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# OPEN AND TRANSPARENT BUDGET PROCESS IN WESTERN BALKAN COUNTRIES

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## Abstract

*Budget openness and transparency are key elements of the effective management of public finances, determining the fiscal risks, rational financial decision-making, increasing accountability by policy makers and improving fiscal policies. It is difficult to define budget transparency, and also its measurement is an exceptional challenge. This is because different researchers / institutions use different ways (mostly questionnaires or surveys) to measure the fiscal transparency. Our research is mainly focused on elaborating the openness of budget processes in Western Balkan countries (as a specific group of countries consisted of: Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Kosovo and Serbia) dominantly based on a globally accepted methodology designed by Open Budget Partnership (Open Budget Index and Open Budget Survey Tracker), and partly on our own analysis.*

**Key Words:** budget transparency, Western Balkans, open budget index

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## Introduction

Budget (fiscal) transparency ensures openness of Governments to the public about the structure and functions of governments, fiscal positions, potential risks, benefits versus costs of fiscal actions and fiscal projections. Fiscal transparency allows for a better informed debate by both policymakers and the public about the design and results of fiscal policy, and *provides legislatures, markets, and citizens with the information*

*they need to hold governments accountable.* It helps to highlight risks to the fiscal outlook, allowing an earlier and smoother fiscal policy response to changing economic conditions and thereby reducing the incidence and severity of crises. According to the IMF, OECD and numerous other studies fiscal transparency and accountability in public finances is one of the main prerequisites for better macroeconomic and fiscal stability, better credit ratings and better fiscal discipline (lower public debt and deficits), reduced levels of corruption and determinant for higher rates of economic growth (see *IMF factsheet*, 2014)

It is difficult to define budget transparency, and also is an exceptional challenge its measurement. This is because different researchers / institutions use different ways (mostly questionnaires or surveys) to measure the fiscal transparency. In addition briefly will be presented internationally accepted methodologies and documents that constitute the pillars on which are based the dominant part of the research in this area. In this respect we will just point out the most important guidelines for measuring budget transparency, i.e.:

- *IMF's - Code of Good Practices on Fiscal Transparency.* First published in 1998 and last updated in 2007, the IMF's Code of Good Practices on Fiscal Transparency and accompanying Manual and Guide are the centerpieces of global fiscal transparency standards (see IMF 2007, . Over the years, the Code provided the framework for conducting assessments of countries' fiscal transparency, as part of the IMF's Reports on the Observance of Standards and Codes (ROSC) initiative published results for over 93 countries). In 2014, IMF reviewed the state of fiscal transparency in the wake of the recent financial crisis and proposed a series of improvements to existing international fiscal transparency standards and monitoring arrangements<sup>1</sup> (see IMF 2014, Cottarelli, 2012).
- *OECD's – Best Practices for Budget Transparency.* At its 1999 annual meeting, the OECD Working Party of Senior Budget Officials asked the OECD Secretariat to draw together a set of best practices related to budget transparency based on member countries' experiences. The "OECD Best Practices for Budget Transparency" are designed as a reference tool for governments to use in order to increase the degree of budget transparency in their respective countries<sup>2</sup>. Its important to note that the document covers transparency at the central government level only, and so does not provide guidance regarding subnational government. The best practices are in three parts:- lists the principal budget reports that governments should produce and their general content; -describes specific disclosures to be contained in the reports, including both financial and non-financial performance information; - highlights practices for ensuring the quality and integrity of the reports (see OECD, 2002).
- *IBP's – Guide to the Open Budget Questionnaire:* An Explanation of the Questions and the Response Options<sup>3</sup>. The Open Budget Survey 2012 (2006-2012) examines 100 countries from around the world, measuring three aspects of how governments are managing public finances: Budget transparency – the amount, level of detail, and timeliness of budget information governments are making publically available. Each country is given a score between 0 and 100 that determines its ranking on the Open Budget Index. Budget participation – the opportunities governments are providing to civil society and the general public to engage in decisions about how public resources are raised and spent. Budget oversight – the capacity and authority of formal institutions (such as legislatures and supreme audit institutions) to understand and influence how public resources are being raised and spent.

These documents represent methodological pillars for measuring budget transparency on a global level. Taking in to account previous methodological pillars the aim of our research in this direction is initially focused at: elaborating the openness of budget processes in Western Balkan countries dominantly based on

1) Новиот Водич за фискална транспарентност на ММФ е структуриран во четири главни столбови чиј што фокус е ставен на потребните информации и податоци за ефективен фискален менаџмент и надзор . (види детално IMF, 2014)

2) According this document budget transparency is defined as the full disclosure of all relevant fiscal information in a timely and systematic manner. The best practices are based on different countries' experiences in each area and are organised around specific reports for presentational reasons only.

3) See un details: <http://internationalbudget.org/what-we-do/open-budget-survey/research-resources/guides-questionnaires/>

globally accepted methodology designed by Open Budget Partnership (because some of the countries are still not part of OBI report), which every year calculate Open Budget Index for over one hundred countries. Beside analyze of fiscal transparency based on Open Budget Index as well known measure for budget openness, we will also present a newest measure of the level of fiscal/budget transparency implemented by OBP, named as Budget Tracker. Countries part of our analysis are: Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Kosovo and Serbia.

## ALBANIA

**Executive, legislative and judiciary power.** Albania is a parliamentary democracy as defined by the Constitution of Albania<sup>4</sup>. The Prime Minister is the head of the government, and of a multiparty system (Part I of the Constitution). Executive power is exercised by the government. Legislative power is vested in both the government and parliament, the Assembly of the Republic of Albania. The court system, consist of a Constitutional Court, the Court of Cassation, appeals courts and district courts. The Public Finances are also regulated by the Albanian Constitution. Public Finances are included in Part Thirteen-Public Finances and defined in the following Articles: 155, 156, 157, 158,159, 160 and 161.

### Budget documents<sup>5</sup>

| Documents   | Yes/No    | Comment <sup>6</sup>   |
|---|-----------|--|
| Pre-budget statements   | Yes       | These documents provide information that links government policies and budgets and typically sets forth the broad parameters that will define the budget proposal that is presented to the legislature.  |
| Executive budget proposal   | Yes       | Albania should increase the comprehensiveness of the Executive's Budget Proposal.  |
| Supporting budget documents (mid-term budget framework, fiscal strategy, EU PEP-pre-accession program, etc) | Partially | Albania do not produce Mid-term budget framework but has produced and published fiscal program 2014-2016 <sup>7</sup> . Does not publish the EU PEP-pre-accession program.   |
| Citizens budget   | No        | If Albania provides and publishes the Citizens budget, the Albania's score will be increased for a few points.   |
| Enacted budgets   | Yes       |  |
| End-year reports  | Yes       | Albania provides these reports only for internal use.  |
| Audit reports   | Yes       | According to the recommendations from Open Budget Survey, Albania should improve the quality of the Audit report by including an executive summary along with the Audit report and publishing reports listing actions taken by the executive to address audit recommendations. |

4) <http://www.ipls.org/services/constitution/const98/contents.html>

5) The budget documents are presented as a minimum required documents to represent best practices in the public finances and exercising fiscal transparency as per the International budget partnership: <http://internationalbudget.org/budget-analysis/>.

6) <http://internationalbudget.org/wp-content/uploads/OBI2012-AlbaniaCS-English.pdf>

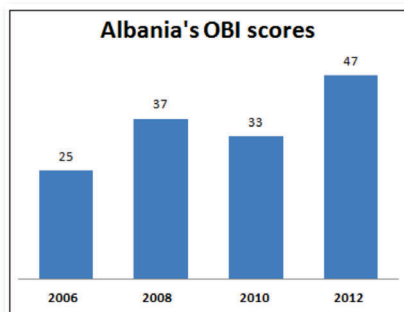
7) [http://www.financa.gov.al/files/userfiles/Programimi\\_EkonomikoFiskal/Programi\\_Ekonomik\\_e\\_Fiskal/EFP\\_2014\\_english\\_FINAL.pdf](http://www.financa.gov.al/files/userfiles/Programimi_EkonomikoFiskal/Programi_Ekonomik_e_Fiskal/EFP_2014_english_FINAL.pdf)

## Fiscal transparency in Albania<sup>8</sup>

Albania has increased the fiscal transparency in the last few years. According to the Open Budget Index, Albania's score in 2012 is 47 out of 100, which is increased for 14 points from its OBI score of 33 in 2010. Albania's score indicates that the government provides the public with only some information on the national government's budget and financial activities during the course of the budget year. With the score that Albania has in 2012, the government has the potential to greatly expand budget transparency by introducing a number of short-term and medium-term measures, some which can be achieved at almost no cost to the government.

According to the recommendations of OBI, Albania should take some further steps to improve its budget transparency. Some of them are the following:

- Publication of a Year-End Report, which is currently produced for internal use;
- Producing and publishing a Citizens Budget;
- Producing and publishing a Mid-Year Review;
- Increasing the comprehensiveness of the Executive's Budget Proposal and so on.



Also, there is a space where the budget oversight can be improved. The international Budget Partnership recommends that:

- the legislature should have a specialized budget research office to assist it with budget analysis,
- the legislative should scrutinize all audit reports,
- and the executive should be required to seek approval from the legislature prior to shifting funds between administrative units and between line items and prior to using contingency funds.

## BOSNIA AND HERZEGOVINA

### Constitutional and legal arrangement

**Executive, legislative and judiciary power.** According to the Constitution of Bosnia and Herzegovina<sup>9</sup> (Article IV-Parliamentary Assemble, Article V-Presidency and Article VI-Constitutional Court) the politics takes place in a framework of a parliamentary representative democratic republic, whereby the Council of Ministers of Bosnia and Herzegovina is the head of government, and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and parliament. Members of the parliament are chosen according to a proportional representation system. The Judiciary is independent of the executive and the legislature. The system of government established by the Dayton Accord is an example of consociationalism, as representation is by elites who represent the country's three major groups, with each having a guaranteed share of power.

Public finances are also regulated by the Constitution more concrete in **Article VIII: Finances**: "1.The Parliamentary Assembly shall each year on the proposal of the Presidency, adopt a budget covering the expenditures required to carry out the responsibilities of institutions of Bosnia and Herzegovina and the international obligations of Bosnia and Herzegovina. 2. If no such budget is adopted in due time, the budget for

<sup>8</sup>) <http://internationalbudget.org/wp-content/uploads/OBI2012-AlbaniaCS-English.pdf>

<sup>9</sup>) [http://www.ccbh.ba/public/down/USTAV\\_BOSNE\\_I\\_HERCEGOVINE\\_engl.pdf](http://www.ccbh.ba/public/down/USTAV_BOSNE_I_HERCEGOVINE_engl.pdf)

the previous year shall be used on a provisional basis. 3. The Federation shall provide two-thirds, and the Republika Srpska one-third, of the revenues required by the budget, except insofar as revenues, are raised as specified by the Parliamentary Assembly”.

### Budget documents

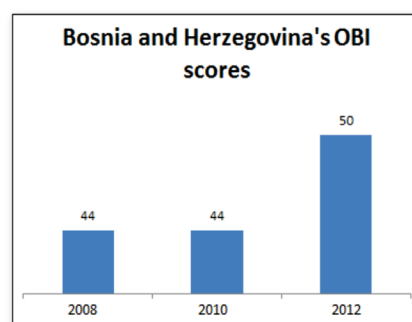
| Documents   | Yes/No | Comment <sup>10</sup>  |
|---|--------|--|
| Pre-budget statements   | Yes    |  |
| Executive budget proposal   | Yes    |  |
| Supporting budget documents (mid-term budget framework, fiscal strategy, EU PEP-pre-accession program, etc) | No     | B&H does not produce these documents.  |
| Citizens budget for a few points.   | No     | If B&H provides and publishes CB the OBI score will be increased   |
| Enacted budgets   | Yes    | B&H should provide program-level details in enacted budgets.   |
| End-year reports  | Yes    | B&H should increase the level of detail of explanation of the differences between original nonfinancial and performance information and enacted levels of funds intended to benefit the poor in the country and their actual outcomes. |
| Audit reports   | Yes    |  |

### Fiscal transparency of Bosnia and Herzegovina<sup>11</sup>

Bosnia and Herzegovina provides the public only some information on the national government's budget and financial activities during the course of the budget year. B&H has increased its score since the last round of the Open Budget Survey which is an encouraging development and for which the government is congratulated. With a score of 50 out of 100 on the OBI 2012, the government of B&H has the potential to greatly expand budget transparency by introducing a number of short-term and medium-term measures, some of which can be achieved at almost no cost to the government.

According to the recommendations of the International Budget Partnership, the government should undertake some steps to improve its transparency:

- to produce and publish Citizens Budget;
- to produce and publish a Mid-Year Review;
- to increase the comprehensiveness of the Executive's Budget Proposal (especially in: expenditures for the budget year by functional classification and aggregate level of expenditures presented for a multi-year period; expenditures for the year preceding the budget year by functional classification; anticipated revenues for at least two years beyond the budget year and for the year prior to the budget year...);



10) <http://internationalbudget.org/wp-content/uploads/OBI2012-BosniaHerzegovinaCS-English.pdf>

11) <http://internationalbudget.org/wp-content/uploads/OBI2012-BosniaHerzegovinaCS-English.pdf>

- to increase the comprehensiveness of the Enacted Budget by providing program-level details in it;
- to increase the comprehensiveness of the In-Year Reports by providing information on the composition of government debt and actual borrowing in them;
- to increase the comprehensiveness of the Year-End Report by auditing outcomes, by increasing the level of detail of explanation of the differences between original nonfinancial and performance information and enacted levels of funds intended to benefit the poor in the country and their actual outcomes.

About the budget oversight the IBP also recommends B&H undertake some further steps to improve the budget oversight. According to that, the legislature in B&H should have internal capacity to conduct budget analyses and have a formal pre-budget policy debate prior to the tabling of the executive's Budget Proposal.

## KOSOVO

### Constitutional and legal arrangement

**Executive, legislative and judiciary power:** In the Republic of Kosovo the legislative power is exercised by the Assembly of the Republic of Kosovo. As such, the Assembly of the Republic of Kosovo is the highest representative and legislative institution in Republic of Kosovo directly elected by the people (Constitution of Kosovo<sup>12</sup>, Chapter IV- Assembly of the Republic of Kosovo). The Government of Kosovo exercises the executive power in accordance with the Constitution and with law. The Government of Kosovo is composed by the Prime minister, vice-prime ministers and ministers. The Government implements the laws and acts ratified by the Assembly of Kosovo, and carries out other activities within the responsibilities defined by the Constitution and law (Chapter VI- Government of the Republic of Kosovo). Judicial power in the Republic of Kosovo is exercised by the courts (Chapter VII- Justice System).

### Budget documents

| Documents   | Yes/No    | Comment <sup>13</sup>   |
|---|-----------|---|
| Pre-budget statements   | No        |   |
| Executive budget proposal   | Yes       |   |
| Supporting budget documents (mid-term budget framework, fiscal strategy, EU PEP-pre-accession program, etc) | Partially | Kosovo publishes only Mid-term plan of revenues on municipal level, but publishes the Budget plan for next 2 years. |
| Citizens budget   | No        |   |
| Enacted budgets   | Yes       |   |
| End-year reports  | Yes       |   |
| Audit reports   | /         | Not available on English language   |

### Fiscal transparency of Kosovo<sup>14</sup>

The Budget process requires the establishment of transparent practices for budget management and a sound degree of accountability in the collection of budget revenue and its distribution. The Institute for Development Research has made research about the budget system in Kosovo, and they have developed some proposals for improving the fiscal transparency in Kosovo. According to the research, series of sensi-

12) <http://www.kryeministri-ks.net/repository/docs/Constitution1Kosovo.pdf>

13) <http://mf.rks-gov.net/en-us/fillimi.aspx>

14) <http://www.riinvestinstitute.org/publikimet/pdf/15.pdf>

tive decisions should be taken in setting 21 priorities (accompanied by rigorous estimation, open debate, competition of needs/projects based on proper sectoral strategies). The public should be educated in order to ensure its active participation in discussions about the priorities. This kind of process would lead to a more realistic budget, also followed by a system of budget monitoring and estimation, so that a higher level of accountability would result in better budget management. The first steps necessary in establishing this kind of practice have not yet been initiated in Kosovo. Discussions on the budget and its managerial practices are not open enough to the public and sometimes, even to important institutions such as Parliament.

The level of public information with respect to the Kosovo Consolidated Budget and municipal budget is very low. The survey of 600 private businesses shows that only approximately 9% of respondents consider that they are properly informed about budget expenditure, while only approximately 5% are informed on where and how the budget revenue from taxes and customs are distributed. The budget system and its management should contribute toward the establishment of the concept of a “national budget of Kosovo”, which should justify public expectations and increase fiscal culture in general. Also public awareness, as regards their responsibility as a taxpayer, should be increased, notwithstanding transparent policies and the accountability of budget managers toward the taxpayers.

*Kosovo fiscal transparency is not surveyed by OBI.*

## MACEDONIA

### Constitutional and legal arrangement

**Executive, legislative and judiciary power:** Politics in the Republic of Macedonia occur within the framework of a parliamentary representative democratic republic, whereby the Prime Minister is the head of government, and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and parliament. The Judiciary is independent of the executive and the legislature (Constitution of the Republic of Macedonia, Article 8<sup>15</sup>).

### Budget documents

| Documents   | Yes/No | Comment <sup>16</sup>   |
|---|--------|---|
| Pre-budget statements   | No     |   |
| Executive budget proposal   | Yes    |   |
| Supporting budget documents (mid-term budget framework, fiscal strategy, EU PEP-pre-accession program, etc) | Yes    | Macedonia provides and publishes all these supporting budget documents                      |
| Citizens budget increased for a few points.   | No     | If Macedonia provides and publishes CB the OBI score will be                                |
| Enacted budgets   | Yes    |   |
| End-year reports  | Yes    | Macedonia should increase the comprehensiveness of the Year-End Report by auditing outcomes |
| Audit reports   | Yes    | Macedonia should improve the quality of the Audit reports                                   |

15) <http://www.sobranie.mk/ustav-na-rm.nspix>

16) <http://internationalbudget.org/wp-content/uploads/OBI2012-MacedoniaCS-English.pdf>



### Fiscal transparency of Macedonia<sup>17</sup>

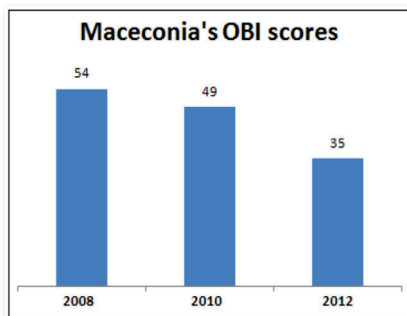
Macedonia's fiscal transparency is below the average transparency of 100 countries that are surveyed by OBI in 2012. Its score is 35, and it is lower than the scores of all neighbors in the region: Bosnia and Herzegovina, Croatia, Serbia and Albania.

Macedonia's score indicates that the government provides the public with minimal information on the national government's budget and financial activities during the course of the budget year.

In addition, is important to be mentioned that Macedonia declines its score every year from the beginning of the survey.

The International Budget Partnership has developed recommendations for undertaking steps to improve the budget transparency. Some of them are the following:

- to produce and publish a Pre-Budget Statement and a Mid-Year Review (only Serbia from the neighborhood publishes the Mid-Year Review);
- to produce and publish a Citizens Budget;
- to increase the comprehensiveness of the Executive's Budget Proposal; to increase the comprehensiveness of In year Reports by comparing actual year-to-date expenditures and revenues with either the original estimate for that period or the same period in the previous year and by providing information on the composition of government debt and actual borrowing;
- Macedonia should increase the comprehensiveness of the Yeas-End Report by auditing outcomes, increasing the level of detail of explanation of the differences between original expenditure estimates, original macroeconomic forecast, original nonfinancial and performance information, and enacted levels of funds intended to benefit the poor in the country and their actual outcomes, along with actual outcomes for extra budgetary funds;
- Macedonia should increase the comprehensiveness of the Audit Reports by making public report on what steps the executive has taken to address audit recommendations or findings that indicate a need for remedial action and by providing to the legislature annual accounts of the security sector and other secret programs.
- the executive should consult with members of the legislature as part of its process of determining budget priorities and be required to seek approval from the legislature prior to using contingency funds.



## MONTENEGRO

### Constitutional and legal arrangement

**Executive, legislative and judiciary power:** Politics of Montenegro takes place in a framework of a parliamentary representative democratic republic, whereby the Prime Minister of Montenegro is the head of government, and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and the Parliament of Montenegro. The Judiciary is independent of the executive and the legislature (The Constitution of Montenegro<sup>18</sup>, Article 11-Division of Powers, Part 3-Organization of Powers).

17) <http://internationalbudget.org/wp-content/uploads/OBI2012-MacedoniaCS-English.pdf>

18) [http://www.comparativeconstitutionsproject.org/files/Montenegro\\_2007.pdf](http://www.comparativeconstitutionsproject.org/files/Montenegro_2007.pdf)



**Budget documents**

| Documents  | Yes/No | Comment |
|--|--------|---------|
| Pre-budget statements  | No     |         |
| Executive budget proposal  | Yes    |         |
| Supporting budget documents<br>(mid-term budget framework, fiscal<br>strategy, EU<br>PEP-pre-accession program, etc) | Yes    |         |
| Citizens budget  | No     |         |
| Enacted budgets  | Yes    |         |
| End-year reports   | Yes    |         |
| Audit reports  | Yes    |         |

**Fiscal transparency of Montenegro<sup>19</sup>**

Montenegro is not surveyed by the Open Budget Survey, and cannot be compared with the countries of its neighborhood by scores of its fiscal transparency. According to the Open Government Partnership, the Government of Montenegro will undertake some steps to increase the fiscal transparency:

The Government should amend the Organic budget law to define budgeting calendar dates more specifically, aiming to provide sufficient time to all participants in the planning process, including also the parliamentary procedure.

Furthermore, introduction of specific fiscal rules and medium-term budgeting are also necessary, which will increase significantly the transparency, accountability in planning and implementation, as well as precision in budget planning.

The Ministry of Finance should introduce, as a standing practice, a presentation of the annual budget in a visually comprehensible and simple manner, in order to ensure better understanding and increase public interest for budget operations.

The same practice should be established for the amended budget as well. Taking into account that the Program Budgeting significantly improves efficiency in spending of budget resources of some budget users, the Ministry of Finance should continue its implementation and work on identifying and developing performance indicators, as a mechanism for monitoring planned activities.

Moreover, with the objective to increase transparency of the use of public resources, the Ministry of Finance should make amendments to the Chart of Accounts, which will improve the expenditure control.

In addition, the Ministry of Finance should form internal structures that will monitor reports of the State Audit Institution, its findings, stated recommendations and its implementation by the audited institution.

The Government should work on improving communication and exchange of information and findings between the internal audit system and the State Audit Institution.

Montenegro fiscal transparency is not surveyed by OBI.

19) <http://www.opengovpartnership.org/country/commitment/budget-transparency>

## SERBIA

### Constitutional and legal arrangement

**Executive, legislative and judiciary power:** The legal system in Serbia is unique. Government system shall be based on the division of power into legislative, executive and judiciary. Relation between three branches of power shall be based on balance and mutual control. Judiciary power shall be independent (Constitution of the Republic of Serbia<sup>20</sup>, Part 1- General provisions, Article 4.). The concrete provisions about the power division are defined in Part 5- Organization of Government.

### Budget documents

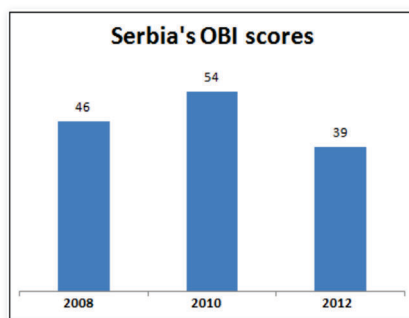
| Documents   | Yes/No | Comment <sup>21</sup>  |
|---|--------|--|
| Pre-budget statements   | No     |  |
| Executive budget proposal   | Yes    | Serbia should increase the comprehensiveness of the Executive's Budget Proposal  |
| Supporting budget documents (mid-term budget framework, fiscal strategy, EU PEP-pre-accession program, etc) | Yes    | Serbia should increase the comprehensiveness of the Mid-Year Review by improving the discussion of the updated macroeconomic forecast. |
| Citizens budget   | No     | If Serbia provides and publishes Citizens Budget the OBI score will be increased for a few points.                                     |
| Enacted budgets   | Yes    |  |
| End-year reports  | Yes    | Serbia should increase the comprehensiveness of the Year-End report  |
| Audit reports   | Yes    | Serbia should improve the quality of the Audit report  |

### Fiscal transparency of Serbia<sup>22</sup>

Serbia in the past few years has significantly decreased its fiscal transparency. Only Serbia and Macedonia has decreased their OBI scores in 2012. Serbia's score is 39 out of 100 which is below the average score of 43 for all surveyed countries. Serbia's score indicates that the government provides the public with minimal information on the national government's budget and financial activities during the course of the budget year.

For that purpose, the International Budget Partnership has provided some recommendation for improving the transparency. Some of them are the following:

- Serbia should produce and publish a Pre-Budget Statement and Citizens Budget;
- Serbia should increase the comprehensiveness of the Executive's Budget Proposal;



20) [http://www.srbija.gov.rs/cinjenice\\_o\\_srbiji/ustav.php?change\\_lang=en](http://www.srbija.gov.rs/cinjenice_o_srbiji/ustav.php?change_lang=en)

21) <http://internationalbudget.org/wp-content/uploads/OBI2012-SerbiaCS-English.pdf>

22) <http://internationalbudget.org/wp-content/uploads/OBI2012-SerbiaCS-English.pdf>

- should increase the comprehensiveness of the Mid-Year Review by improving the discussion of the updated macroeconomic forecast, including more detailed updated expenditure and revenue estimates for the remaining six months of the fiscal year;
- should increase the comprehensiveness of the Year-End report by releasing the report six months or less after the end of the fiscal year, etc.
- Also, IBP recommends Serbia to improve the quality of the Audit report by realizing to the public audits of extra-budgetary funds and publishing reports listing actions taken by the executive to address audit recommendations.
- Also, for improving the budget oversight the legislature in Serbia should have a specialized budget research office to assist it with budget analysis, have a formal pre-budget policy debate prior to the tabling of the Executive's Budget Proposal, have the executive present the budget proposal at least three months before the start of the fiscal year, consult with members of the legislature as part of its process of determining budget priorities, and be required to seek approval from the legislature prior to spending contingency funds.

### Open Budget Survey Tracker

Transparency and accountability, as two basic principles of good governance, are crucial in providing information and insight to the public on how public money, our money, is collected, allocated and spent. Additionally, transparency and accountability are necessary to show the determination and the intention of the public institutions, as well as to inform and to share this information with the public. But where a citizen as a fresh public finance starter can start to look at? What documents he or she should ask and/or look for? Anyone, taxpayer or citizen, should be able to follow how his own money are spent by the government. It may look simple to track availability and timelines of the 8 budget documents but this tracking can be an important instrument to promote that transparency and accountability to the general public.

In September 2014, IBP launched the Open Budget Survey Tracker ([www.obstracker.org](http://www.obstracker.org)), an online monitoring tool allowing citizens, civil society, media, and others to monitor in real time whether central governments are releasing the requisite information on how the government is managing public finances.

The IBP main reasons for developing this tool were to: enable people to be the judge of whether or not their government officials are good stewards of public funds; provide the public with comprehensive and timely information on the government's budget and financial activities; provide opportunities to participate in decision making which can strengthen the oversight and improve policy choices; fighting with restricting access to information which can create opportunities for governments to hide unpopular, wasteful, and corrupt spending, ultimately reducing the resources available to fight poverts.<sup>23</sup>

Why an **OBS Tracker**? A country's Open Budget Index score is the most comprehensive measure of budget transparency at the central government level but is updated only every two years. *Therefore OBS Tracker monitors on monthly basis one of the factors included in the Open Budget Index: whether governments at least release the eight key budget documents to the public (it does not assess the level of detailed information provided).* Though the Open Budget Index score is the gold standard measure, the Tracker allows for tracking a country's progress on meeting basic international standards for the publication of budget documents.

This tool is especially important for developing and emerging countries which do not have alternative ways to measure and monitor its level of transparency and accountability. Western Balkan countries are among countries where an independent and comprehensive way/tool for monitoring and improving transparency

23) That is why we at CEA have joined a global effort to implement a new tracking tool. On Sept. 12, 2104, the US-based International Budget Partnership (IBP) launched a new tracking tool, the Open Budget Survey Tracker to provide real-time information on the availability to the citizens of eight essential budget documents.

and accountability is more than needed. This is one of the reasons to present, in this part of the study the real results and outcomes of this new IBP activity. From all of the Western Balkan countries only Macedonia was initially included in the Open Budget Survey Tracker, so in addition we want to elaborate its situation in terms of transparency and accountability.

Table: Current situation in Macedonia

| Document                    | Fiscal Year | Current Status       | Comments | Date of Publication | Next Publishing Period  |
|-----------------------------|-------------|----------------------|----------|---------------------|---|
| Pre-Budget Statement        | 2015        | ● Not produced       |          | Unavailable         | Sep 1, 2015 - Oct 15, 2015  |
| Executive's Budget Proposal | 2015        | ● Publicly available |          | Sep 14, 2014        | Oct 1, 2015 - Dec 31, 2015  |
| Enacted Budget              | 2015        | ● Publicly available |          | Jan 5, 2015         | Before Mar 31, 2015   |
| Citizens Budget             | 2014        | ● Not produced       |          | Unavailable         | Same as either the Executive Budget Proposal or Enacted Budget.                                 |
| In-Year Report              | 2015        | ● Publicly available |          | Jan 31, 2015        | Publishing period for each report is one to three months after a particular month/quarter ends. |
| Mid-Year Review             | 2014        | ● Not produced       |          | Unavailable         | Jul 1, 2015 - Sep 30, 2015  |
| Year-End Report             | 2013        | ● Publicly available |          | Jul 16, 2014        | Jun 30, 2015 - Dec 31, 2015   |
| Audit Report                | 2012        | ● Publicly available |          | Oct 24, 2013        | Before Jun 30, 2015   |

Source: Open Budget Partnership, OBI tracker, see: <http://www.obstracker.org/status/Macedonia>

From the table above we can see the current status of Macedonia regarding publicly available budget documents. The red marks show the documents which are not produced, and which should be put on a priority list by the Macedonian government: Pre-Budget Statement, Citizens Budget and Mid-Year Review. The table below presents the historical information about improvements of the level of transparency and accountability. It also enables us to see the undertaken periodical activities regarding the main budget documents.

Historical information about Macedonia

|          | Pre-Budget Statement | Executive's Budget Proposal | Enacted Budget | Citizens Budget | In-Year Report | Mid-Year Review | Year-End Report | Audit Report |
|----------|----------------------|-----------------------------|----------------|-----------------|----------------|-----------------|-----------------|--------------|
| Feb 2015 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| Jan 2015 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| Dec 2014 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| Nov 2014 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| Oct 2014 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| Sep 2014 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| Aug 2014 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| Jul 2014 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |
| OBS 2012 | ●                    | ●                           | ●              | ●               | ●              | ●               | ●               | ●            |

Source: Open Budget Partnership, OBI tracker, see: <http://www.obstracker.org/status/Macedonia>

Having in mind on one hand the advantages offered by this tool in terms of continuous monitoring of the level of budget transparency and accountability, and on the other hand the enormous need for monitoring of the level of transparency in the Western Balkans, we sincerely hope that each of the countries in this region will become a part of this global analysis /framework in the near future.

## Conclusions and recommendation

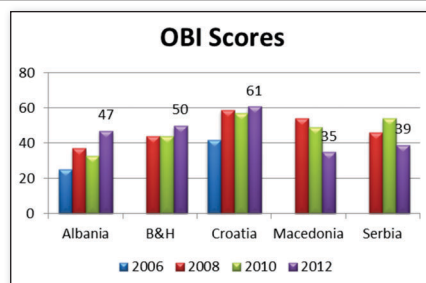
Fiscal transparency allows a better informed debate by both policymakers and the public about the design and results of fiscal policy, and provides legislatures, markets, and citizens with the information they need to hold governments accountable. Having in mind the close connections of fiscal transparency and accountability with: the trend of increasing budget deficits and public debt, i.e. lower fiscal discipline; the credit rating of the country and the possibility of borrowing on the international capital markets; and the level of corruption – measuring and improving fiscal transparency in the Western Balkan countries is of enormous importance. The methodology developed by OBI provides a unique opportunity for Western Balkan countries, first to measure the level of transparency and second to detect the weak points regarding the transparency.

On the Figure below we present the OBI scores (Kosovo and Montenegro are not surveyed by OBI) of the countries in the Western Balkans plus Croatia. We can draw several general conclusions: all of the countries except Macedonia and Serbia have an upward trend of OBI, they are improving the level of budget openness and transparency; Croatia notices/records the highest OBI of 61, almost 15 points higher than Macedonia; the strongest fall of OBI in 2012 is noticed/recorded in Macedonia and Serbia (this downward trends are noticed even in the global report prepared by OBP).

**Figure**

OBI scores of the countries in Western Balkans<sup>24</sup>

Source: Open Budget Survey 2012.



According to our previous analysis in the paper, it is especially interesting to detect the weakest spots regarding budget openness in the Western Balkan countries. Thus we prepared one table below which detects the areas that require emergent attention by policy makers (government).

|   | Albania   | Bosnia and Herzegovina | Kosovo    | Macedonia | Montenegro | Serbia |
|---|-----------|------------------------|-----------|-----------|------------|--------|
| Documents   | Yes/No    | Yes/No                 | Yes/No    | Yes/No    | Yes/No     | Yes/No |
| Pre-budget statements   | Yes       | Yes                    | No        | No        | No         | No     |
| Executive budget proposal   | Yes       | Yes                    | Yes       | Yes       | Yes        | Yes    |
| Supporting budget documents (mid-term budget framework, fiscal strategy, EU PEP-pre-accession program, etc) | Partially | No                     | Partially | Yes       | Yes        | Yes    |
| Citizens budget   | No        | No                     | No        | No        | No         | No     |
| Enacted budgets   | Yes       | Yes                    | Yes       | Yes       | Yes        | Yes    |
| End-year reports  | Yes       | Yes                    | Yes       | Yes       | Yes        | Yes    |
| Audit reports   | Yes       | Yes                    | /         | Yes       | Yes        | Yes    |

24) Kosovo and Montenegro are not surveyed by OBI.

Taking into account the results of the table and our previous analysis we would like at the end to briefly summarize the general recommendations directed to Western Balkan countries:

- All countries should begin to publish / develop Citizens budget as the main tool for bringing the budget and its implementation closer to the public;
- Most of the countries (except Albania and Bosnia and Herzegovina) should develop and publish Pre - Budget Statement;
- A part of the countries need to increase the coverage of information (important information missing) regarding the supporting budget documents (mid-term budget framework, fiscal strategy, EU PEP-pre-accession program, etc.), as well as to provide additional detailed information on the proposed budget that will allow easier monitoring of the effects of the budget and determining the fiscal position of policy makers;
- All countries should create mechanisms and opportunities for public involvement in the discussions about the budget and the budget process (all Western Balkan countries are in the lowest group by OBI for this area);
- Increased attention needs to be paid to the auditor's report on the budget, especially regarding a successful implementation of the audit remarks and recommendation;
- The countries should start to think about the introduction of performance-based budgeting that would allow not only a significant improvement of the transparency of budget activities, but also an improvement of the accountability and efficiency in the implementation of the budget.

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