. Government officials carry out the bare minimum to meet the letter of law, but do not attempt to implement the spirit of the laws. This draws attention to the difference between a set of institutions imposed by outside actors and those institutions that are developed more strongly from within the country.

There is a disconnect between the higher OBI scores (based on formal rules) and the lived reality in which the government ignores or downplays the role of the new public participation institutions.

Thus, the chief challenge for Croatia is related to “activating” or “bringing alive” the reforms that have already been put in place. The institutions exist but they are not strongly supported by any one political group or party. Thus, there continues to be a political vacuum around the institutional arrangements.

Introduction

The aim of this report initiated by the [Global Initiative for Fiscal Transparency](#) (GIFT) is to **analyze public participation in fiscal policy and budget processes in Croatia**, both institutionally and in practice. It is a part of research undertaken in a small number of countries that might help in decisions upon possibilities for designing high level principles on public participation in fiscal policy similar to the [high level principles on fiscal transparency](#) endorsed by a [Resolution](#) of the General Assembly of the United Nations.

For the purpose of this report, public participation in government fiscal policy and budget processes refers to the **variety of ways in which citizens, CSOs, businesses and other non-state actors interact directly with public authorities** on issues relating to government taxation and revenue collection, resource allocation, spending and the management of public assets and liabilities.

We are trying to analyze **the experiences, the quantity and quality, as well as meaningfulness, usefulness and efficiency of participation for various stakeholders.**

This Report shows that **several institutions for public participation have been introduced** (e.g. FoIA in 2003, Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts in 2009), **but public participation in fiscal policy and budget processes on national and subnational levels is still relatively scarce and inefficient mostly because there is no reformist group or party driving these changes.** We did find that the existing **public participation**, however limited in extent, did have **some impact**, resulting in **changes in laws and increases in transparency**, and **a much smaller impact on modifications in spending priorities and changes in social well-being.**

Our **starting point** was that public participation in fiscal policy and budget

processes in Croatia has broadened, but it is still relatively uncommon. There are at least three possible explanations. First, there is **insufficient political will** to produce the country-level reform that would result in enhanced public participation in fiscal policy and budget processes. Politicians are often not aware of the importance of this issue as they have many other more urgent issues to deal with (recession, deficit, debt). Second, there is a **lack of CSOs dealing exclusively with fiscal policy and/or budgetary issues**. On a national level there is only one, [GONG](#), which just occasionally deals with budgetary issues; however, since it is not their core interest, their technical capacity in the field is unsubstantial. The main actor promoting public participation in fiscal policy and budget processes in Croatia is the [Institute of Public Finance](#) (IPF). However, it is an academic, research institution, partly funded by the Ministry of Science and Education, meaning that despite all its activities, it

cannot be counted as part of civil society or the general public. Third, there is **limited state capacity**. Capable and/or motivated state officials that could produce changes are not numerous. It is true that within the public administration there are some public servants who are competent and willing to make changes; however, the lack of political will at higher levels of government prevents them from acting on their convictions.

Bearing in mind the problems enumerated, we **tried to identify positive examples and developments in the right direction and to point out opportunities for advances** in public participation. To be able to fulfil that task we contacted numerous stakeholders - from academia, national and local governments, CSOs, MPs, various committees and associations, journalists and active individual citizens; all of them filled in the questionnaire and some of them were additionally interviewed. Their views were used throughout this Report, particularly in section 3.

Through our communication with the above stakeholders we realized that even those from public administration, MPs, members of parliamentary committees, Fiscal Policy Committee, CSOs, etc. have **questionable knowledge of budgetary processes and serious problems in comprehending what public participation means**. To find out how much ordinary citizens might know we made a survey of students of final years of postgraduate studies at Croatian universities as proxies for ordinary citizens.

Complete responses to surveys were provided by 857 students (average age 23 years), from all kinds of faculties (from arts to medicine, but predominantly from economics). The results are: (1) more than 50% claim that they learned at least something about budgets during their education and that they saw some national or subnational budgets; (2) 90% never heard about the Code on Consultation

with the Interested Public in Procedures of Adopting Laws other Regulations and Acts enacted almost six years ago; (3) **80% say that the quantity of information about the budget available to citizens is not sufficient**; (4) 90% that both national and subnational governments hide information from citizens and **80% that the possibilities offered to citizens to participate in budgetary processes (e.g. public hearings) are not sufficient**; (5) **although more than 50% of respondents think that it is possible to participate in budgetary processes and 80% that citizens should participate, only 7% have tried to participate and only 14% follow media news about budgets regularly**.

We were pleasantly surprised that 75% of respondents knew who proposes the budget and who votes for it. However, only 44% could mention at least one budgetary stage and only 34% knew **the deadline for voting in the budget for the next year**. **Even these brief facts show that we have no reason to be satisfied with the**

knowledge or with the level of participation. If this is the case with students (predominantly of economics), it must be even worse with general population, as according to the [Croatian Bureau of Statistics](#) only 16% of adult citizens have a university degree. It is obviously necessary to (1) educate citizens and the media about the budget, the budgetary process and fiscal policy, (2) advocate for the importance of public participation and (3) provide conditions for better implementation of public participation (e.g. it is explained latter in text how to improve the implementation of the Code on Consultation with the Interested Public in Procedures of Adopting Laws other Regulations and Acts).

Despite the serious constraints on and limitations to public participation, there are certainly some institutions and programs that could be more or less commended like the Code on Consultation with the Interested Public in Procedures of Adopting Laws other Regulations and Acts, the National OGP Action Plans, the City of Pazin's project "Watch Out the Budget", the IPF's efforts to promote public participation

through greater openness of local government budgets and budgetary processes, the legislative committees and the Fiscal Policy Committee, the city district councils and the information officers. The majority of these institutions and programs might be very good vehicles for fostering public participation, but do require substantial reforms since they are little used by the general public. The major problem seems to be that there is huge difference between institutional format vs. lived reality. Many of interesting and useful laws have been adopted and many institutions introduced, often because of the accession to EU, but they are rarely used by the general public and the challenge how to bring these laws and institutions to life still remains.

It is not possible to point to any particular branch of government as a driving force in the participation process (executive, legislative, supreme audit institution or subnational); rather, it is emerging, albeit rather slowly, in all those branches. Changes have mostly been initiated by the

Government Office for Cooperation with NGOs as well as by the preparations for accession to the European Union. They were further enhanced with the 2010 election of the President of the Republic (from Social Democratic Party – SDP) and the 2011 election of the Government (coalition led by the SDP), as public participation is in accordance with their core ideology. Consequently this Report offers very **concrete recommendations for improvements in possibilities, institutions and mechanisms of public participation** in Croatia that might be useful in other countries as well. It is necessary to: 1) **improve the implementation of some already existing mechanisms** (e.g., of the Code on Consultation with Interested Public, OGP Action Plans), **strengthen the role of some actors** (e.g. of the legislative committees, particularly its external members), **regularly and in a timely manner publish key budget documents on national and local levels** (e.g. citizens'

budget guides, budget execution reports), **use already existing good practices** (e.g. participatory budgeting in some local governments), **better monitor and report on citizens participation and thus promote competition** (e.g. among local governments), **educate citizens** about the budget and participation in fiscal policy (e.g. through the media), and **use international standards as a vehicle for fostering participation** (e.g. IMF Fiscal Transparency Code or OECD Best Practices).

Despite the desperate need of an economic recovery and greater democratization of the country, **step by step, the combined efforts of the responsive parts of both the national and the local executive and legislative and the interested parts of the public**, backed up by the **media**, with incremental increases in public participation in budgetary processes and the shaping of fiscal policy, **must result in positive impacts and outcomes.**

One has to hope that it will happen **at least in the longer run**.

The first section of the Report gives the country overview and the institutional context, the second explains the setting of the stage for the reform, the third analyzes

the currently utilized institutions and programs, the fourth consist of chosen case studies, the fifth gives outcomes and impacts, all followed by conclusions and recommendations.

I. Country Overview and Institutional Context

Croatia is a democratic, representative and parliamentary republic situated at the crossroads of Central Europe, Southeast Europe and the Mediterranean, with 4.3 million people. Regarding the political regime, Croatia has regular, competitive and open democratic elections – characterized by free and overall political participation – that *de jure and de facto* determine a government that is accountable to the constituency. According to [Freedom House](#), it has the status of a completely free country – on a scale from 1 (best) to 7 (worst) it has the score of 1.5.¹

The directly elected and representative Parliament represents the constituency and has legislative authority. It is responsible, among other things, for: enactment and amendment of the constitution and laws, adoption of the government budget, appointments and dismissals, calling elections and referenda, supervising the Government and other holders of public powers responsible to the Parliament. The number of representatives in the unicameral Parliament – elected for a four year-term – varies between 100 and 160.²

The executive authority is vested in the Government and in the President. The Government is accountable to the Parliament and its majoritarian support, while the President is accountable to the electorate. The Government, headed by the prime minister, is the main executive authority and is responsible for executing the laws, proposing legislation and a budget and guiding, in coordination with the President, the

¹ Biggest improve happened in 2000-2001 due to the end of the rule of the first president when Croatia's political rights rating changed from 4 to 2, its civil liberties rating from 4 to 3, and its status from Partly Free to Free, due to the free and fair conduct of parliamentary and presidential elections, efforts to make state media independent of government, and evidence that the country's new leaders are fulfilling promises of economic, political, and social reform. Second improve happened in 2002 when Croatia's civil liberties rating improved from 3 to 2 due to the improvement in the protection of civil liberties and its pursuit of important, though often unpopular, economic and social reforms. The last improve happened in 2010 due to Croatia's political rights rating improved from 2 to 1 due to improvements in the treatment of minority Serb and Roma communities. For more details see [Freedom House – Croatia](#).

² MPs are elected according to the proportional electoral system in 12 constituencies. In 10 constituencies 14 MPs are elected, up to 14 MPs in the unit of the Croatian Diaspora and 8 MPs in the constituency for national minorities. Mandates are distributed according to the d'Hondt system, and the election threshold is 5%.

internal and foreign policies. The President is the head of state and the commander in chief of the army, directly elected for a five-year term.³

Croatia has a three-tier judiciary system independent of the executive and legislature. The judiciary is based on civil law, comparable with other continental European judicial systems. The judicial system is governed by the Constitution and national legislation enacted by the Parliament. The Supreme Court is the highest court of appeal. The lower two levels consist of county and municipal courts. There are also specialized courts, such as commercial courts, misdemeanor courts, the Administrative Court and, most importantly, the Constitutional Court which is specialized in constitutional issues and ruling on matters regarding compliance of legislation with the Constitution.

The highest legal act is the current Constitution adopted on 22 December 1990 when Croatia declared its independence from Yugoslavia, which came into effect on 8 October 1991. The Constitution was, most importantly, amended in 2000 when the political regime was changed from semi-presidential with a prominent presidential role to a pure parliamentary regime with a prominent role of the Government, accountable to the Parliament. In 2001 the Constitution was amended and the bicameral was reorganized into a unicameral Parliament and the regional chamber of the Parliament was abolished. In 2010 the Constitution was, among other things, amended due to Croatian accession to the European Union.

Croatia is a unitary state with the supreme authority of the central Government located in the capital (Zagreb). Nevertheless, Croatia has a three-tier territorial structure with the national-central Government (first) tier dominant in most public functions. Units of local

³ Croatia has direct presidential elections in two rounds of voting; if no candidate wins a majority of votes in the first round, the second is organized with two candidates that won the most votes from the first round.

and regional government are established in the second and third tiers: 21 counties have regional self-government functions while 429 municipalities and 127 cities have local self-government functions.⁴

In the socialist regime of 1945-90 only the Communist Party was allowed. In the atmosphere of democratization in the late 1980s the Communist Party transformed itself into the Croatian Social Democratic Party (SDP). Furthermore, the first opposition political parties, including the Croatian Democratic Union (HDZ) and the Croatian Social-Liberal Alliance (HSLA) were founded before the first free elections in 1990. In these elections, the HDZ won, becoming the dominant party in the first decade of Croatian independence, holding power from 1990 until 2000 and once again in the 2003-2011 period. The other strong party is the SDP, holding power from 2000-2003 and from 2011 until today. Small parties representing ethnic minorities and certain regions are also present. Since 1990 the [number of parties](#) has been growing, and there are currently around 130, 16 of which are parliamentary. The system could be described as a multi-party system with two dominant parties - in the right (led by the HDZ) and left coalitions (led by the SDP) that usually form governments.

During the socialist, rather authoritarian regime (1945-1990), civil society participation was not very developed. After it followed the War of Independence (1991-1995) when civil society was mostly focused on social, welfare and humanitarian activities, without high demands on participation possibilities.

Significant progress was not achieved before 2010 when amendments to the Constitution were introduced which made access to information a constitutionally guaranteed right. At the present time, civil society and the media are operating in an

⁴ Municipal and city mayors, county prefects and their deputies are directly elected.

open democratic space (Freedom House, 2014). Somewhat fewer than one third of citizens are enrolled in CSO activities, and most of them are affiliated with the religious-church and sports organizations or trade unions. Similar patterns in civil society participation are visible in other transition countries (Ekiert and Foa, 2011).

Society is not completely homogenous about important issues regarding history, region, class or religion. There are certain factors from each of these issues that influence society, recently aggravated by the economic crisis. Two major historical cleavages are linked with wars that happened on the territory of Croatia, the Second World War (1941-45) and the War of Independence (1991-95). In the first case, there were cleavages between pro-Axis and pro-Partisan/communist parts of society; while, in the second, the cleavages were between pro-independent and pro-Yugoslav parts of society. There is no strong religious cleavage as most of the population is Roman Catholic. However, tensions are rising about the role of the church and religion in society, religious and sexual education, abortion, LGBT rights, etc.

There is no strong or typical division between capital and labor, however there is a certain animosity toward entrepreneurs whose success is often described as the result of the suspicious privatization of the 1990s. Furthermore, since the economic downturn in 2008, in certain societal circles the cleavage between those who work in the private sector, the state sector and the growing number of unemployed is highlighted. There are no severe regional divisions, but certain separations, such as that between the North and the South or between areas affected or unaffected by the war in 1990s are visible.

The European Bank for Reconstruction and Development (EBRD, 2014) classifies Croatia as a transition country, the International Monetary Fund (IMF, 2014) as an emerging and developing economy, while the World Bank (2014a, 2014b) identifies it as

a high-income economy. Croatian GDP (PPP) in 2014 totals \$80,620 billion and per capita GDP (PPP) amounts to \$18,314. Croatia is also has a very high Human Development Index (UNDP, 2014). Currently, the economy is mostly service-based, with tourism as a significant source of revenue during summer. The service sector (70% of GDP) is followed by industry (20%) and agriculture (8%) (Croatia.eu, 2014a).

The economy has been marked by two opposite trends: moderate growth until the start of the recession (in the 2005-08 period GDP grew at an average rate of 4.1% p.y.) and a significant and concerning economic downturn since the start of the recession (in the 2009-13 period GDP fell at an average rate of 2.5% p.y.) (World Bank, 2014a). Such a serious economic downturn happened because the growth in the previous period was based on borrowing mostly allocated to housing and roads instead of to more productive sectors. Moreover, the structural problems – an unrestructured and inefficient public sector (public administration, health and pensions), investment-unfriendly environment and unproductive heavily subsidized sectors of the economy – were not tackled during this period of growth. This short-term model functioned until the global crisis, causing the total loss of 12.5% GDP which is now at the 2005 level. The lost economic decade is obvious, as in the 2005-13 period Croatia had a lower GDP growth rate (0.43%) than other developing European and Central Asian countries (4%) (World Bank, 2014a). The state controls a significant part of the economy, with substantial government expenditure which in 2013 amounted to 37% GDP (Ministry of finance, 2014c). By far the most important trading partner of Croatia is the European Union: in 2014 Croatia mostly exported to (64%) and imported from (75%) the countries of the EU. In general, export-import coverage is close to 60% (CBS, 2014). Croatia provides universal health care and free primary and secondary education. According to the **Ministry of Finance**, in the year 2013, total public revenues were around 16B USD, which was 0.9% lower than in 2012. Major revenues were from taxes (59%) and social

security contributions (35%). Total public expenditures were around 18.7B USD, which was 4.4% higher than in 2012; they were mostly directed toward social protection (39%), health (17%), general public expenditures (14%), economic affairs (9.8%) and education (8.5%). During the last decade Croatia regularly had deficits, in 2013 amounting to around 5.3% GDP. Accumulated deficits resulted in a general government gross debt amounting to 80% GDP in 2013 (Eurostat, 2014).

Croatia has signed two international agreements on participation. The first was the 1998 Aarhus Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters.⁵ This establishes a number of rights to the public with regard to the environment: to receive environmental information that is held by public authorities, to participate in environmental decision-making, and to review procedures to challenge public decisions that have been made without respecting the two aforementioned rights or environmental law in general ("access to justice") (European Commission, 2015). The second international agreement is the Open Government Partnership in 2011 (details in Section 4).

Croatia has participated in the Open Budget Survey ever since the survey began. Its Open Budget Index score in six years went up from 42 (meaning that it provides some information) to 61 (meaning that it provides significant information to its public). However, Croatia barely entered the group of countries providing significant information as this qualification ranges from 61 to 80 and that there is a lot of potential to further expand transparency. The participation scores are more or less stagnant (averaging around 35%); after improving in 2010 they decreased again in 2012. According to

⁵ But, currently, barriers to accessing to information, to participation and access to justice in the environmental matters in Croatia undoubtedly exist, as well as the difference between the spirit of the Aarhus Convention and its application in practice. For more see Udruga Zelena Istra, 2014.

responses in the latest OBS in 2015 Croatia does provides space for public participation, but still has much room for improvement. From an analysis in terms of institutions (legislative, executive, SAI), the public can be seen to be mostly engaged in the budget process through the legislature (the Parliament), but even that participation is in reality relatively meagre (details in the Appendix I).

II. Setting the Stage for Reform

As shown in Table 2.1 in the last 25 years several good institutions and mechanisms aimed at fostering public participation have been introduced (e.g. the Freedom of Information Act – FoIA, Code on Consultation with Interested Public in Procedures of Adopting Laws, other Regulations and Acts, legislative committees and Fiscal Policy Committee). In Table 2.1 we tried to separate out each of the new institutions and then provide a short paragraph on them.

Table 2.1: Timeline of participation-related reform in Croatia

1991	Croatia declared independence and the dissolution of its association with Socialist Federal Republic of Yugoslavia (SFRJ) on 25 June 1991. Before that Croatia was a federal unit of the SFRJ, a single-party state run by the League of Communists, created at the end of World War II. The Croatian Parliament proclaimed its independence on 8 October 1991.
1991-1995	During the War of Independence between Croat forces and the Serb-controlled Yugoslav People's Army (JNA) and local Serb forces (1991-95) civil society was mostly focused on social, welfare and humanitarian activities, without high demands on participation possibilities. After the War, due to the collapse of the old and the establishment of a new state, transition to a market economy, the war and its political, institutional, economic and social consequences, public finances were in disarray, lacking transparency, government accountability or citizen participation. Citizen participation in fiscal policy issues came into being very slowly.
1995	Introduction of external members without voting rights into legislative committees (Standing Order of the Croatian Parliament, NN 95/99). This institution is explained in Section 3.
1998	Establishment of the Government Office for Cooperation with NGOs with the aim of creating conditions for cooperation and partnership among the Government and the non-governmental and non-profit sector. The Office has a wide scope of activities, from cooperation in creating and proposing new legislative frameworks for the activity of the non-governmental, non-profit sector to forming a program, standards and recommendations for financing the activity of CSOs from the state budget and other public funds, including EU funds. The task of the Office is to coordinate the work of ministries, central state and Government offices and state administrative

organizations, as well as of administrative bodies at local level in connection with monitoring and improving cooperation with the non-governmental, non-profit sector.⁶

Economic and social councils (ESC) are established, primarily at the national and county level, and a few have been established at the level of a city. The institution of ESC has been established on the national level to identify areas in which concerted activities need to be realized for the sake of the protection and promotion of economic and social rights, i.e. interests of workers and employers, application of collective agreements and their adjustment to measures of economic, social and development policy. The ESC activity is based on the idea of tripartite cooperation in solving issues and problems. According to the [Agreement on the Establishment of the ESC](#), the ECS will discuss the public policy, national strategies, draft laws, regulations, programs and other documents before they are submitted to the Government.

2000

The national-level ESC is composed of representatives of the Government, employers' associations of a higher level (Croatian Employers' Association) and trade union associations of a higher level (five trade union confederations), that have been determined through a relevant law or other act to meet the prescribed conditions for the determination of representativeness for participation in tripartite bodies at the national level. The Government and the social partners have an equal number of representatives, and each representative has a substitute. The ESC has a President and two Vice-Presidents who are appointed by members, for one year period, with the principle of rotation among the representatives of Government, trade unions and employers.⁷

2002 **Cities and municipalities started publishing citizens' budgets** under the program financed by the donor agency USAID (e.g., Varaždin, Crikvenica, etc.).⁸

2003 [Adoption of Freedom of Information Act \(FoIA\)](#) as a result of the CSO coalition "Citizens have a right to know" advocacy campaign. The aim is to enable and ensure the exercise of natural and legal persons' rights of access to information through the openness of public authority bodies. Restrictions are exceptions and they must be based on the *FoIA*. Natural and legal persons can request information from public authorities, which are published in the list of public bodies by the

⁶ More at the Office for Cooperation with NGOs.

⁷ More at the Economic and Social Council.

⁸ Kezele (2002) and Malatestinić (2002).

Government for each calendar year. In 2004 the first list of public authorities' bodies was published in the Official Gazette (state bodies, bodies of local and regional governments, legal persons with public authorities and other persons to whom public authority was transferred). Each public authority body had to make an information catalogue (of its information held, managed or supervised) and to appoint an information officer responsible for the issues of exercising rights of access to information. These officers are obliged to provide access to information within 15 days and not only at the individual request of a beneficiary, but also by publishing information on its own initiative.

However, implementation was questionable due to the insufficient experience and training and inadequate capacity of the administrative staff responsible for enforcement. During 2005 and 2006 GONG conducted two sets of research on the implementation of *FoIA* showing that almost 50% of public bodies did not proceed upon requests for access to information sent by civic applicants.⁹ Research results pointed up problems in *FoIA* implementation such as:

the legal requirement to appoint information officers and to found information catalogues was not fulfilled by some public bodies,

the tendency to misuse provisions of the Data Secrecy Act and Personal Data Protection Act in order to deny access to information,

public bodies sent false data to the Central State Administrative Office for Public Affairs about the number of received requests, number of occasions on which access was granted (therefore the Annual Report on *FoIA* implementation was not relevant),

some public bodies charged citizens with a fee per requested item of information, although *FoIA* did not prescribe this possibility, and

the list of public bodies was not full and the criteria for being declared a public body were not clearly defined.¹⁰

2005

The first participatory **National Strategy for Creating an Enabling Environment for Civil Society Development for 2006-11** was passed by the Government. It provided basic guidelines

⁹ For more details see GONG (2006 and 2007).

¹⁰ More at the [Implementation of Freedom of Information Act](#).

	that the Government wanted to achieve by 2011 in order to improve the existing and create the new legal, financial and institutional system of support for civil society. ¹¹
2006-2008	Ministry of Finance published several citizens' budgets relating to an Enacted state budget (2006, 2007, 2008) and Execution of the state budget (2006, 2007). ¹²
	Establishment of the Council for Civil Society Development , as an advisory body to the Government acting towards developing cooperation between the Government and CSOs in the implementation of the National Strategy for Creating an Enabling Environment for Civil Society Development, the development of philanthropy, social capital and partnership relations. ¹³ The Council is supposed to participate in:
2008	constant monitoring and analysis of public policies referring to or affecting civil society development and cross-sector cooperation, expressing opinions to the Government on drafts of legislation affecting the development of civil society, engagement and inclusion of CSOs in discussions about regulations, strategies and programs affecting the development and functioning of civil society and cooperation with the public and private sector on the national and the European level,

¹¹ According to Review of implementation of the Operational Plan of the National Strategy for Creating an Enabling Environment for Civil Society Development for 2006-11 out of 103 measures designed to be implemented; 37 were successfully implemented; 56 partly implemented and for 10 measures implementation has not started. For more details see [Nacrt evaluacijskog izvješća o provedbi mjera Operativnog plana Nacionalne strategije stvaranja poticajnog okruženja za razvoj civilnog društva od 2007. - 2011. godine.](#)

¹² For more details see Ministry of Finance (2015a).

¹³ The Council has 27 members out of which 12 representatives of relevant state administrative bodies and the Government offices, 12 representatives of non-governmental, non-profit organizations and 3 representatives of civil society from foundations, trade unions and employers' associations. The president and the members of the Council are elected for a mandate of 3 years and can be re-elected. The Government appoints the members and deputy members of the Council on the proposal of: a) state administration bodies and offices of the Government, b) NGOs and other CSOs (for the following areas: democratization, the rule of law, and development of education; youth; activities of associations came from the war; culture; child care; care for persons with disabilities; social welfare; sports; technical culture; the protection and promotion of human rights; environmental protection and sustainable development, and the protection of health and improving the quality of life) and c) the Government Office for Cooperation with NGOs, which suggests representatives of CSOs from foundations, trade unions and employers' association. More at [Odluka o osnivanju savjeta za razvoj civilnoga društva.](#)

	<p>programming and setting priorities for the use of EU programs and funds based on an efficient system of consultation with CSOs, etc.</p> <p>The Council can establish and appoint permanent and temporary working groups and has to send its yearly reports to the Government.¹⁴</p>
2009	<p>Adoption of the Code on Consultation with Interested Public in Procedures of Adopting Laws, other Regulations and Acts, which establishes general principles, standards and measures for consultation regarding documents that regulate issues concerning, and take up positions of interest to, the general well-being (protection and promotion of human rights, public services, the judiciary, environmental protection, etc.). The goal is to facilitate interaction with citizens and representatives of the interested public in the democratic process and encourage their more active participation in public life (details in Section 4).</p>
2010	<p>Access to information becomes a constitutionally guaranteed right. Significant progress was achieved by introducing amendments to the Constitution which made access to information a constitutionally guaranteed right.¹⁵</p>
2011	<p>Joining the Open Government Partnership initiative and acceptance of the obligation to draft the National Action Plan and to present it to at the annual OGP conference (details in Section 4).</p>
2011	<p>Fiscal Responsibility Act introduces fiscal rules and a Fiscal Policy Committee, which controls the implementation of those rules (details in Section 3).</p>
2012	<p>Ministry of Finance again starts publishing citizens' budgets, as this was one of measures in the OGP Action Plan 2012-13.¹⁶</p>
2012	<p>Adoption of the <u>National strategy for the creation of an enabling environment for civil society development 2012-16.</u> The goal is to strengthen the legal, financial and institutional system of support to CSOs as an important component of social and economic development and recognize them as important stakeholders in shaping and implementing EU policies.</p>

¹⁴ More at [Council for Civil Society Development](#).

¹⁵ OG 76/2010 and 85/2010 – [consolidated text of the Constitution](#).

¹⁶ For more details see Ministry of Finance (2015b).

2012	Introduction of public consultations conducted pursuant to the Regulatory Impact Assessment Act (details in Section 4).
2013	<p>Adoption of a new Freedom of Information Act (FoIA) the main features of which were:</p> <p>A new oversight body - Information Commissioner, dedicated solely to the promotion and protection of the freedom of information; appointed by the Parliament, with immunity similar to MPs. Before, the promotion and protection of freedom of information was performed by the Data Protection Agency. The new FoIA also includes strong oversight mechanisms for the Commissioner (inspection, administrative sanctions, etc.).</p> <p>Full proportionality and public interest test, conducted by every public body and the Information Commissioner, for all FoIA exceptions.¹⁷</p> <p>Stronger emphasis on proactive publishing of information by public bodies, including clear legal requirements for what must be published and the reuse of information, without charge, for any purpose (non-commercial and commercial).</p>

The participation-related reforms mentioned in Table 2.1 were mostly initiated by civil society, the preparations for the accession to the European Union (EU) and by Croatia's signing of the Open Government Partnership (OGP).¹⁸ Changes were further enhanced with the election in 2010 of the new President of the Republic (from Social Democratic Party – SDP) and the new Government in 2011 (coalition led by the SDP), as public participation is in line with their views.

¹⁷ Previous FoIA prescribed that the Data Protection Agency does not perform public interest tests in cases of refusal of access to classified data, including the business secrets, since those are prescribed within the same act as classified data (Data Secrecy Act). In addition, in cases when access to information has been refused by the highest state institutions (Government, Parliament, President, Supreme Court, Constitutional Court, Attorney General, Army Chief of Staff), an appeal could only be filed directly with the Administrative Court. The Court practice, however, has shown that the court, instead of performing the public interest test, simply ruled that refusal of access to information was based on legal exceptions.

¹⁸ Croatia signed the Stabilization and Association Agreement with the EU in 2001, applied for membership in 2003, became a candidate and started negotiations in 2004, started the screening stage of negotiations in 2005, closed the last of 35 chapters of negotiations and signed the accession treaty in 2011 and joined the EU in 2013.

Civil society played a great role (e.g. the coalition “Citizens have a right to know” advocacy campaign, which initiated the adoption of the FoIA in late 2003).¹⁹ However, one has to be aware that the civil society in general is not particularly developed. There are some strong and influential CSOs in the capital city (Zagreb), but outside of the capital civil society is rather weak. Unfortunately, even the strongest CSOs are facing huge risks as the financing trends are aggravating. This important Act (FoIA) was enacted at the last session of the Parliament under the then SDP-led government in 2003, as a result of multiple pressures, some stemming from longer-term civil society advocacy, others from the process of EU negotiations, which converged at that particular moment. The other example, the Code on Consultation is the result of civil society pressures dating back to 2005, when the first participatory National Strategy for Creating an Enabling Environment for Civil Society Development was passed by the Government. The Strategy envisaged the passing of such a Code, which was finally adopted in 2009. In July 2008, the draft Code was submitted to the Government for adoption but was taken off the Government session agenda, with the justification that the proposed minimum standards might slow down the EU accession, i.e. the harmonization with the *acquis communautaire* (the body of the EU law). According to Vidačak and Škrabalo (2014), the key factor in its eventual adoption was the decision to list it among the measures of the Action Plan and the Anti-Corruption Strategy, treated as an utmost pre-accession priority and regularly monitored by the European Commission.

The accession of Croatia to the EU was also important in setting the stage for reform. The EU [Negotiation Framework](#) itself did not provide any reference to openness, transparency or participation. It only stated that parallel to accession negotiations, with

¹⁹ See [Implementation of FoIA](#).

the aim of enhancing mutual understanding by bringing people together, the EU would engage with Croatia in an inclusive program of cooperation that would also involve civil society.²⁰ The EU's demand for solid proof of the actual implementation of the formally adopted EU *acquis* have enabled advocacy and watchdog CSOs to play a more substantial role in policy monitoring and have a greater say in domestic policy processes.²¹ The number of EU-driven “domestic opportunity structures” increased substantially during the Croatian EU accession negotiation process. But despite the multiplication of access points for civil society to take part in policy-making processes, their involvement in the essential agenda-setting phase of the policy-making process remained rather limited during Croatia's EU membership negotiations. In addition to the weak legislative framework for access to information and the proactive release of policy documents, the lack of clear procedures for public consultations and the prevalence of urgent legislative procedures were the key obstacles to a more meaningful participation of civil society in the EU accession-related policy shaping in Croatia.²²

Changes were also initiated by Croatia's signing of the Open Government Partnership (OGP) in 2011 and the OGP National Action Plan 2012-13, consisting of numerous concrete measures for promoting transparency and participation in budgetary processes and fiscal policy issues. It was a convenient situation for the promotion of transparency and public participation as during the 2011 the country was in a kind of pre-election

²⁰ The consensus of all parliamentary parties on the importance of open dialogue with all stakeholders on EU accession negotiations was confirmed by the adoption of the Declaration on the Fundamental Principles of Negotiations on Full Membership of the Republic of Croatia in the European Union as well as by the Statement of the Croatian Parliament and the Government of the Republic of Croatia on Joint Actions in the Process of Negotiation on Membership of the European Union in January 2005.

²¹ The national watchdog coalition [Platform 112](#) bringing together 70 civil society organizations, stemmed out of the joint monitoring of the closing of accession negotiations in Chapter 23 (fundamental rights), throughout the year 2011.

²² This paragraph draws heavily on Vidačak and Škrabalo (2014).

political vacuum. The then HDZ Government was in disarray and concentrated on the parliamentary elections; the President of the Republic (SDP) was very interested in OGP, which was in line with his social-democratic views; and the new Government (SDP) coming into office embraced the OGP – at least on paper – as it was in line with its social-democratic values, too.

In 2015 a new HDZ president was elected and it is expected that this party will win the forthcoming parliamentary elections. As not even the SDP was sufficiently supportive, the prospects of support from such a new government are extremely questionable, and only time will show how public participation is going to unfold.

III. Currently Utilized Institutions and Mechanisms for Participation

Table 3.1: Windows of opportunity for participation in the budgetary process

	Executive	Legislative	Supreme Institution	Audit
	Public consultations in line with the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts (the Code) and Consultations in accordance with the Regulatory Impact Assessment Act (RIAA). Citizens can contact an information officer responsible for issues concerning the exercise of rights of access to information in each public authority body. Associations of counties, cities and municipalities regularly communicate with government bodies, initiate dialogues and hold interactive workshops with different ministries, especially the Ministry of Finance, Tax Administration and Supreme Audit Institutions.	Public hearings held by legislative committees and the Fiscal Policy Committee (FPC). This is expert-based testimony explained in more details in Table 3.6. Citizens can contact an information officer.	Citizens can contact an information officer. ²³	can contact an information officer.

Formulation

²³ According to FoIA information officers are obliged to (1) provide access to information within 15 days from the individual request of a beneficiary and (2) publish information on their own initiative (explained in more details in Table 2.1.).

Enactment	Public hearings held by the Economic and Social Council.	Public hearings held by legislative committees and the FPC.	Citizens can contact an information officer.
	Citizens can contact an information officer.	Publishing the committees' reports on the parliament web page.	
	Associations of counties, cities and municipalities send their amendments and lobby for their ideas through MPs, MPs' clubs and clubs of parliamentary parties and parliamentary working bodies.	Citizens can contact an information officer.	
Execution	Publication of reports, budget documents and citizens budgets.	Public hearings held by legislative committees and FPC.	Citizens can contact an information officer.
	Oversight by citizens (relating to payments made from the state budget to suppliers).	Publishing the committees' reports on the parliament web page.	
	Oversight by citizens (Ministry of Finance can conduct budget supervision pursuant to citizens' petitions).	Oversight by legislative committees (relating to budget documents, reports, drafted laws and regulations).	
	Associations of counties, cities and municipalities regularly communicate with government bodies, initiate dialogues and hold interactive workshops with different ministries, especially the Ministry of Finance, Tax Administration and Supreme Audit Institution.	Citizens can contact an information officer.	
	Public hearings held by Economic and Social Council for supplementary budgets.		
	Citizens can contact an information officer.		

Auditing	Publication of Year-end reports.	Public hearings held by legislative committees and FPC (review of year-end reports).	Public release of audit reports.
	Associations of counties, cities and municipalities regularly communicate with government bodies, initiate dialogues and hold interactive workshops with different ministries, especially the Ministry of Finance, Tax Administration and Supreme Audit Institution.	Citizens can contact an information officer.	Citizens can contact an information officer
	Citizens can contact an information officer.		

Table 3.2: Currently utilized programs and institutions – macro-fiscal policy^a

Central government (executive)	Legislature	Supreme Audit Institution
Public consultations of public authority bodies on strategic development documents and new legislation in line with the Code and Regulatory Impact Assessment Act (RIAA).	Public attendance and testimony held by legislative committees and FPC relating to the annual budget, in-year and year-end reporting.	Publishing audit report of the state budget. ²⁵
Associations of counties, cities and municipalities regularly communicate with government bodies, initiate dialogues and hold interactive workshops with different ministries, especially the Ministry of Finance, Tax Administration and State Auditing Office.	Publishing the committees' reports on the parliament web page. Citizens can contact an information officer.	Citizens can contact an information officer.

^a Sub-national governments excluded.

Table 3.3: Currently utilized programs and institutions – sector-level fiscal policy^a

Central government (executive)	Legislature	Supreme Audit Institution
Public consultations of public authority bodies on new sectoral legislation in line with the Code and RIAA.	Public attendance and testimony by legislative committees and FPC relating to bills or audit reports.	Publishing audit reports of the budgets of individual ministries and other users of the state budget. ²⁷
Public hearings with national Economic and Social Council. ²⁶	Publishing the committees' reports on the parliament web page.	Citizens can contact an information officer.
Associations of counties, cities and municipalities regularly communicate with government bodies, initiate dialogues and hold interactive workshops with different ministries, especially the Ministry of Finance, Tax Administration	Citizens can contact an information officer.	

^a Sub-national governments excluded.

Table 3.4: Currently utilized programs and institutions – micro fiscal policy

Central government	Sub-national governments	Legislature	Supreme Audit Institution
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²⁴ The national Economic and Social Council evaluates and gives opinions on measures for realization of macroeconomic stability, competitiveness and balanced economic and social development, new laws and long term strategies as well as on the budget proposal.

²⁵ See for example, [Audit Report of the State Budget for 2013](#). The SAI conducts all three types of audits (compliance, financial and performance) and makes them available to the public. In most audit reports under the section "Goals and Areas of Audit" it is stipulated that all three types of audit are performed (see, e.g. [Audit report for Customs Administration](#) for 2012, p. 8). The extra-budgetary funds are rarely audited. For example, in 2013 none was audited (see [State Audit Office](#)).

²⁶ The national Economic and Social Council monitors the situation in the areas of employment, pension and health insurance, education and harmonization of the labor market and safety at work, at national and European level, and proposes measures for their improvement; it also gives its opinion on regulations drafted in the field of labor, economy and social security.

²⁷ See for example [Audit Report of Ministry of Health for 2013](#).

Public consultations of public authority bodies on strategic development documents and new legislation in line with the Code and RIAA (e.g. for new revenue policies, changes to revenue policies).	Public consultations on new local regulations in line with the Code and RIAA.	Public attendance and testimony by legislative committees and FPC relating to bills or audit reports.	Publishing audit reports of local governments and some of the companies owned by local governments. ²⁹
Associations of counties, cities and municipalities regularly communicate with government bodies, initiate dialogues and hold interactive workshops with different ministries, especially the Ministry of Finance, Tax Administration and Supreme Audit Institution.	Publication of 'Citizens' Budgets' on local level.	Publishing the committees' reports on the parliament web page.	Citizens can contact an information officer.
Citizens can contact an information officer.	Public hearings with local Economic and Social Councils. ²⁸	Citizens can contact an information officer.	
	Citizens can contact an information officer.		
	Citizens can participate in the work of city districts and local committees.		

Table 3.5: Currently utilized programs and institutions – executive

²⁸ This Council evaluates and gives opinions on local measures for economic and social stability, development and standards of living, as well as on the local budget proposal.

²⁹ See e.g. [Audit Report of Dubrovnik for 2013](#).

Timeline	<p>In 2000, the Economic and Social Council was established on a regular basis at the national level.</p> <p>Participation by voluntary associations of cities since 2002, municipalities since 2003 and counties since 2005.</p> <p>The 2003 Budget Act introduced the transparency principle and FoIA stipulated that a public authority's bodies have to nominate the information officer responsible for the issues of the exercise of rights of access to information.</p> <p>In 2009 adoption of the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts.</p> <p>The 2011 Fiscal Responsibility Act introduced fiscal rules and the Fiscal Policy Committee.</p> <p>In 2012 the Ministry of Finance started regularly publishing Citizens' Budgets.</p> <p>In 2012, the introduction of public consultations conducted pursuant to the Regulatory Impact Assessment Act (RIAA).</p> <p>In 2013, the adoption of the new Freedom of Information Act.</p> <p>As one measure of the OGP Action plan, the Ministry of Finance in 2014 launched a service whereby citizens can search payments made from the state budget to suppliers.</p>
Moment of intervention	<p>During the formulation of the budget the Economic and Social Council at the national level evaluates and gives opinions on measures for the realization of macroeconomic stability, competitiveness and balanced economic and social development and on the budget proposal. Citizens are not included in that stage, although the government deems them to be included as through the public consultations in line with the Code they can influence policies and consequently indirectly the budget. However, that cannot be considered as the participation in formulation of the budget.</p> <p>Relating to enactment, e.g. the Association of Cities sends its amendments and lobbies for its ideas through MPs, MPs' clubs and the clubs of parliamentary parties and parliamentary working bodies.</p> <p>In the execution phase the Budget Act stipulates that the budget supervision, conducted by Ministry of Finance, can be based on citizens' petitions, requests of central government administration bodies, local and regional self-government units and other legal persons that</p>

	<p>raise suspicion of irregularities and fraud, as well as by the order of the Minister of Finance. So, citizens can suggest to the Ministry of Finance which institution should be supervised. But there is no publicly available information that the budget supervision has ever been conducted pursuant to citizens' petitions. Also in the execution phase citizens can use a service through which they can search the payments made from the state budget to suppliers; also, citizens can use budget guides to provide access to more user-friendly budget data.</p> <p>In the audit phase one of the possibilities is enabled by an application through which citizens can find data about payments from the state budget.</p> <p>Associations of counties, cities and municipalities regularly communicate with government bodies, initiate dialogues and hold interactive workshops with different ministries, especially the Ministry of Finance, Tax Administration and Supreme Audit Institution.</p> <p>The Association of Counties regularly sends proposals for changes or amendments to the Parliament and Government.</p> <p>According to FoIA since 2003 citizens have been able to contact executives' information officers in every budget phase.</p>
Policy type	Depends on budgetary stages and stages of preparation of laws and government strategic documents. All policy type classifications – macro, sector, micro – may be included (e.g. both associations of counties and of cities stated for the purposes of this Report that they are discussing with government bodies the ways of financing of local and regional government, introduction of new taxes, subnational governments' shares in shared taxes, etc.).
Structure	Ongoing. Participation of all mentioned institutions is defined by the Constitution, European Charter on Local Self-government, Procedures of the Government, Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts, etc.
Involvement and selection criteria	All possibilities of involvement do exist: academic, business community, expert, national, regional, community-based and individuals. In some cases they are available to all interested citizens (e.g. the Code of Consultation with Interested Public) and in some cases participants are selected (e.g. members of the Fiscal Policy Committee).

	<p>Voice – the public can express ideas, preferences, and opinions through the Code or the Economic and Social Council.</p> <p>Vet – the public can review documents and information as they are published on the web sites of ministries, Government and Parliament, and there is also the FoIA.</p> <p>Vote, Veto and Verifying do not exist.</p> <p>Government feedback is required for the Code and it must be published on the web sites of all relevant public bodies.</p>
Scope	<p>Transparency – the Ministry of Finance publishes on its web sites all key budgetary documents (Strategy of Government programs for three-year periods, guidelines of economic and fiscal policy for a three-year period, state budget with projections, monthly reports about state budget execution, semi-annual and annual reports on state budget and extra budgetary funds execution, plans of payment to budget users), and Citizens' Budget for key budgetary documents. It also provides information about EU pre-accession programs and funds, auctions of treasury stocks (gilts), publications, statistics and reports. But information is not always timely; it is often of poor quality, usually not in a friendly format and sometimes even does not exist. However, in some parts it is improving (see Section 1 – Croatian OBI results).</p>
Data on public participation	<p>No public data, except for the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts which is elaborated in detail in another part of this Report.</p> <p>For the purposes of this Report the Association of Cities states that it had at least 10 meetings with the Ministry of Administration relating to one law alone (on regional decentralization).</p>
Experiences	<p>For the purposes of this report an ex-Minister of Finance wrote that public participation in budgetary process is low and generally reactive. The budgetary process is seen as closed process that takes place inside government bodies. Budgetary guidelines as well as budgetary documents become available to the public and to the majority of stakeholders when adopted by the government or in the best case when the documentation reaches the stage of final draft. In such circumstances active influence on budgetary outcomes is difficult or actually impossible. It boils down to comments on already more or less decided government proposals, attempts at not very transparent lobbying in the line ministries or</p>

small political bargaining processes in the Parliament.

It is also argued by the same ex-Minister of Finance that the transparency of preparation of the budget is low. It is prepared within government institutions without any formalized or meaningful possibility for public stakeholders to get an insight into the process and its direction, and it basically reflects government priorities. However, these priorities are heavily influenced and shaped by external pressures to reduce budgetary imbalances and honor mandatory expenditures like pensions and other social programs. The preparation of the budget and its structure are not strongly connected to the political priorities for which the government received the electorate's support, the elections being the ultimate demonstration of public preferences. This confuses the public and contributes to the various tensions in society. On the other hand, decisions on programs that deserve financing from the budget are not linked to any indicators of their efficiency and effectiveness or at best such a link is very weak. The objectives of programs are not clearly defined and it is very difficult to formulate an unbiased opinion of their relevance. As a result it is unclear when and why certain programs are dropped out of or included into the budget. There is a lot of inertia and the 'name of the game' is to include a certain program into the budget. Once included into the budget it is very difficult to get rid of it. At the same time, the transparency of implementation is also low. Budgetary data are available with a significant time lag, at a very high level of aggregation and based on accounting practices that are continuously disputed either by government officials themselves or different stakeholders. Therefore, the implementation process is also a source of confusion on its own. Furthermore, available data on budgetary implementation are only financial data at a relatively high level of aggregation, which prevents the public from monitoring the execution of individual budgetary programs.

Associations of cities and counties praise their members for their responses, reactions and sense of joint interests; they also praise some ministries and government offices for being "up to Scandinavian standards" in contrast to some which are impenetrable, unfamiliar and uninterested in communication and these are often very important for local government issues; however, all agree that the public has to be educated in order to be able to participate.

Quantity and quality	<p>Impossible to measure, although the general opinion of interviewed stakeholders is that both are low. Unfortunately the Code is not extended to the budgetary process and the budget is formulated and presented in a relatively closed procedure. There is an obligation of the government to present the budget to the Economic and Social Council and discuss it with social partners. However, this is fulfilled only formally because the discussion with social partners takes place after the final draft is adopted by the government. The Association of Counties argued that it suggests 2 to 3 national budget amendments per year, supported by all counties, but none has ever been adopted by the Parliament.</p>
Meaningfulness, usefulness, efficiency	<p>As all participation mechanisms are relatively new it is difficult to judge. For the purposes of this report the same ex-Minister of Finance wrote that the fear of public involvement in the budgetary process probably has its roots in the prevailing culture of the vague social attitude toward public money. It is to a significant extent still seen as nobody's money because of which the majority of social stakeholders have requests and proposals for an increase in spending. The voices and social groups that advocate responsibility about taxpayers' money, strong monitoring and scrutiny of expenditure programs are weak and not very influential. Such a culture has been persistently cultivated by a political class which has developed the main lines of political argumentation and debate almost exclusively around the distribution of public money. Responsibility to taxpayers' money, the economic activity that generates public money and the long term challenges are of secondary importance. As a reflection the government is reluctant to show more decisiveness and courage in opening the budgetary process toward a higher degree of participation and consultation. The reason is simple - the government is basically unable to deliver on generous election promises and is not very ready to explain itself after it managed to get into power. An important reflection of this is visible in the relatively well articulated argumentation about reductions in budgetary imbalances being unavoidable and the contrasting almost nonexistent appetite for reforms and improvements in the efficiency and efficacy of government programs because society (and the government) is aware that some social groups would find themselves losers in the reform processes. On the other hand, governments are aware that stronger public participation in the budgetary process would certainly condemn the shallow and populist political agenda they were not able to deliver on.</p>

Shaping decisions	It is not in central government alone but also at the local level, where by definition local problems and problems of everyday life are solved, that citizens' participation and influence are very low. The transparency of most local budgets and budgetary processes are even lower than at the level of central government. The examples of taxpayers' money being spent at a local level in a way completely unrelated to the needs of local population are striking (donations to other towns - even in neighboring countries, infrastructure projects without any clear connection to local needs etc.). However, there are also good examples at local levels elaborated in another part of this Report (e.g. the case of Pazin).
Shifts, changes, impact	One of the changes could be associated with the OGP (in detail explained at another part of this Report).

Table 3.6: Currently utilized programs and institutions – legislative

Timeline	<p>Since 1995, the Parliament has had committees, established by Standing Orders, consisting of MPs with voting rights and up to 6 external members without voting rights. Out of 31 committees, 23 have external members. Most important for this topic is the Finance and Central Budget Committee (FCBC).</p> <p>Besides the FCBC, since 2013 there has also been a Fiscal Policy Committee (FPC), an independent body, but situated in the Parliament.</p> <p>The 2003 FoIA stipulates that Parliament has to nominate the information officer.</p>
Moment of intervention	<p>Both committees are engaged in all four budgetary stages; however the main task of the FPC is to envisage and evaluate the implementation of fiscal rules enacted by the Fiscal Responsibility Act.</p> <p>FCBC is mostly active in the formulation stage, since it primarily discusses motions and initiatives for the enactment of laws and regulations, monitors the work of the Government and other bodies, discuss reports of Government, other bodies and institutions. After hearings it adopts positions, establishes draft legislation and reports to Parliament. It also holds hearings on petitions and proposals submitted to Parliament by citizens. FCBC receives the materials before the first reading in Parliament, however there are usually</p>

	<p>disputes among members of the governing and parties in coalition and as the governing parties have a stable majority, everything is voted in. Proposals of the external members are regularly dismissed, even if they are important and substantial. External members and opposition party members have no chance to intervene.</p> <p>According to FoIA since 2003 citizens have been able to contact a parliamentary information officer in every budget phase.</p>
Policy type	All policy type classifications – macro, sector, micro – are included.
Structure	Both the FPC and parliamentary committees (such as FCBC) are required by laws and regulations, are integrated into the legal system, participate in the ongoing policy-making process and can hold public hearings.
Involvement and selection criteria	<p>After the announcement of a public invitation for the proposal of candidates for parliamentary committees (such as FCBC), professional institutions and associations, CSOs and individual persons may propose their candidates to be chosen and appointed by the Parliament. Up to six public officials, scholars and professionals may be appointed to the parliamentary committee.</p> <p>FPC consists of a chairperson who is also the chairperson of the FCBC and 6 members from various institutions (Supreme Audit Institution, Institute of Economics, Institute of Public Finance, Croatian National Bank, faculties of economics and law) proposed by the FCBC and appointed by the Parliament.</p>

	<p>Committees hold public hearings on issues presented in the budget in which testimony from the public is heard (from external members); although it is questionable to what extent the public really participates in the work of committees.</p> <p>The external members of committees can obtain and analyze information (vet), state their opinion (voice), but cannot vote or veto.</p> <p>When citizens submit petitions and proposals to the Parliament, the Speaker sends them to the chairperson of the relevant committee, which is obliged to notify the sender of the petition or proposal on the outcome within a period of three months. However, there are no publicly available data on petitions or proposals submitted by citizens to the Parliament.</p> <p>Sessions of Parliaments and its committees are open to the public, but some parts of sessions of committees may be closed to the public. Committees may invite public officials, scholars, professionals and other persons to meetings in order to obtain their opinions.</p>
Scope	<p>The Rules on Public Access to Proceedings in the Croatian Parliament and its Working Bodies stipulate that public access to proceedings of the Parliament is ensured through Parliamentary web pages designed for: informing the public of proceedings (bills and other motions prepared for debate, opinions and reports prepared by committees and other information on Parliament and its work); facilitating public access to interactive multimedia services and real-time services (e.g. results of votes at plenary sessions, video and digital transmission of plenary sessions, net meeting, chat and other on-line communication services), etc. Only documents and materials of Parliament classified as confidential pursuant to special regulations are not available to the public.</p> <p>With a view to improving the two-way communication between citizens and the Parliament and in order to assert that the Parliament is committed to openness, the Citizens Service also maintains direct contacts with citizens. It offers answers to citizens' queries, petitions and letters and carries out the program of volunteering in the Parliament and assists schools in implementing the civic education curriculum.</p>
Data on public participation	<p>Data regarding the committees' reports, including most of the testimony presented at the committees' hearings, are published on the web site of the Parliament.</p>

Experiences	<p>Depending on the agenda, members of the FPC express their opinions and put questions to representatives of the ministries, on the basis of which the position of the FPC is created later. Members of the FPC complain that their views and stances, although submitted to the Government and publicly available on the web site of the Parliament, have no significant effect on the Government's policies.</p> <p>External members of the FCBC also complain that they are not welcomed by MPs, that their suggestions and proposals are not taken into consideration and that they are there just formally.</p>
Quantity and quality	<p>External members of FCBC are active, depending on their expertise, but complain that their views are not taken into consideration.</p> <p>In 2014 FPC took 5 positions (made five opinions) on various budget documents, complaining, however, that there was no significant effect.</p>
Meaningfulness, usefulness, efficient	<p>At the FPC meetings specific and detailed information about certain types of revenues and expenditures are often given, as well as on the developments which otherwise are lacking in public. Moreover, on each bill that relates to the work of the FPC or any other budget document members can give their suggestions and opinions, which are sometimes adopted in the final version.</p> <p>Although marginalized, external members of the FCBC sometimes contribute to the quality of proposals of laws, but more in the sense of their legal appropriateness, than regarding their essence, meaning and efficiency. Overall, one can say that public participation in both committees is rather inefficient.</p>
Shaping decisions	<p>Both external members of the FCBC and members of FPC complain that they do not have any or very little chance of shaping decisions.</p>
Shifts, changes, impact	<p>FPC Members can makes suggestions and opinions about each bill that relates to its work or any other budget document. They are sometimes adopted in the final version of the bill. The last bill on which members made comments was the Fiscal Responsibility Act, and currently government officials are working on its amendments.</p> <p>The capacities of the FPC influencing the budgetary process should be better exploited.</p> <p>FCBC external members are of the opinion that they are not in a position to make changes or</p>

have an impact. The Government should strengthen the role of the external members of the legislative committees by giving them a voting right.

Table 3.7: Currently utilized programs and institutions – subnational

Timeline	<p>Since 1992 citizens have been able to participate in the work of city districts (CDC) and local committees according to the Act on Local and Regional Self Government.</p> <p>The 2003 FoIA stipulates that local public authorities' bodies have to nominate an information officer.</p> <p>In 2009 adoption of the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts (the Code).</p> <p>As one measure of the OGP Action plan in 2012 Ministry of Finance recommended all local governments to publish key budgetary documents as well as citizens' budgets on their official websites.</p>
Moment of intervention	<p>Relating to formulation, some local governments organize public consultations on new local regulations as well as budget proposals in line with the Code and/or RIAA (e.g. Pazin in 2014). Most local governments consult city district councils (CDCs)/local committees on the local budget although their opinions are non-binding; citizens can also send their suggestions, complaints and proposals to CDCs and local committees who represent citizens in their neighborhoods.</p> <p>Relating to execution, e.g. CDCs react to citizens' complaints and try to influence the way in which city budgets are executed. In this phase some local governments also publish citizens' budgets.</p> <p>According to FoIA since 2003 citizens have been able to contact a local government information officer at every budget phase.</p>
Policy type	Mostly micro level.
Structure	<p>Most activities are ongoing and integrated into the legal system (e.g. Zagreb CDCs are integrated into legal system by the City District Rules).</p> <p>Some activities are voluntary (e.g. there are cases of CDCs making ad hoc requests to relevant city offices regarding some local communal actions which are not within the</p>

	<p>jurisdiction of a CDC (e.g. allowing bike lanes in opposite traffic directions)).</p> <p>The case of oversight exists very rarely (e.g. the city of Pazin, where after the budget adoption, a group of citizens led by the local CSO formed a monitoring group for the budget execution). Call centers or fraud hotlines do not exist.</p>
Involvement and selection criteria	<p>Various stakeholders are involved, some as CSOs, some as individual citizens (e.g. CDCs are made up of citizens who are members of political parties, but are employed as teachers, construction contractors, doctors, public employees, project managers, professional politicians, pensioners).</p> <p>In CSOs, individual citizens have open access, while lists of potential members of CDCs are composed by political parties.</p> <p>In City of Crikvenica all citizens are invited via the official website, bulletin board, E-mailing, the media and social networks and sometimes by post to public hearings relating to budget proposal.</p> <p>In City of Pazin in the process of the preparation of the local budget all citizens who expressed an interest, local CSOs and local businesses participated.</p>
Scope	<p>Voice and vet are present; however veto and vote do not exist.</p> <p>CDCs complain that a city council is not obliged to respond to them, but they do sometimes get responses from a city administration, more informally than formally.</p> <p>Since 2013 local government units have been supposed to publish on their official sites, key budgetary documents as well as citizens' budgets (see Ministry of Finance, 2012b). But transparency and participation varies, from non-existent or basic to the elaborate. E.g. in the City of Pazin online budget visualizations were created, there are plans for a short film documenting the whole process of budget-making to be shared via social networks. During the local committees' meetings citizens were informed about budget structures and elements they can and cannot decide on. The first budget proposal was available online prior to the city council discussion and the adopted first draft was presented and discussed at a public meeting. The final version of the budget is presented and made available online both in the form of an official document and a citizens' budget.</p>

Data on public participation	<p>Sometimes the data are available, sometimes not.</p> <p>Number of participants varies – e.g. 15 members of each CDC in Zagreb to around 4% of population in Pazin. CDCs have 1 to 2 meetings per month, in the city of Pazin there were 9 public meetings at the community level boards and 5 sectoral public debates in one budget circle. CDCs have up to 20 submissions per year, while in Pazin there were around 100 municipal intervention proposals. Their materials were also provided in various ways, e.g. CDCs offered reports of plans and reports of realization of local communal actions and minutes from its meetings; Pazin educational brochure and online communication platform with budget visualizations.</p> <p>Personnel: 3 administrative staff for each CDC in Zagreb; heads of all city departments in Pazin plus community level board committee representatives, volunteers and employees of CSOs.</p>
Experiences	<p>In Crikvenica city authorities claim that citizens react positively to possibilities of participating, but rarely make suggestions and proposals or attend meetings, respond to questionnaires and surveys; CSO from Split, claims that participation is not adequate, that the public is informed partially, in a way that the preparation of the budget is not understandable and that it is why there is no more active and constructive participation.</p>
Quantity and quality	<p>CDCs in Zagreb receive up to 20 suggestions, demands and ideas per year, however of different quality, depending on the topic; Crikvenica gathers 15 to 20 participants per meeting (public hearing), mostly from the area the participants live in. However, all agree that quantity and quality would be higher with better education and strengthening of citizens for active participation.</p>
Meaningfulness, usefulness, efficient	<p>CDCs in Zagreb argue they are in a way able to influence, to an extent, certain matters of local policy making and make better links with citizens. However, the process is rather slow and very bureaucratic with little obligation of the upper levels to listen to the CDCs; civil servants often are willing to help and work together with CDC to make a positive impact but are limited by the power that is concentrated in the hands of the Mayor. Nevertheless, CDCs are very good vehicles for fostering participative democracy, but require substantial fine tuning.</p>

Shaping decisions	<p>There are good examples (e.g. Crikvenica where after public consultations some of concrete proposals are taken in consideration and funded directly from the budget; or in Pazin where 0.4% of the City budget for municipal interventions is allocated, out of which 19 municipal interventions (e.g. putting up lampposts, children's playground fields or park renovations) in 9 local committees were voted in and financed as top priorities according to votes cast by the citizens).</p>
Shifts, changes, impact	<p>When proposed projects involve social services they raise social and educational standards; CDCs in Zagreb managed to help solve disputes between local organizations and their neighbors, enabling a reduction in the noise level; in Pazin the debate on the local economy and tourism yielded proposals by the citizens and local business owners, which will be, as promised by the city representatives, taken into account in the upcoming round of local authorities' subsidies for businesses. Similarly, a debate on sport facilities and financial allocations was initiated as a result of the high level of discontent of citizens, resulting in the Sports Associations Community promising to create a new Regulation on criteria for financing sports associations taking into account the issues raised at the debate, focusing on transparency of financing.</p>

IV. Case Studies

IV.1. The Code of Consultation with the Interested Public in the Process of Adopting Laws, other Regulations and Acts

Although Article 20 of the Law on Access to Information (adopted in 2003) stipulated that public bodies which have in their jurisdiction development of draft laws are obliged to publish these drafts and secure that interested public has an opportunity to comment in appropriate period of time, this provision was not strong enough to secure that consultations with the public happen regularly. Therefore the working group that was developing the National Strategy for the Creation of an Enabling Environment for Civil Society Development 2006-2011 identified the need for drafting of the Code of Practice on Consultation. Following the obligations from the National Strategy, the drafting of the Code of Practice on Consultation with the Interested Public was initiated in June 2007, but it took more than two years before the Government adopted it. At that time Croatia has been going through the demanding EU accession negotiations processes. That, among other things, meant that Croatia needed to adjust its legislation to the EU *acquis* (Vidačak, 2011). Finally Croatian Government in 2009 adopted the Code of Practice on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts (the Code) as a direct consequence of its being part of the Anti-Corruption Action Plan (adopted in June 2008), implementation of which was regularly monitored by the European Commission; but also as the result of intensive advocacy

efforts by CSOs, in particular through the Council for Civil Society Development (Vidačak, 2013).³⁰

The Code establishes general principles, standards and measures for consultation with the interested public in procedures of adopting laws and bylaws of central bodies of state administration and government offices, relating to the issues of interest for general well-being (protection and promotion of human rights, public services, the judiciary, environmental protection, etc.). The Code also applies in the process of passing general acts of local government, as well as of legal persons with public authorities that regulate matters within their scope. The purpose is to provide guidance to bodies involved in the process of adopting such laws and bylaws and to encourage more active participation of citizens in public life. The Code is not a legally binding document, it just recommends good practices.³¹

In accordance with the Code all the bodies mentioned should appoint coordinators for consultation with the interested public while the Government Office for Cooperation with NGOs (the Office) developed guidelines for the application of the Code as well as the program of education for consultation coordinators. In 2010 consultation coordinators at the level of central bodies of the state administration and government offices were nominated; some of them went through a training program and several consultations with the interested public were carried out in accordance with the Code. In 2010 the Office published the Guidelines for the application of the Code (Ured za udruge, 2011.).

³⁰ The Code is adopted in line with the European Commission's General principles and minimum standards for consultation of interested parties (EUR-Lex; 2002), the Code of Good Practice for civil participation and the decision - making process (Council of Europe, 2009a), and Recommendation Rec(2009)1 on Electronic Democracy (Council of Europe, 2009b).

³¹ The whole Code is available in English.

In 2012, the Office collected published reports relating to the public consultations in accordance with the Code carried out in 2011 on the level of central bodies of the state administration and government offices (Ured za udruge, 2012.). The Office does not monitor the implementation of the Code at the level of local government or legal persons with public authorities. According to reports collected, in the beginning there was a clear misunderstanding by the appointed coordinators for consultation of what consultation with the interested public actually is and how it should be implemented. Only few consultation processes were implemented in line with the Code, which stipulates that the drafted laws/bylaws should be made public, that there is a minimum period of 15 days for consultation with the interested public and finally that public comments received as well as feedback to the interested public about the reasons for the acceptance or rejection of comments should be published.

In 2013 an important step in improving the normative framework for consultation with interested public was taken with the adoption of the new Freedom of Information Act (FoIA). The new FoIA provided, inter alia, that all public authorities bodies responsible for drafting laws and bylaws are obliged to publish on their website an annual plan for consultation on drafted laws and bylaws that relate to their areas of operation. Public authority bodies are also obliged to publish on their website the drafts of laws and bylaws for which a consultation with the interested public will be implemented, typically in a period of 30 days, with a disclosure of the reasons for drafting those laws/bylaws and the goals to be achieved by public consultation. After the consultation process, public authorities are obliged to report, through their websites, about remarks received from the interested public that were accepted or not (by publishing the report on the consultation, i.e. the report that they also have to submit to the Government).

Changes in the new FoIA were in accordance with the Amendments to the Rules of Procedure of the Government (Poslovnik o dopunama Poslovnika Vlade Republike

Hrvatske, NN 121/12), which were adopted in late 2012, and which defined consultation with the public and reporting on the results of these consultations as an integral part of the process of adopting decisions at the level of the Government. Specifically, the provision was added to the Rules of Procedure of the Government that the central bodies of state administration need to attach relevant reports on consultations with the interested public conducted, if such consultations were carried out when sending drafted acts to the Government.³²

The Government Office for Cooperation with NGOs monitors the implementation of consultations with the interested public according to the new FoIA and the Code on the level of central bodies of state administration and government offices and annually reports to the Government. According to the latest annual report made by the Office (Ured za udruge, 2014), in order to ensure continued support to civil servants in consultation with the interested public, the Office, in cooperation with the National School of Public Administration, conducts a one-day seminar "How to prepare and implement effective consultation with the interested public in procedures of adopting laws, other regulations and acts". In 2013, eight seminars for central bodies of state administration, government offices and local governments were organized. In 2013, the Office also organized two meetings for all consultation coordinators in order to exchange information and experiences and provide them with additional training.³³

³² Again it is important to point out that these provisions of the new FoIA also apply in the process of passing general acts of local government as well as of legal persons with public authorities, which regulate matters within their scope, and which directly relate to the needs of citizens or other issues of interest to the general welfare of citizens and legal persons in their area, or the area of their activities (organization of settlements and housing, spatial planning, municipal services and other public services, environmental protection, etc.). But there is no systematic information on implementation at that level. Although, the Information Commissioner (2014) argues, in her annual report for 2013, that provisions of the new FoIA, in most cases, are not implemented at the level of local government.

³³ Unfortunately there are no publicly available information about these meetings that would enable the evaluation of their quality and impacts.

On the website of the Office there is a [special webpage](#) that currently serves CSOs and other stakeholders as a central point of information relating to consultations of central bodies of state administration and government offices with the interested public. Almost all central bodies of state administration and government offices have also on their websites a special page dedicated to consultations with the interested public where the interested public can find information about their open and closed consultations. Citizens can also easily get information about consultations from the newly established [Government portal](#).³⁴ Besides this, the Government Department of Online Communication systematically through social networks informs the public about the possibilities of participation in the consultation processes of drafted new laws and bylaws. In 2013, on the [Government's Twitter profile](#) alone 346 calls for inclusion in public consultation processes were published (Office for Cooperation with NGOs, 2014c).

In 2013 a total of 374 public consultations were performed at the level of central bodies of the state administration and government offices. A total of 348 consultations concerned the laws and bylaws drafted in accordance with the Code, and 26 the impact assessment of the drafted regulations in accordance with the Regulatory Impact Assessment Act (RIAA).³⁵ The number of public consultations in 2013 was almost 160% higher than in 2012 (144 consultations) and 675% higher than in 2011 (48

³⁴ The new OGP action plan 2014-2016 foresees the establishment of a single internet system for public consultations in procedures of adopting new laws, other regulations and acts that should further strengthen the implementation of the Code and FoIA. The system will enable citizens to monitor the course of drafting an individual document – from the working group to its adoption and publication in the Official Gazette, and the possibility of becoming directly involved during the public consultation procedure by providing their comments to the proposed text.

³⁵ Impact assessment of a regulation is a special type of consultation with the public, introduced in 2012, which serves as a tool to create better policies. It includes an analysis of the benefits and costs of proposed different options of new regulation. It serves to select the best policy based on the comparison of expected positive and negative impacts of each proposed option on the economy, society and/or protection of the environment (CCA, 2010).

consultations) (Government of the RC, 2014). Thus proactive approach to public consultations seems to result in the increased interest of the citizens to participate in the processes of public policy making.

But it should be mentioned that this process of consultation with the public could certainly be improved since it is argued by the Information Commissioner (2014) that in 2013 the majority of public authority bodies did not publish an annual plan for consultation, the ministries generally made available drafted laws and bylaws on their websites in less than an instructional period of 30 days and that in most cases they failed to announce the accepted and rejected comments and suggestions on their websites. In order to get a closer picture of the process of public consultations, in the following text, we will analyze in more details the public consultations conducted in accordance with the Code, the public consultations pursuant to the RIAA and the public consultations with the interested public conducted by the Ministry of Finance (MoF) in 2013.

a) The Public Consultations Conducted in Accordance with the Code, 2013

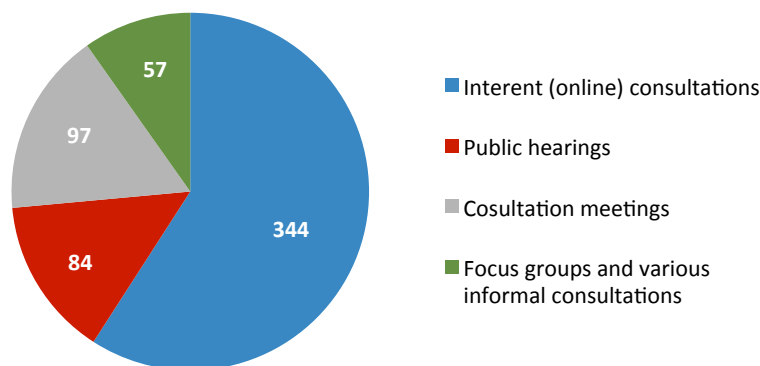
In 2013 out of a total of 348 public consultations conducted in accordance with the Code, 232 (67%) lasted less than 30 days. The reason was the frequent adoption of laws and bylaws through emergency procedures. Since the FoIA generally provides a mandatory period of 30 days for consultations with the public, it will be necessary to change this prevailing practice. The Code stipulates that in urgent circumstances, the time period and the manner of conducting consultations will be adapted as appropriate.

Internet (online) consultations were conducted for almost all consultations with public in accordance with the Code (344), and sometimes also additional methods were used (84

public hearings, 97 consultation meetings and 57 focus groups or various informal consultations).

Internet consultation means that the drafts of the laws, bylaws and other acts are published on the internet and all interested could sent their comments and suggestions filling the provided form. Soon there will be a new tool for e-consultations where comments and suggestions could be written directly into the application. *Public consultations* are organized public meetings where invitations are sent to targeted participants, but they are open and everybody could come as general public is informed about the time and contents of these meeting. *Consultation meetings* are organized to consult with targeted stakeholders (e.g. particular associations active in some field) and general public is not invited.

Chart 4.1.1: Method of consultation in accordance with the Code, 2013



Source: Office for Cooperation with NGOs (2014c)

In all, 8,299 legal entities and individuals submitted comments to the drafted laws and bylaws. The largest number of comment-senders, as many as 3,850, were individuals while others were associations (382), other CSOs such as trade unions and religious

communities (237), local governments (88), academia (67), etc. There were 73% more comment-senders than in 2012, and 4,697% more than in 2011 (Office for Cooperation with NGOs, 2014c).

Out of the 12,738 comments received, almost 73% (9,270) were taken into consideration.³⁶ From 9,270 comments taken into consideration, 2,391 (26%) were accepted³⁷, 3,798 (40%) not accepted and 579 (6%) partially accepted.³⁸ Most of the comments (2,351) arriving related to the health education curriculum (public consultation implemented by the Ministry of Science, Education and Sports). Although it would be good to send to all comment-senders a note of thanks with acknowledgment of receipt of their comments, so that senders know that their comments are received and to gain confidence for future participation in the processes of consultation, notes of thanks were sent only after 88 conducted consultations (Office for Cooperation with NGOs, 2014c).

b) The Public Consultations Conducted Pursuant to the Regulatory Impact Assessment Act, 2013

All 26 consultations conducted pursuant to the RIAA lasted 30 days or more, and besides online consultation, public hearings, advisory/consultation meetings and round tables were

³⁶ Comments whose content is offensive or irrelevant to the drafted laws and bylaws were not taken into consideration (Office for Cooperation with NGOs, 2014c).

³⁷ For example, relating to the amendments of the Real Property Transaction Act, Croatian Employers' Association argued that there is a need to define a way of avoiding double tax during the transitional period (before entry into force of the new Act). [The Ministry of Finance accepted that comment.](#)

³⁸ Sum of accepted, not accepted and partially accepted comments is not equal to the total number of comments taken into consideration because for some of the conducted consultations full analysis was not made, and some laws and bylaws were withdrawn from the procedure prior to this step (Office for Cooperation with NGOs, 2014c).

held. Overall, 100 participants commented (of which 42 were individuals, 29 associations, 12 other CSOs, one representative of the academic community and 17 were other participants). A total of 393 comments were collected, 354 were taken into further consideration (197 accepted, 94 not accepted and 63 partially accepted) (Office for Cooperation with NGOs, 2014c).

Since the topic of this paper is public participation in national-level government fiscal policy and budget processes in the following text we will focus more on analysis of consultation with the interested public in the MoF. One of the most important problems relating to the consultations with the public in the MoF is that the data are incomplete in the 2013 MoF report (Ministry of Finance, 2014d). E.g. there are no data on how long public consultations regarding State Audit Office Act lasted; or there are no data about comment senders or number of comments received regarding the Fiscal Responsibility Act. But due to the importance of this topic, although incomplete, the MoF's data will be analyzed.

c) Consultation with Interested Public in the Ministry of Finance, 2013

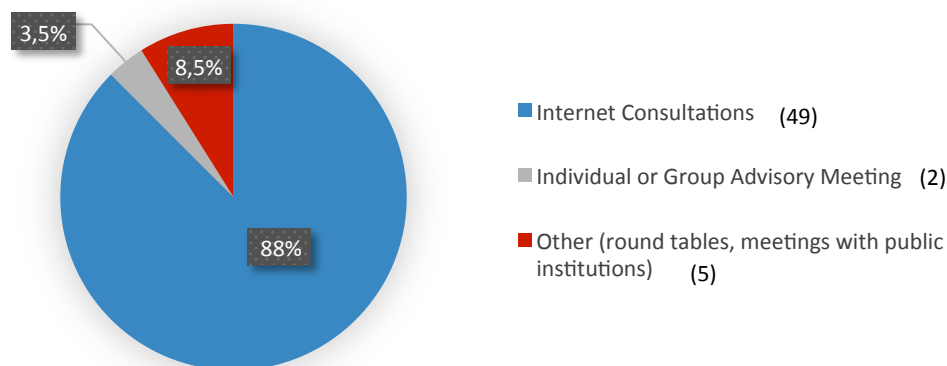
In 2013 the MoF held 50 consultations with the interested public regarding budgetary and fiscal issues (Ministry of finance, 2014d)³⁹, all in accordance with the Code or the RIAA. On one hand, the issues discussed include changes of laws regarding credit institutions, special tax on coffee and non-alcoholic drinks, collection of the tax debt, property tax, state subsidies and corporate income tax, but on the other hand the most important budget documents like the state budget proposals or half-year/end-year reports were not discussed. When interviewed for the purpose of this Report, representatives of the MoF claim that since the public is involved in the development of strategic development documents and new legislation through public consultations in line with the Code, and given that each law and/or strategic document directly or

³⁹ The full list of all public consultations in 2013 is available [online](#).

indirectly affects the budget, the public also affects the allocation of budgetary resources. This might be a possible line of argument however, budgets and yearly acts on the budget execution are also laws that should be subject to consultations.

In 2013 there was a strong increase in the number of consultations with the interested public conducted, since in the MoF in 2012 only five consultations were held (and in previous years no consultations).⁴⁰ By far, the most common was internet consultation (in 49 cases out of 50; the public could send emails with comments to the MoF – Chart 4.1.2). Obviously, the main advantages of the internet such as low-cost and saving time are the crucial reasons determining the prevalence of its use. Along with internet consultation, individual or group advisory/consultation meetings with the public were held twice (for a special tax on coffee and non-alcoholic drinks and for the Credit Institutions Act). “Other” methods, mostly consultations with other public institutions such as the National Bank, the Chamber of Economy or Agency for Supervision of Financial Services, were used 5 times.

Chart 4.1.2: Method of Consultations, Ministry of Finance, 2013



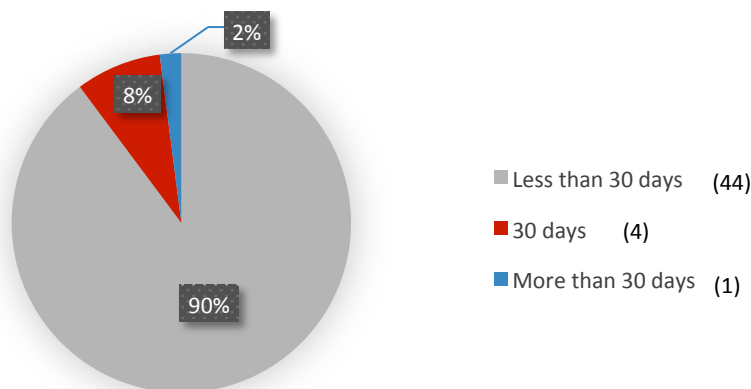
Ministry of Finance (2014d)

Source:

⁴⁰ The full list of public consultations for 2012 is available online.

In 90% of cases, consultations with the public lasted less than 30 days (Chart 4.1.3). Since it is already mentioned that the FoIA generally provides a mandatory period for consultations with the public of 30 days, these public consultations should last longer. There is also one case for which there are no data on duration (consultations on State Audit Institution Act) in the MoF report (Ministry of Finance, 2014d).⁴¹

Chart 4.1.3: Duration of Consultations, Ministry of Finance, 2013



Source: Ministry of Finance (2014d)

From the MoF report it is not possible to determine the exact total number of participants in 2013 since for some consultations the number is missing (e.g. consultation on the Fiscal Responsibility Act).⁴² Although the MoF data are incomplete; it seems that in almost 60% of cases there were no participants at all. Further, if the public did participate, these were most commonly individuals, followed by the trade

⁴¹ We asked the MoF for clarification. They mailed us that the State Audit Office Act was withdrawn.

⁴² We asked the MoF for clarification. They mailed us that for the Fiscal Responsibility Act there were no other comments than those of the Fiscal Policy Committee, and their views are published on the web of MoF.

unions, employer and religious organizations and various other associations. In addition it seems that only three consultation processes had more than five participants. The most popular consultations related to drafted amendments of: the Consumer Lending Act (29 participants), Credit Institutions Act (27) and General Tax Act (6). Since amendments of drafts of these three acts generated most attention they will be discussed in more detail.

In the case of public consultations related to amendments of the [Consumer Lending Act](#)⁴³ there were 29 participants - 16 individuals, 1 association (dealing with the problem of loans in Swiss franc that skyrocketed due to volatile exchange rates) and 12 others (such as credit unions, a real estate agency, a trade union, the Chamber of Economy and a housing savings bank). Altogether there were 13 comments (out of which 10 were rejected and 3 partially accepted) (Ministry of Finance, 2013c).

Public consultations related to amendments to the [Credit Institutions Act](#)⁴⁴ had 27 + 2,350 participants – 11 individuals, 2 association, 14 other participants (such as the Chamber of Economy). The number of 2,350 participants denotes letters of support from natural persons supporting the proposals submitted by one association. This topic was by far the most popular regarding the comments received (27 comments and 2,350 letters of support). However, MoF report for this topic again seems rather confusing. It is written that out of 27 comments and 2,350 letters of support, 35 comments were taken

⁴³ This Act refers to the regulation of the contract on consumer credit, information and rights of the loan agreement, database access, control and protection of consumer rights in cases in which a borrower is a consumer who takes a loan under the conditions and for the purposes determined by the Act.

⁴⁴ This Act refers to conditions for the establishment, operation and dissolution of credit institutions and supervision of their operations; and to conditions under which legal entities based outside Croatia may provide banking and/or financial services in Croatia.

into consideration, only 1 was accepted and 5 were partially accepted (Ministry of finance, 2013c; 2014d).⁴⁵

The General Tax Act regulates the relationship between taxpayers and the tax authorities that apply and implement regulations on taxes and other mandatory contributions to the budget, if separate acts on certain types of taxes and other contributions do not specify otherwise; moreover, the General Tax Act represents the common ground of the tax system in the country. The consultation on this important Act generated only 6 participants, who actually all came from other government bodies (the Ministry of the Economy, Ministry of Justice, Ministry of Public Administration, Ministry of International and European Affairs and Government Office for Legislation). It is also interesting that all 6 comments were rejected (Ministry of finance, 2013c; 2014d). It might be that the two previously mentioned acts – on Consumer Lending and on Credit Institutions – were popular as they had a direct and imminent impact on the income of citizens. This would tend to suggest that if people's pockets are not directly concerned, they will be unable to raise any interest in seemingly abstract taxation issues.

To conclude, it seems that processes of consultation with the interested public in the process of adopting laws and bylaws offers citizens increased number of possibilities for participation in the shaping of fiscal policy (and national policy in general). Positive changes can be seen, since in the recent few years an increasing number of consultations with the interested public regarding fiscal and budgetary issues (e.g. relating changes of credit institutions, consumer lending or general tax act) have been held; and the Government accepted some of the inputs from public. Since it seems that

⁴⁵ We have asked the MoF for clarification. They have mailed us that there were actually 70 comments.

these positive changes are small and slow, given that consultations with the public are relatively new, there is need to find a way to improve the situation by:

- educating citizens about the fiscal policy and budgetary processes, as well as the possibilities for participating in those issues;
- further investing in the development of training programs for all involved in public consultation process (Office for Cooperation with NGOs, 2014c),
- encouraging the use of different methods of consultation in order to enable equal access to vulnerable and socially excluded groups (Office for Cooperation with NGOs, 2014c),
- improving the practice of writing a clear statement of the reasons for rejection of proposals and comments (Office for Cooperation with NGOs, 2014c);
- improving the practice of public reporting about the results of consultation in order to provide high quality information to organizations and individuals who take the time to participate in consultations (Office for Cooperation with NGOs, 2014c); and
- imposing penalties for those who do not implement the provisions of the Code and FoIA (e.g. some local governments).

Further, the reasons for such infrequent citizen participation in public consultations are worth exploration. Is the answer that the public: is not interested in fiscal policy and budget issues; is unfamiliar with the possibilities of participation, lacks basic education about the budget and/or thinks that its comments will not change anything (partially due to the negative legacy of the mostly non-transparent and closed system of government functioning inherited from Yugoslavia)?

IV.2. OGP in Croatia and its impact on public participation

Since Croatia applied to join the OGP in 2011 at the time when the then Government was more focused on parliamentary elections than on plans for the future, OGP-related activities were run by enthusiasts from CSOs (e.g. [GONG](#)), academia (e.g. the [Institute of Public Finance](#)), the Office of the President and a few people from the administration, the crucial role being taken by the [Government Office for Cooperation with NGOs](#). The process was almost by the book, with broad public consultations and timelines available to citizens prior to consultations. A forum was established, which after the elections became the Council for the Initiative of the OGP with 19 members from ministries, offices (of the President, the Prime Minister and for Cooperation with NGOs), Agency for Protection of Personal Data, associations (of counties, cities and municipalities), journalists, CSOs and academia. Invitations for meetings and all information were available on web and widely disseminated and anyone could participate. Table 4.2.1 details the calendar of OGP-related activities.

Table 4.2.1: OGP Calendar

Sep 14, 2011	First public debate: 180 participants (representatives of state bodies, CSOs, academia, media and diplomatic corps), with support of the European Union,
Jan 26, 2012	Establishment of the Council of the OGP Initiative (minutes of the meetings of the Council of the OGP Initiative)
Jan 31, 2012	Public consultation: 100 participants (representatives of state bodies, CSOs, academia, media and diplomatic corps), with support of the European Union,
Jan 27 - Feb 13, 2012	Online consultations on priorities of the Action Plan 2012-13.
Mar 26, 2012	The closing of public consultations: 40 participants (representatives of state bodies, CSOs and academia)

Apr 4, 2012	Action Plan 2012-13: adopted by the Government.
Apr 17-18, 2012	Presentation of the Action Plan 2012-13 on the annual OGP meeting in Brazil.
Aug 2 - Sep 4, 2013	Public consultations on the draft of the Report on the Implementation of the Action Plan 2012-13.
Sep 26, 2013	Report on the Implementation of the Action Plan 2012-13 on the Government's session.
Oct 15 - Nov 11, 2013	Public consultations on the National Action plan 2014-16.
Jan 2014	OGP Independent Reporting Mechanism.
Jul 10, 2014	Action Plan 2014-16 adoption on the Government's session.

From the very beginning of the talks about the OGP in Croatia, consultations worked well first of all because there was a kind of political vacuum, i.e. the then Government was in disarray, concentrating on parliamentary elections that were held at the end of 2011 (which the then governing party lost) and did not care much about what was happening related to OGP. Second, the President of the Republic - who was not facing elections - was very interested in OGP which is in line with his social-democratic views and he was surrounded with people involved in OGP preparations.⁴⁶ Third, the new Government that came into office at the end of 2011 embraced the OGP – at least on paper – as it is in line with its social-democratic values.

As the IPF was the leading actor in that process, the greatest part of the Action Plan 2012-13 was designed with the idea of promoting budget transparency and remedying the Croatian deficiencies listed in the [Open Budget Index](#). Its commitments were related to fiscal transparency, access to information, using information technology and citizen and civil society participation. This last commitment was broken down to measures for setting up a system of participatory drafting and monitoring of state and local budget

⁴⁶ The director of IPF was one of President's advisors.

implementation and improving the practice of consulting the interested public in procedures of adopting new laws, other regulations and acts.

The commitments, measures and activities were all valuable; however, both the Action Plan 2012-13 and its implementation ended up much more modestly than expected by the original participants. The reasons could be summarized as: (1) the economic crisis, necessitating the concentration of the Ministry of Finance to be placed on issues they considered more pressing than fiscal transparency; (2) the freeze on employment in the public administration which is constraining the strengthening of the administrative capacity of the Ministry of Finance's departments in charge of macroeconomic and fiscal planning and budget preparation; (3) lack of vision, capacity and the funding necessary for improvements in IT; (4) the Supreme Audit Institution obstructed some of the suggested measures claiming that it is an independent institution and that the Government can not dictate it which reports it is supposed to publish (e.g. the reports on extra-budgetary funds; (5) similarly the local government units (LGUs), claiming their independence, said that the Ministry of Finance cannot require of them to publish citizens' budget guides or agendas of their sessions, so it ended up with the Government and Ministry of Finance merely making recommendations to SAI and LGUs.

From the implementation and the reasons for its insufficient results, one could draw possible advice both to governments and non-government actors. *Governments* should: (1) seriously commit themselves to use the OGP for improvements within the country and avoid treating OGP as a kind of a foreign policy PR; (2) despite or actually because of the economic crisis, which necessitates fiscal consolidation, insist on a reform of the

public administration⁴⁷ that would enable the hiring and adequate remuneration of capable employees in departments necessary for improvements in fiscal transparency and public participation; (3) when in the position to do so, try to use available support of international organizations or associations, as Croatia used the European Union IPA Programme; (4) carefully place the responsibility for the OGP within the most appropriate department, as it could be essential for its capacity to influence the process. *Non-government actors* interested in open government should: (1) educate themselves to be able to know the laws, regulations and procedures; (2) inform themselves and try to get acquainted with people from the government who are involved in processes, less on higher than on lower levels of the government; (3) with that knowledge they would be more able to target and communicate with people from the administration who can influence decisions; (4) this is necessary because only together with the people from administration can they then see what might be done in one to two and what in maybe five to six years, or never; (5) always have in mind that even within the government – particularly at the second or third tier – there are servants who are equally interested in the wellbeing of society as the non-government actors and when they do exist it is necessary to use them as allies and not to treat them as adversaries⁴⁸; (6) actively monitor, analyze and publish their findings and distribute them as widely as possible to the media.

The level of the openness of the government is still far from satisfactory in many countries. Sometimes it is intentional and often it is simply the consequence of

⁴⁷ Internal reform is necessary to attract the staff which will be both competent and willing to engage in new and demanding good practices of cooperation with citizens.

⁴⁸ As one of our interviewees, a public servant nicely put it “during my working hours I am the government, but out of my office I am a citizen like anybody else – paying taxes, using public transportation, public schools for my children, public health, etc.”

incompetency or negligence. The public should try to work – if possible together with governments and if not then on its own - and with constant endeavors and contributions, step by step try to move forwards to a more transparent, accountable and participative society.

This collaborative kind of approach of non-government actors from the beginning of the OGP in Croatia was visible in the preparations for the [European OGP regional meeting in Dubrovnik](#). It was convened jointly by Croatian CSOs and Government and all sessions were moderated by representatives of CSOs and academia. Maybe both governments and non-government actors should start thinking both ways: “how government could assist civil society” and “how civil society could assist government”.

Croatian enthusiasts used the window of opportunity that occurred because of the government's lack of grip in its pre-election period, but that window later closed again - the cooperation with the public administration was not exactly as the enthusiasts expected, the Action Plan 2012-13 was not implemented as expected and the enthusiasm somehow waned. Although much could be written about the whole OGP process and the implementation of the Action Plan, the following part of this case study focuses on public participation-related measures and activities.

a) Evaluation of the Implementation of Public Participation-Related OGP Commitments

Public participation-related measures of the OGP Action Plan 2012-13 concerned Setting up a system of participatory drafting and monitoring of state and local budget implementation and improving the practice of consulting the interested public in procedures of adopting new laws, other regulations and acts.

As the latter measure – improving the practice of consulting the interested public in procedures of adopting new laws, other regulations and acts – has been dealt with in detail in this Report, table 4.2.2 deals in detail with the former one – setting up a system of participatory drafting and monitoring of state and local budget implementation.

The Action Plan was made almost by the book and each measure was divided into implementing activities with nominated implementing body, start of implementation deadline, necessary funds and what was the most important – implementation indicators. However, during the implementation numerous problems arose and as table 4.2.2 shows, Government's self-evaluation and IRM evaluation are widely divergent and even the IRM evaluation is not able to show adequately all the deficiencies.

Table 4.2.2: OGP Action Plan measure 8. Setting up a system of participatory drafting and monitoring of state and local budget implementation

Implementing activity	Implementing body	Co-implementing partners	Start of implementation deadline	Necessary funds (HRK)	Implementation indicators	Government Self-evaluation	IRM Reporter
8.1. Support open public discussions and consultations with citizens and CSOs in order to identify priorities in budget funds allocation	Government Office for Cooperation with NGOs	National Foundation for Civil Society Development and Ministry of Finance	Jan./2013	25,000	Open public discussions conducted in different local communities in order to identify priorities in the area of budget funds allocation for 2014	Ongoing	Ambiguity regarding the indicators. While the AP states that open public discussions are being conducted "in order to identify priorities in the area of budget funds allocations for 2014", the self-assessment describes primarily planning and monitoring activities in relation to budgetary allocations and other kinds of support to CSOs. It only briefly mentions one example of participatory inclusion of citizens in the processes of defining budget priorities (City of Rijeka). To some extent there is acknowledgement of the need to address wider public discussion on budget allocations, beyond CSOs, in the next

Implementing activity	Implementing body	Co-implementing partners	Start implementation deadline	of	Necessary funds (HRK)	Implementation indicators	Government Self-evaluation	IRM Reporter
8.2. Enable participation of public employees, academics, experts and other persons in the discussions about key budgetary documents in sessions of Parliament working bodies.	Parliament	None	Jun./2012		None	Public employees, academics, experts and other persons and representatives of the interested public are involved in discussions in sessions of Croatian Parliament working bodies.	Implemented	Disagrees with the self-assessment of activity as being completed. The description of the implementation of activity 8.2 is the same as the description provided for activity 9.5, as it provides information on the rules for securing parliamentary openness and transparency, including information on appointing external members to the parliamentary working bodies. The inclusion of external members in Parliament has been a unique feature of the system since its establishment. However, external members were appointed a full year after the beginning of the new parliament (Dec. 2012), which made it impossible for them to participate in discussions on the key budgetary documents that were on the agenda in Nov. 2012. The long delay was explained by the need to agree on new Rules of Procedures to allow for more committees to appoint external members. In addition to participation of the appointed external members, there is always the possibility for parliamentary committees to invite experts, the academic community, and CS representatives to attend the meetings and provide their input. The self assessment, however, does not make note of this process. In order to assess the level of implementation of this activity, more data are necessary on the participation of external members in the discussions on the key budgetary documents in the parliamentary working bodies.

Implementing activity	Implementing body	Co-implementing partners	Start of implementation deadline	Necessary funds (HRK)	Implementation indicators	Government Self-evaluation	IRM Reporter
8.3. Support cooperation programs between local and regional self-government units and CSOs in strengthening budget transparency and citizen participation in planning and monitoring local budget implementation	Government Office for Cooperation with NGOs	National Foundation for Civil Society Development, Local and regional self-government units, Associations of cities, municipalities and counties	Jan./2013	1,500,000	Implemented programs for strengthening of budget transparency and citizen participation in local budget planning; monitoring in cooperation between local and regional self-government units and CSOs is implemented.	Ongoing	Agrees with the self-assessment that this activity is ongoing. Ambiguity regarding the indicators. While the AP states that the activity consists of the implementation of the programs for “strengthening budget transparency and citizen participation in planning and monitoring local budget implementation,” the report primarily describes budgetary allocations and other kinds of support to CSOs. E.g. the self-assessment indicates that the results of the grant scheme for “Strengthening the regional and local structures to support the development of civil society,” (Feb. 2013) are connected to developing a mechanism “for participation of citizens in the adoption and monitoring of the implementation of local policies and thus local budgets.” So far, there is no information on the actual grantees and

Implementing activity	Implementing body	Co-implementing partners	Start of implementation deadline	Necessary funds (HRK)	Implementation indicators	Government Self-evaluation	IRM Reporter
8.4. Conduct a public discussion about the financial statements of all companies of special state interest.	Government Office for Cooperation with NGOs	Ministry of Finance, Companies of special state interest	Oct./2012, Oct./2013	20,000	Public discussions about the financial statements of all companies of special state interest conducted with CSOs and the representatives of the interested public held.	Ongoing	The self-assessment indicates that this activity is underway and the IRM researcher agrees that one discussion was held in July 2012, resulting in recommendations that were included in the Action Plan for the Anti-corruption Strategy. The report also suggests that there would be one more discussion, on the financial statements of companies of special state interest for the year 2012, to be held in Oct. 2013. At the time of writing, however, there was no confirmation that it had been held.

Some of the indicators were ambiguous and even if they were not, Government was inclined to read them as it suited it, in order to be able to claim that implementation was ongoing, although it was not in all cases timely, sufficient or even appropriate. However, in the area of public participation some progress was achieved in improvements of the consultation process with the interested public in procedures of adopting laws, other regulations and acts; appointment of consultation coordinators at the level of the central government and government offices; obligation of public authorities to publish on their websites draft acts and other regulations subject to public consultation with the extended rule for a 30 days period; appending reports on consultation conducted; continuous monitoring of the implementation of consultations, etc. All these are steps forward in building a legal, institutional and financial framework for public participation and building a more democratic and more socially sensitive society.

Regarding the participation in fiscal policy and budgets some progress, although below the expectations, was achieved regarding the content and transparency of budgetary documents, the transparency of business activity of the companies of special state interest, the availability of budgetary documents understandable and accessible to citizens, the accessibility of local budget contents, and the setting up a system of participatory drafting and monitoring of state and local budget implementation.

The results of the implementation, self-evaluation and IRM evaluation of the first Action Plan 2012-13 enabled the representatives of CSOs and academia engaged to suggest some guidelines for drawing up the second Action Plan 2014-16 and to insist on continuation of measures that were insufficiently or inadequately implemented in the first Action Plan period. It also became obvious that it is, among other things, necessary to estimate the necessary funding for each measure realistically, to define all terms (e.g. national, regional, local; public companies, companies of special state concern, companies in total or partial state ownership) more clearly, to define implementation indicators better (e.g. for particular or for all the following years, on which date; the form and place of publication or meeting; exact number of e.g. workshops, number or percentage of participants, etc.).

Unfortunately, not all suggestions of CSOs and academia were accepted and included in the new Action Plan 2014-16. It seems that some implementation deadlines are again set unrealistically, for the majority of activities, resources are not planned (however, each activity takes time, needs people and incurs various costs; consequently, during the implementation, the lack of resources is often mentioned as an excuse) and some of the implementation indicators are again ambiguous.

However, public participation in shaping and monitoring the implementation of public policy is an important part of the new Action Plan 2014-16. It consists of several measures, quite a number of which are directly or indirectly related to fiscal policy and budgets: (1) Improving the process of consultation with the interested public in procedures of adopting laws, other regulations and acts, (2) Ensuring the sustainability of values and contents of the OGP, (3) Participation in the drafting of a new anti-corruption strategy, (4) Regulation of lobbying, (5) Improving efficacy of the Complaints Commission of the Ministry of Interior, (6) Promoting civil participation in the work of CSOs. Some of these measures are then subdivided into more specific activities. It is to be hoped that the new Action Plan 2014-16 will be implemented more promptly, sufficiently and appropriately.

In the end, one can conclude that even with the relatively modest results in the implementation of the Action Plan 2012-14 and the relatively weak influence of CSOs and academia on the Action Plan 2014-16, the OGP has made a huge change in the possibilities for public participation in Croatia. We got quite regular, often even fierce, exchanges of arguments among representatives of public administration, CSOs and academia. Before the existence of the OGP all of them lived in separate worlds: public administration in its splendid bureaucratic isolation, academia in its splendid academic isolation and CSOs in their frustrated uninformed isolation.

IV.3. IPF efforts to promote public participation through greater openness of local government budgets and budgetary processes

As budget transparency is a prerequisite for public participation in budgetary processes, since 2010 IPF has been following and analyzing budget transparency, at first only of major Croatian cities, then of all counties, cities and a sample of municipalities and recently of all counties, cities and municipalities (altogether 567 local governments).⁴⁹ We have been analyzing the availability and timeliness of key budgetary documents on the official websites of local governments and assessing the accessibility and quality of their websites. As local budget transparency is improving, we will in further research try to emphasize examples of public participation in local budgetary processes.

Under the [OGP Action Plan 2012-13](#), Croatia undertook to give recommendations and instructions to all local governments to publish, in a timely manner, on their official websites the budget proposal – when it is submitted to the representative body by the executive body; the enacted budget – after it has been voted on by the representative body; mid-year and end-year reports on budget execution – when the executive body submits them to the representative, and the citizens' budgets simultaneously with the budget proposal. In 2012 the Ministry of Finance has indeed issued such [a guideline](#) to all local governments.

However, despite the guideline, the analysis indicates a rather low level of local budget transparency in 2013 and 2014 as even the most transparent counties are rated at below 50% and one third of the municipalities did not publish a single budget document. Particularly troubling is that local governments are far less likely to publish budget

⁴⁹ See Bronić, Ott and Urban (2012); Ott, Bronić and Petrušić (2013, 2014).

proposals than the enacted budgets. This means that the citizens are unable to participate in local budgetary processes and influence the future budgets. There are only a few local governments publishing citizens' budgets. A large majority of websites is of low quality and some local governments do not even have a website. However, there are local governments that not only provided a maximum number of budget documents to their citizens, but also provide well made, easily searchable websites, organize public meetings, call for citizens to participate in budget discussions, conduct polls on budgets, organize budget games and allow for direct citizen participation in budget preparation.

The fact is that without both a major reform of the country's territorial organization and fiscal (de)centralization no major improvement in local budget transparency can be achieved, as a substantial number of local governments simply lack the administrative and financial capacity to implement these reforms. However, the results of our analysis and the examples set by certain local governments – both small and less well off – indicate that improvements are possible even under the present circumstances. For these improvements to be achieved, the following conditions need to be met:

- Greater political awareness and will among the local governments' officials.
- Citizens and the media demanding higher levels of budget transparency and participation.
- Local governments that have not yet achieved adequate results should emulate the example set by more transparent and participative local governments.
- The Government and Ministry of Finance should apply pressure on local governments and call for an increase in their budget transparency and citizen participation, but they should also lead by example, as the central government itself has room for improvement in this area.

- The Ministry of Finance should follow up its recommendation for the citizens' budgets to be published simultaneously with the budget proposal with an additional recommendation that citizens' budgets should also be published concurrently with the enacted budget and mid-year and end-year reports on budget execution.
- Associations of counties, cities and municipalities should increase their efforts in raising the awareness of the importance of budget transparency and citizens' participation in local governments, possibly by fostering competition.
- OGP action plans should be better implemented and their implementation better controlled.

It seems that the widespread publication of the results of our research and their huge media impact are helping in raising the awareness of the importance of local budget transparency and participation and motivating local governments to achieve better results, as they are obviously improving.⁵⁰ By improving the transparency of their budgets and including citizens in that process, both central and local governments can make huge steps forward in increasing their accountability towards the citizens, more efficient collection and use of public money, lowering corruption and increasing wellbeing.

IV.4. The City of Pazin – Watch out - the budget!

⁵⁰ First, the yet unpublished results of newer analysis indicate much better results. Second, being unhappy with their comparative standing, the City of Zagreb (capital) asked for help from the IPF resulting in series of citizens budget guides (all of them [in Croatian](#) and some also [in English](#)) and concrete plans for engaging citizens in planning the 2016 City budget.

The aim of this pilot project was to strengthen the capacities of citizens, CSOs and local authorities for participatory budgeting – this city’s budget being chosen as an example. Thus the project was designed to educate citizens about the budget and the budgetary process as well as to ensure timely transfer of information to citizens and other stakeholders (city councilors in particular) in all stages of budget design. The City of Pazin was chosen because it is a rather small town (8,600 inhabitants) and because of its political situation (the mayor does not have a majority in the City Council, rather he faces strong opposition).

The project started in 2013, but the majority of activities were implemented during 2014. During 2013 the City of Pazin accepted partnership with two CSOs (GONG and DND Pazin). They applied with the project “The City of Pazin – Watch out the budget!” to the call for proposals of the National Foundation for Civil Society Development, and obtained the necessary funds for its implementation.

In February 2014 the implementation of the project commenced, mostly managed and led by **GONG** (a national CSO founded in 1997 to encourage citizens to participate actively in political processes). Along with the City of Pazin and a local CSO dealing with children (**DND Pazin**), associates/consultants on this project were the **Institute of Public Finance** and the **Association of Cities**. From February to May an educational brochure, internet portal and a forum as an online communication platform explaining the aim, the timeline and the way in which citizens could participate were designed.

From June to August there was a local public campaign (the **educational brochure** was given to citizens, information about the project was broadcast through local radio programs, the **internet portal** and the forum as an **online communication platform**). The mayor of the City of Pazin presented the project and invited citizens to participate with their proposals for small municipality/utility actions to be financed from the 2015 budget.

The value of each proposal was not supposed to exceed 30,000 HRK (around 4,400 USD⁵¹) and it had to be relevant for the area of their local committees. From June 20 until August 15, around a hundred small municipality/utility actions proposals were submitted to the city, related to the building or improvement of bus stations, children's playgrounds, street lighting extensions etc. All proposals were analyzed by city officials, and grouped into: small and big municipal/utility actions and proposals related to regular maintenance. This was due to the fact that some of the proposed municipal/utility actions were actually not small, i.e. their value was higher than 30,000 HRK and some of the proposed actions related to regular maintenance and could be financed from the part of the budget for regular maintenance.

During September, nine meetings at the level of local committees were held. There are altogether 12 local committees in the City of Pazin, but in two local committees citizens did not propose any small municipal/utility actions - so there was no need for a meeting, and due to very small number of participants in two local committees a joint meeting was held. At all these meetings city officials used power point presentations to educate citizens about the city budget (the amounts and structure of city revenues and expenditures and the fact that around 70% of expenditures are mandatory and cannot be changed). Most of the presentations and explanations on these meetings were made by six city officers (Head and Deputy of City Department for Budget and Finance; Head and Deputy of City Department for Social Affairs; and Head and Deputy of City Department for Spatial Planning and Construction). Using power point presentations they also explained which of the proposed actions could be voted on (only small municipal/utility actions) in each local committee and how much their implementation would cost.

⁵¹ 1 HRK = 6.8 USD.

After presentations by the city officials the citizens could express their opinions on proposed actions in their local committees and discuss them with others. At those 9 local committee meetings new citizens' proposals for actions were also allowed in addition to those made from June 20 until August 15. After the discussion, citizens voted on proposed actions to be introduced into the 2015 budget proposal. The maximum value of all proposed actions that could be voted on and included into the budget proposal in each local committee was between 3,600 to 4,400 USD.⁵² Consequently in some local committees only one proposal was voted on, while in others several smaller proposals were voted on (overall 19 small municipal/utility actions were voted on in 9 local committee meetings). The number of participants at these 9 local committee meetings varied from 15 to 30. Evaluations of local committee meetings show that citizens expressed a high degree of satisfaction with the process itself.

During October, four sectoral debates on financing tourism and the economy, education and sports, culture, and health and welfare were held. Citizens requested one extra debate relating only to sports issues, so that debate was held too. The number of participants in the sectoral debates varied between 20 to 50. At the beginning of each sectoral debate the city officers presented the analysis of the situation in that sector and the budget projections for it for 2015. The aim was to find out what citizens think about different sectoral issues and sectoral budget priorities and to send these citizens' opinions to the mayor and city councilors.

In November 19 citizens' proposals for small municipal/utility actions were included as part of the budget proposal for 2015 and the budget proposal was sent to the City Council. Based on the other proposals from the citizens, the city officials also decided

⁵² 1 HRK = 6.8 USD.

that some of the big municipal/utility actions would be included into 2015 budget proposal, and that 20 proposed actions relating to the regular maintenance would be financed from the regular maintenance part of the 2015 budget.

At the end of November the first reading of the 2015 budget proposal in the City Council was held. Along with the 2015 budget proposal city councilors received the minutes from nine local committee meetings and five sectoral debates. After the first reading in the City Council the 2015 budget proposal was also presented and discussed with citizens at a public meeting. The City Council enacted the budget for 2015 on December 18th; it included all 19 small municipal/utility actions proposed by citizens, amounting to 300,000 HRK (around 44,000 USD). Since the overall enacted city budget for 2015 is around 75 mil. HRK, citizens were actually able to decide how to spend around 0.4% of the total budget. In total, around 300-400 citizens participated in this process, amounting to approximately 4% of the city population. After the adoption of the budget, a group of citizens led by a local CSO will form a budget execution monitoring group.

Additionally, the online communication platform published budget visualizations of the budget for 2014 and 2015, as well as the minutes from nine local committee meetings and five sectoral debates. A short film documenting the whole process of budget-making will be produced and shared via social networks, and it is also planned that GONG and the partners will present project's experiences to other cities and municipalities during 2015. The City of Pazin has decided to continue the practice of participatory budgeting and it can be hoped that some other city/municipality in Croatia will use their experience and replicate the process. It would be nice to hope that the national Government will use it too, however, one should be aware that it would be much more difficult to transpose this process on the national level. It should be mentioned also that the project was designed and implemented in line with the Code on

Consultation with the Interested Public in Procedures of Adopting Laws, other Regulations and Acts.

V. Outcomes and Impacts

During last 25 years improvements in and opportunities for public participation in budget processes and fiscal policy have been increasing slowly and are now showing some relatively small **visible impacts**:

- The new institutional architecture has been developed in the process of the Croatia's accession to the European Union which enabled the development of civil society, the improvements of institutional and administrative capacities and dialogue between the national and local governments with citizens, CSOs and general public, e.g. the National Foundation for Civil Society Development, information officers in public bodies, the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts etc.
- Shift in laws. Firstly, changes in laws can be initiated by members of the Fiscal Policy Committee, who can give suggestions and voice opinions on each law that relates to the work of the Committee or any other budget document. However, these suggestions are only rarely taken into account and adopted in the final version of the law (see Section 3). Secondly, some legislative changes are results of consultations in accordance with the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts. For example, in 2013 on the level of central bodies of state administration and government offices, out of 9,270 comments taken into consideration, 2,391 (26%) were accepted and 579 (6%) partially accepted (Section 4). Thirdly, some legislative changes stem from the public hearings held by the Economic and

Social Council and other institutions used for participation but there are no publicly available data. Finally, Association of Cities claims for the purposes of this Report that since it regularly communicates with government bodies the consultations might have some effect, although it cannot influence the Ministry of Finance's views when it comes to some more important issues.

- A shift in spending priorities is difficult to obtain at the national level as the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts is not applied to state budgetary documents. Furthermore, although there are public hearings in the parliamentary committees, Government does not adhere to the deadlines prescribed by the Budget Act. The deadlines are always overstretched and there is never enough time for consultations and negotiations. Besides the administrative capacity weaknesses of the public administration, the political will is obviously missing to put in order both the processes and the stance of country's public finances. However, a shift is possible at local government levels. There are a number of good examples, actually not only good, but probably exemplifications of the best practice! Citizens come to the public hearings organized by local governments with concrete proposals and their ideas and suggestions are respected and included in the budget. Good examples are the cities of Crikvenica and Pazin as elaborated in Sections 3 and 4.
- Increased transparency. In last couple of years transparency on the local and national level has increased mostly due to the implementation of OGP Action Plan measures (explained in detail in Section 4). In the longer term it increased thanks to the country becoming a member of the EU, which requires improvements in the public finance statistics of its member states and that fact helped in generating the new institutional environment. The Institute of Public

Finance's constant monitoring and measurements of local government transparency might have had some impact too (see Section 4).

- Changes in social well-being would be difficult to obtain even with the highest levels of public participation in times of prolonged economic crisis, with GDP decreasing the sixth year in a row. If some impact might nevertheless be visible in changes in spending priorities, it is mostly at local government levels. When projects proposed by citizens or CSOs that involve social services are accepted they raise the social standard in local communities (see Case study on the City of Pazin in Section 4 and Currently utilized programs and institutions on subnational level in Section 3).

Feedback loops. As a result the requirements of the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts, from year to year there are **more and more official responses to public submissions** and they are documented in annual **reports** regarding the implementation of the above mentioned Code (see section 3 and 4). According to FoIA, since 2003, public authorities' bodies are obliged to provide access to information within 15 days from the date of application request being made. However, implementation of FoIA was questionable due to the insufficient experience and training as well as inadequate capacity of the administrative staff responsible for enforcement. During 2005 and 2006, GONG conducted two sets of research on the implementation of FoIA, showing that almost 50% of public bodies did not proceed upon requests to access to information sent in by civic applicants.⁵³ The new FoIA was adopted in 2013 and it is hoped that the situation will be better. Regarding **responses to service delivery complaints** they are

⁵³ For more details see GONG (2006 and 2007).

not documented at the national level, but only at some local government levels (see section 3).

Several institutions for public participation have been introduced (e.g. FoIA in 2003, Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts in 2009 and Regulatory Impact Assessment Act in 2012), **but public participation in fiscal policy and budget processes on national and subnational levels is still relatively scarce and inefficient mostly because there is no reformist group or party driving these changes.** It would be difficult to distinguish any particular branch of government as a driving force behind the public participation process, but one could say that it is emerging slowly throughout all branches. However, the role of the Government Office for Cooperation with NGOs that cooperates not only with CSOs but also with academia, the media, etc. should be emphasized, as well as the role of the accession to the EU and signing the OGP. Changes were further enhanced with the election of the new President of the Republic in 2010 and the new Government in 2011, as public participation was in line with their social-democratic views.

Constraints to public participation and government reform efforts are rather common. The two most important constraints are **the lack of political will on the part of government** and **the lack of the interest and engagement of citizens.**

- The lack of political will is connected with the existing democratic deficit and extreme partisanship resulting in political and not merit-based appointments of people in the national and local executive, legislative, judiciary and public administration. Consequently the capacities of the executive, legislative, judiciary and public administration are rather weak. The situation is aggravated by the prolonged economic crisis, which necessitates ever higher public expenditures which cannot be matched by revenues. As a result, there is a lack of resources for improvements in participation and stronger government reform efforts. The weak public administration is thus inclined to short-term thinking and ad-hoc solutions, waiting for instructions “from above”, which frequently do not come,

while tight deadlines have to be met, all ending in some requirements being met merely formally (of the country's laws, the OGP or the EU) while essential changes are postponed. For example, it took ten years for an independent body - the Information Commissioner - to be established. The necessity for the existence of this office was based on multiple analyses showing that public bodies failed to implement FoIA, in particular in its relation to the Data Secrecy Act, which was abused for the purpose of concealing the mismanagement and potentially corrupt practices of some public bodies. Consultations in line with the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts are still carried out sporadically, with no criteria as to which piece of legislation will be offered for consultation, even though the number of laws for which consultation is conducted is steadily rising at the national level. At local levels, the practices of consultation are very rare. Consultations are also envisaged as part of the RIAA, however, with the poor and sporadic implementation of that Act, consultations have not taken root in the policy making process and are still highly contingent on the personality of the ministers.

- Citizens rarely participate. All the above mentioned leads to lack of interest and engagement on the part of the population, to indifference, skepticism, apathy and resignation. It certainly must be connected with the very low trust in national and local governments, parliament, political parties, judiciary, but also with the legacy of the old communist system and the devastating consequences of transition to the social fabric of society.⁵⁴ As mentioned in the Introduction, our survey shows that out of 857 respondents more than 50% think that it is possible to participate

⁵⁴ See [Eurobarometer \(2014: pp. T35-T41\)](#) for very low trust in Croatia in comparison with other countries of the EU.

in budgetary processes, 80% think that citizens should participate, but only 7% tried to participate and only 14% follow media news about budgets regularly. Additionally, 80% think that the possibilities offered to citizens to participate in budgetary processes (e.g. public hearings) are not sufficient.

- Citizens do not have enough information about the budget, budgetary process and fiscal policy. According to our survey, 80% of respondents think that the quantity of information about the budget available to citizens is not sufficient and 90% think that both national and subnational governments are hiding certain budgetary/fiscal information from citizens.
- The lack of CSOs dealing exclusively with fiscal policy and/or budgetary issues. At the national level there is only one CSO – GONG – that deals even partially with budgetary issues, but as it is engaged in many other issues, it cannot devote any substantial efforts and capacities to budgetary/fiscal issues. The main actor promoting public participation in fiscal policy and budget processes is the Institute of Public Finance. However it is an academic, research institution, partly funded by the Ministry of Science and Education, meaning that despite all its activities, it cannot be counted a part of civil society or the general public.
- The low organizational and technical capacity of the state and local government. It seems as there are very few capable and/or motivated officials that have enough time for and are capable of producing change. However, even when public servants are competent and willing, there is almost no political will at higher levels of government.

As shifts in laws and increases in transparency are more visible than shifts in spending priorities and changes in social well-being, and bearing in mind the constraints to public participation and government reforms efforts, **it is obvious that the country desperately needs an economic recovery and higher democratization.**

Unfortunately, these two issues are interdependent and neither could be achieved overnight. But, step by step, the joint efforts of the responsive parts of both the national and the local executive and legislative and the interested parts of the public, and with the help of the media, increased public participation in budgetary processes and fiscal policy, as well as in other segments of society, must result in positive impacts and outcomes. One has to hope that it will happen at least in the longer run.

Conclusions

The analysis of public participation in budgetary processes and fiscal policy in Croatia shows that despite the numerous serious constraints and limitations, **the majority of the institutions and programs used might be very good vehicles for fostering participative democracy, but require substantial fine tuning, since the wider public rarely uses them.** There are **some positive examples that could relatively easily become even better.** Here are some recommendations for improvements in possibilities, institutions and mechanisms of public participation in Croatia that might be useful in other countries too:

- The Government should improve the implementation of the Code on Consultation with Interested Public in Procedures of Adopting Laws, Other Regulations and Acts. It should be made very clear to which laws, regulations and acts it applies and among them it should apply to the budget and the Act on the Execution of the Budget. The practice of writing a clear statement of the reasons for rejection of proposals and comments to public, as well as the practice of public reporting about the results of consultation in order to provide high quality information to organizations and individuals who take the time to participate in consultations needs to be improved. Strict application of the Code on local government levels is needed too. Also the Code and the opportunities that it offers for public participation should be better promoted among ordinary citizens (citizens need to be educated and acquainted with the Code).
- Government could make better use of the OGP as a vehicle for improving participation at both the national and local levels since public participation in shaping and monitoring the implementation of public policy is an important part of the new Action Plan 2014-16 (details in Section 4). But much better

implementation of the OGP Action Plan is needed: implementation deadlines need to be set more realistically, resources for all activities need to be planned (each activity takes time, needs people and incurs various costs; consequently, during the implementation, lack of resources is often mentioned as an excuse) and all the implementation indicators need to be clearly defined (e.g. for particular or for all the following years, on which date; exact number of e.g. workshops, number or percentage of participants, etc.) (details in Section 4).

- It is necessary to redefine the Standing Orders of the Parliament to strengthen the role of the external members of the legislative committees by giving them a voting right.
- Also to strengthen the role of the legislative Finance and Budget Committee, meaning that the Government should actually implement their suggestions.
- It is necessary to strengthen the role of CDCs/local committees (the obligations of the upper levels to listen to the CDCs/local committees should be formalized and embedded in legislation).
- The Ministry of Finance should regularly publish citizens' budget guides containing a summary of the implications of the budget for a typical citizen.
- The Ministry of Finance should follow up its recommendation to local governments for the citizens' budget guides to be published simultaneously with the budget proposal with an additional recommendation that citizens' budget guides should also be published concurrently with the enacted budget and mid-year and end-year reports on budget execution.
- The SAI should introduce formal mechanisms through which the public can assist in formulating its audit program (by identifying the agencies, programs, or projects to be audited) and formal mechanisms through which the public can participate in audit investigations (as respondents, witnesses, etc.). The SAI

should also provide formal, detailed feedback to the public on how their inputs have been used to determine its audit program.

Furthermore the Government/Ministry of Finance should:

- **Use the very good examples of participatory budgeting in local governments**, e.g. in the City of Pazin, **and promote them among other local governments**. The Government could organize a media campaign emphasizing the positive experiences in order to motivate other local governments to involve their citizens into budgetary processes. This media campaign could be also used for educating citizens about the budget and participation in the budgetary processes. The Government could **cooperate** in these issues **with associations of counties, cities and municipalities**.
- Regularly **monitor and report on citizen participation at local governments levels and thus promote competition among local governments**, in the same way that the Institute of Public Finance (IPF) has been monitoring and analyzing budget transparency in local government (details in Section 4). The widespread publication of the results of the IPF's work and the huge media impact are helping to raise the awareness of the importance of local budget transparency and participation and motivating local governments to achieve better results. The yet unpublished results of newer analysis indicate much better results than in previous rounds. In addition, being unhappy with their comparative standing, the City of Zagreb (the capital) asked the IPF for help, resulting in series of citizens' budget guides (all of them [in Croatian](#) and some also [in English](#)) and in concrete plans for engaging citizens in planning the 2016 City budget.

- Besides pressuring local governments and calling for an increase in transparency and public participation, **the national government should lead by example**, as it has a room for improvement in this area itself.
- **Use the media for educating citizens** about the budget and participation in the budgetary processes and fiscal policy. Citizens' education is essential particularly in countries still bearing the burden of the communist past when fiscal and budgetary issues were seen as something handled by the state and not a matter in which ordinary citizens should be involved. In this respect, the media might have a great influence on impacts and outcomes. Although there are constant complaints about the degradation of the media and of the low level of trust reposed in them, some of our interviewees directly involved in public participation in fiscal and budgetary issues (e.g. a member of a city district council in Zagreb and a member of an CSO dealing with fiscal issues) argue the opposite. According to them, if citizens, city district councils or CSOs manage to put some problem in the focus of the media, that is the easiest and the most likely way to solve that problem. Media engagement could move any agenda up the priority list.
- **Use the IMF Fiscal Transparency Code principle on public participation as a vehicle** for fostering participation, since it provides governments of all IMF member countries with a standard that clearly shows the course they should take (details in Appendix II).

Appendix I: Croatia's Standing in the Open Budget Survey

The OBI is the only independent and internationally comparative indicator used for measuring and monitoring budget transparency at central government level in a large number of countries at two-year intervals. As shown in Table A1 the Croatian OBI score went up in six years from 42 to 61, meaning that only around 60% of requested budget information is available to public, and there is a lot of potential further to expand transparency by introducing several short-term and medium-term measures.⁵⁵

Table A1: Open Budget Index scores – Croatia

2006	2008	2010	2012	2012 world ranking
42	59	57	61	22

Source: IBP (2006, 2009, 2010, 2012)

As shown in Table A2 Croatia's OBS 2006-2012 participation scores are more or less stagnant (averaging around 35%). After improving in 2010 they decreased again in 2012.

Table A2: Participation scores - Open Budget Survey

⁵⁵ E.g. transparency on the national level could be improved by: (1) publishing a Mid-Year Report on budget execution, drawn up in accordance with the guidelines of international institutions (OECD, 2002; IMF, 2007). More specifically, a "Mid-Year Report on Budget Execution" is published (e.g. Ministry of Finance, 2014) 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; (2) presenting expenditures in budget documents (especially in the Budget Proposal and Year-End Report) in terms of a functional classification; also presenting, as extensively as possible, 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; and (3) including in the Budget Proposal more detailed (qualitative and quantitative) explanations of how newly adopted policies will influence the budget revenues and expenditures (as compared to the previous policies). In general, the links between budget items and strategic fiscal policy goals in a multiple-year period should also be more clearly explained.

2006	2008	2010	2012
33	33	40	36

Source: IBP (2015)

According to responses in the latest OBS, for 2015,⁵⁶ relating to public engagement in the budget process, Croatia provides spaces for public participation, but still has much room to improve. Analyzing by institutions (legislative, executive, SAI) the public in 2015 was mostly engaged in the budget process by the legislature (the Parliament), but even that in reality is relatively meagre. This is because there are numerous legislative committees that hold public hearings on different budget issues in which testimony from the executive branch and the public is heard. Since 1995, the Parliament has had legislative committees, established by [Standing Orders](#), consisting of MPs with voting rights and up to six external members without voting rights. Out of 31 committees, 23 have external members. Most important for this topic is the Finance and Central Budget Committee (FCBC) mostly active in the formulation stage. FCBC primarily discusses motions and initiatives for the enactment of laws and regulations, monitors the work of the Government and other bodies, discuss reports of Government, other bodies and institutions. After hearings FCBC adopts positions, establishes draft legislation and reports to Parliament. It also holds hearings on petitions and proposals submitted to Parliament by citizens. FCBC receives the materials before the first reading in Parliament, however there are usually disputes among members of the governing and parties in coalition and as the governing parties have a stable majority, everything is voted in. Proposals of the external members are regularly dismissed, even if they are important and substantial. External members and opposition party members have no

⁵⁶ IPF has answered the questions for OBS 2015 for Croatia, so here are the newest data. The answers in the OBS 2015 are very similar to those for OBS 2012. The most important difference is that executive started to publish citizens' budgets.

chance to intervene (for more details see Table 3.6.) The SAI does not make too much effort to engage the public in the budget process (in addition to publishing Audit Reports, the SAI only has two public relations officers who are in charge of answering citizens' questions). The executive engages relatively little with the public during the budget process (it makes public the key budget definitions of terms used in the budget and other budget-related documents (a glossary) and since 2012 it has started to publish citizens' budgets). Two laws (the Budget Act and the Freedom of Information Act) require the executive to engage with the public during the formulation and the execution phase of the budget process, but they are little respected in practice (for details see Table A3).

Table A3: Participation scores - OBS 2015 by institution (executive, legislative and SAI)

1. Executive	
1.1. Does the executive make available to the public clear (accessible, nontechnical) definitions of terms used in the budget and other budget-related documents (for instance, in a glossary)?	Yes, definitions are provided for all key budget terms, but they are not always clear. Technical definitions are provided in article 3 of the Budget Act. They could be rewritten in a more citizen-friendly manner and presented in a stand-alone document, for example, as appendix in the Citizens Budget.
1.2. Is the executive formally required to engage with the public during the formulation and execution phases of the budget process?	Two laws require the executive to engage with the public during the formulation and the execution phase of the budget process, but they are little respected in practice. Firstly, the Budget Act stipulates that the budget supervision conducted by Ministry of Finance can be based on citizens' petitions, requests of central government administration bodies, local government units and other legal persons which raise suspicion of irregularities and fraud, as well as by the order of the Minister of Finance. So, citizens can suggest to the Ministry of Finance which institutions should be supervised, but there is no publicly available information that the budget supervision was actually conducted by Ministry of Finance with due attention paid to citizens' petitions. Secondly, every year the legislature enacts the Budget Proposal and the Act on Execution of the State Budget for the next year. According to the Freedom of Information Act, articles 10 and 11, the public authority bodies are bound to publish on their Internet pages drafts of these laws/acts that are subject to consultations with the interested public, usually for a period of 30 days, including the reasons for promulgation and goals to be reached during the consultations. This means that Ministry of Finance is

	<p>bound to publish each year on its Internet pages the Budget Proposal and the draft of the Act on Execution of the State Budget for the next year. Upon conducting the consultations, the public authority bodies are bound to inform the interested public on comments and suggestions that have been accepted or rejected through their Internet pages, where they are supposed to publish a report on consultations conducted with the interested public. This report should also be submitted to the Government. Unfortunately, the Ministry of Finance does not publish on its Internet pages the Budget Proposal or the draft of the Act on Execution of the State Budget for the next year and it does not conduct consultations on this topic with the public.</p> <p>When interviewed for the purpose of this GIFT Report, representatives of the Ministry of Finance claim that since the public is already involved in the development of strategic development documents and new legislation through public consultations in line with the Code on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts, and given that each law and/or strategic document directly or indirectly affects the budget, the public does also affect the allocation of budgetary resources. Although such argument might be adduced, budget proposals and yearly acts on the budget execution are also acts/laws, and should also be subject to the consultation process.</p>
1.3. When the executive engages with the public during the budget formulation process, does it articulate what it hopes to achieve from the engagement and provide other information far enough in advance so that the public can participate in an informed manner?	The executive does not engage with the public during the budget formulation process.
1.4. When the executive engages with the public during the budget execution process, does it articulate what it hopes to achieve from the engagement and provide other information far enough in advance so that the public can participate in an informed manner?	The executive does not engage with the public during the budget execution process.
1.5. Has the executive established mechanisms to identify the public's perspective on budget priorities?	No, but it should be mentioned that when interviewed for the purpose of this GIFT Report, representatives of the Ministry of Finance claim that since the public is already involved in the development of strategic development documents and new legislation through public consultations in line with the Code, and given that each law and/or strategic document directly or indirectly affects the budget, the public does also affect the allocation of budgetary resources.
1.6. Has the executive established mechanisms to identify the public's perspective on budget execution?	No.

1.7. Does the executive provide formal, detailed feedback to the public on how its inputs have been used to develop budget plans and improve budget execution?	No.
2. Legislative	
2.1. Does a legislative committee (or committees) hold public hearings on the macroeconomic and fiscal framework presented in the budget in which testimony from the executive branch and the public is heard?	Yes, public hearings are held on the macroeconomic and fiscal framework in which testimony is heard from the executive branch and some constituencies. Some of the Finance and Budget Committee members are appointed as representatives of the public (the representatives of trade unions, CSOs and academia) but they do not have voting rights. They are allowed to comment on the macroeconomic and fiscal framework presented in the budget. ⁵⁷ The members of the press and citizens are also free to attend the Finance and Budget Committee's hearings.
• 2.2. Do legislative committees hold public hearings on the individual budgets of central government administrative units (i.e., ministries, departments, and agencies) in which testimony from the executive branch is	Yes. ⁵⁸
• 2.3. Do legislative committees hold public hearings on the individual budgets of central government administrative units (i.e., ministries, departments, and agencies) in which testimony from the public is heard?	Yes. Some of the Parliamentary Committees' members are appointed as representatives of the public (e.g. researchers, representatives of trade unions or CSOs). During the Parliamentary Committee Meetings they are allowed to comment on issues presented, but they do not have voting rights. ⁵⁹ The members of the press and citizens are also free to attend the Committee's hearings.
2.4. Do the legislative committees that hold public hearings on the budget release reports to the public on these hearings?	Yes, the committees release reports, which include most of the testimony presented at the hearings. ⁶⁰
3. Supreme audit institution (SAI)	
• 3.1. Does the SAI maintain formal mechanisms through which the public can assist in formulating its audit program (by identifying the agencies, programs, or projects that should be audited)?	No.

⁵⁷ See e.g. Croatian Parliament (2015b; 2015c).

⁵⁸ See e.g. Croatian Parliament (2015a).

⁵⁹ See e.g.: Croatian Parliament (2015a; 2015d).

⁶⁰ See e.g.: Croatian parliament (2015f).

<ul style="list-style-type: none"> • 3.2. Does the SAI maintain formal mechanisms through which the public can participate in audit investigations (as respondents, witnesses, etc.)? 	No.
3.3. Does the SAI maintain any communication with the public regarding its Audit Reports beyond simply making these reports publicly available?	Yes, in addition to publishing Audit Reports, the SAI has two public relations officers, a national and an international, who are charged with answering citizens' questions.
<ul style="list-style-type: none"> • 3.4. Does the SAI provide formal, detailed feedback to the public on how their inputs have been used to determine its audit program or in Audit Reports? 	No.

Appendix II: Public Participation in Croatia and the IMF Fiscal Transparency Code

The IMF, which has so often been accused of insensitivity with respect to the public has introduced the formal involvement of citizens in budget decision-making in its 2014 [Fiscal Transparency Code](#). Firstly, the IMF has held a widespread public debate and it took into account other international standards, including the [Open Budget Survey](#), conducted by the IBP, Washington, in collaboration with CSOs in about a hundred countries. The term ‘citizens’ is mentioned in the Code for the first time. Principle 2.3.3 thus states that “The Government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations”. As in the case of all the other principles of the Code, there are three possible levels of practice in public participation:

Basic practices – Government publishes an accessible description of recent economic and fiscal performance and prospects, as well as a summary of the implications of the budget for a typical citizen.

Good practices – Government publishes an accessible description of recent economic and fiscal performance and prospects and a detailed account of the implications of the budget for a typical citizen, and provides citizens with a formal voice in budget deliberations.

Advanced practices – Government publishes an accessible description of recent economic and fiscal performance and prospects and a detailed account of the implications of the budget for different demographic groups, and provides citizens with a formal voice in budget deliberations.

Regrettably, Croatia does not at present meet even the basic-practices criterion as far as it concerns public participation (2.3.3). As a part of Government’s commitments

within the Open Government Partnership (OGP), the Ministry of Finance has since 2012 been publishing [citizens' budget guides](#), but without any summary of the implications of the budget for a typical citizen. This means that with a little effort it could satisfy at least the basic practices of that principle as well as even advanced practices on some of the principles (e.g. 1.2.1 Frequency of In-Year Reporting). Although Croatia formally publishes monthly reports, they are not released within a month, but with a considerable delay. And it is exactly “the publishing of in-year fiscal reports on a monthly basis, within a month “that constitutes “advanced practices”.

For now, some of the principles still seem like science fiction to Croatia. For example, with respect to the principle 1.1.4 (Coverage of Tax Expenditures), the basic practices require that “the estimated revenue loss from tax expenditures be published at least annually”. In Croatia, however, it is not published at all. Similarly, regarding the principle dimension 3.1.3 (Long-Term Fiscal Sustainability Analysis), the basic practices imply that “the government regularly publishes projections of the sustainability of the main fiscal aggregates and any health and social security funds over at least the next 10 years”- something we can only dream about in Croatia.

This Code provides the Croatian Government, just like those of all other IMF member countries, with a standard which clearly shows the course they should take. In contrast to the previous belief that the publishing of information is enough by itself (in Croatia, published information is still inadequate), the new Code goes a step further, requiring that citizens be formally involved in budget deliberations. Improvements are necessary both in transparency and participation principles.

While the national Government is currently not doing enough, some sub-national governments in the country deserve to be commended for taking steps in the right direction even without the new Code. As shown by the analysis of [Budget Transparency](#)

[of Croatian Counties, Cities and Municipalities](#), in Labin, citizens are directly involved in the budgeting process; in Koprivnica, polls on the budget are conducted and in Duga Resa, Koprivnica and Pula, public meetings are organized, inviting citizens to participate in budget debates. The capital city Zagreb published [citizens' budget guides](#) satisfying at least the basic practice of the 2.3.3 principle. For now, these are only isolated breakthroughs, but their number is increasing and it should be hoped that there will be substantial improvements at the central government level, too. For, as pointed out by IBP director [Warren Krafchik](#), the Code represents “a crucial step that can encourage governments to create more responsive and accountable budget systems in which citizens can voice their expectations and concerns about budget plans and implementation”.

Appendix III: Public Participation in Budgetary and Fiscal Issues Through European Union Support

Croatia is using various EU funds, among others, in December 2014, 12 projects received an IPA grant of 2.7 million euros for *Reinforcing support of CSOs in enhancing transparency and good governance in Croatian public administration*. The aim is to strengthen the capacity of CSOs for the implementation of activities that will improve the transparency and openness of public administration in all areas of public policy and participation of citizens in the decision-making process. Projects are expected to contribute to the development of capacities and of cooperation between citizens and public administration in order to improve the transparency and openness of public administration and policies related to spatial planning, budget management, human rights and higher education.

- Project beneficiaries are associations, while cities, municipalities and universities are included as partners. Projects will be implemented in counties which will provide training on monitoring and advocating public policies, mechanisms to prevent corruption, citizen participation in budget management, spatial plans and natural resources for representatives of civil society, public administration, media and political parties. Here are brief descriptions of just of two projects:
- “Physical/spatial planning for citizens” to raise public awareness through better availability and understanding of physical/spatial planning with the help of new technologies and to develop the dialogue of the CSOs and local authorities, simultaneously promoting the principles of transparency and good governance in physical/spatial planning. The beneficiaries and partners on the project are some Croatian CSOs, cities and municipalities and one CSO from Maribor, Slovenia.

- “Participative Budgeting – citizens-watch of local governments budgets” to build CSOs budget watch capacities and skills, to develop cooperation among CSOs and local authorities in budgetary cycles, to raise public awareness of the right of citizens to participate in budgetary cycles and their right to be included in the budget watch. The beneficiaries are CSOs from various Croatian cities and one from Reykjavik, Iceland.

Provided there is a will within a country, all external possibilities for improving public participation should be used.

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