



Centar za zastupanje
građanskih interesa

2017

TRANSPARENTEM MEANS
"SEE LIGHT THROUGH"

BUDGET TRANSPARENCY OF LOCAL SELF-ADMINISTRATIVE UNITS IN BOSNIA AND HERZEGOVINA

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Introduction



SEE LIGHT THROUGH

Transparency has one of the main roles in promoting democratic ideas, and the whole notion of democracy.

There are various definitions of →a budget. It is used in both professional terms, as well as in the colloquial language. In the terms of economy, budget can be defined in three ways:

1. a report of the financial position of a nation's government units for a determined period of time, based on estimates of expenditures and proposals for financing them;
2. a plan for coordination of resources and expenditures;
3. the amount of money that is available for, required for, or assigned to a particular purpose.¹

¹ 'Definition Of BUDGET' (Merriam-webster.com, 2017) <<https://www.merriam-webster.com/dictionary/budget>> accessed 29 May 2017.

Moreover, a term most often used in combination with the previously defined term – budget is transparency. Derived from Latin *transparentem* which literally means “see light through”² in relation with the word budget can be understood as a quality of a certain institution being transparent in what they are doing, the openness of the information, in this case it would be the openness of the budget – its availability and accuracy.

When discussing budgets of the public sector – part of the overall economy consisted of all government and government-controlled businesses, not including private-owned possessions³, they ought to be transparent due to this being one of the main incentives for the eligible voters to choose one or the other representative based on how effective their control and/or usage of the budget is – in short, does the money that is given by the people end up in the right place.

Transparency has one of the main roles in promoting democratic ideas, and the whole notion of democracy. Almost every developing country should work on expanding their transparency on a national level, or in other words – eradicate corruption. According to Transparency International, corruption is the exploitation of power for private gains.⁴

2 ‘Transparency - Dictionary Definition’ (Vocabulary.com, 2017) <<https://www.vocabulary.com/dictionary/transparency>> accessed 30 May 2017.

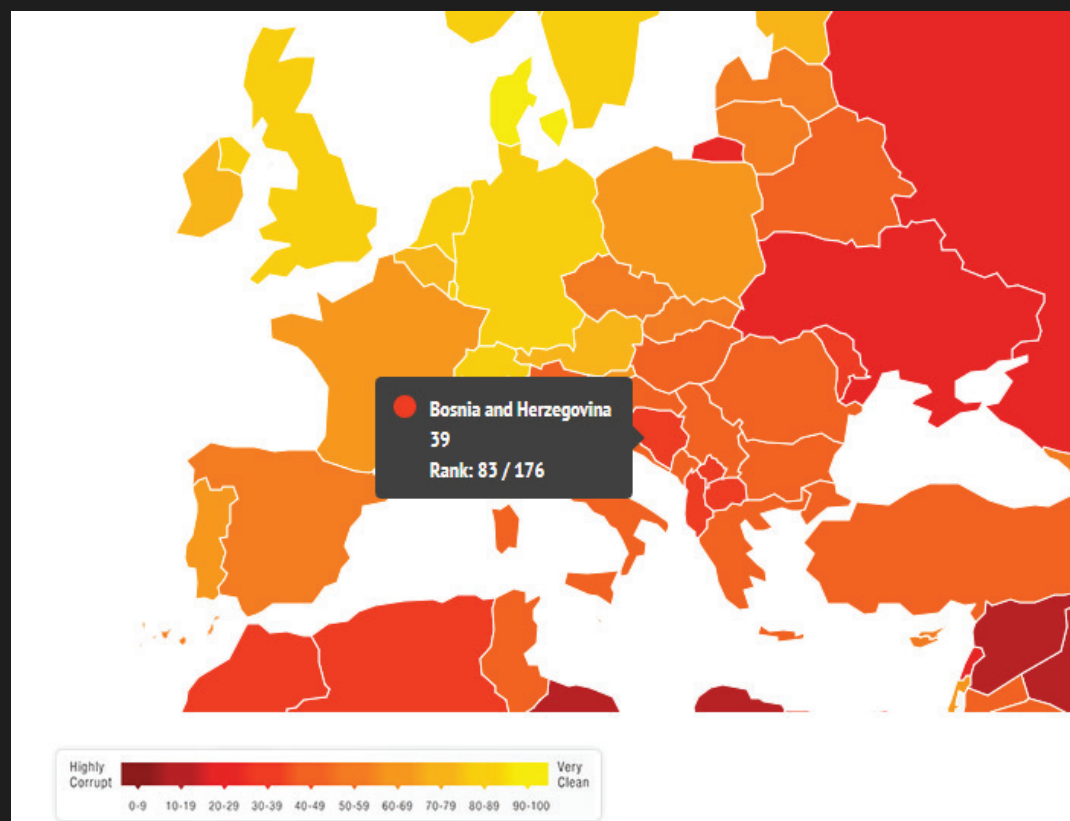
3 ‘Public Sector | Economics’ (Encyclopedia Britannica, 2017) <<https://www.britannica.com/topic/public-sector>> accessed 30 May 2017.

4 Transparency e.V., ‘Transparency International - What Is Corruption?’ (Transparency.org, 2017) <<https://www.transparency.org/what-is-corruption/#define>> accessed 30 May 2017.

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Picture 1: Bosnia and Herzegovina’s position on the TI’s CPI Map

Source: Transparency e.V., ‘Transparency International - What Is Corruption?’ (Transparency.org, 2017) <<https://www.transparency.org/what-is-corruption/#define>> accessed 30 May 2017



Transparency

About Corruption in Relation with Transparency

Corruption occurs in almost every society, under almost every occasion. This appears to be an inherent thing in the public sector, with many countries in which corruption goes over the level of “normal” – if that even exists.

Without timely and accurate budget information, it would be almost impossible for public to spot and condemn cases of mismanagement and corruption. That’s why countries lacking transparency also tend to perform poorly on corruption indicators and, more generally, governance-related ones. Governments have a number of motives for disclosing fiscal information that have little to do with the fight against corruption. And, for transparency to help tackle it, a number of additional factors need to be in place — from an active civil society, to an independent media, to effective oversight and accountability institutions.

Transparency International has launched a programme in 1995 – called the Corruption Perceptions Index – pointing out how corrupt are the public sectors of certain countries in order to make the governments act differently and, as the end result, annihilate corruption.

On the scale from 0 (Highly Corrupt) to 100 (Very Clean), according to Transparency International, as seen on the Picture 1, BiH scores 39 which is far closer to highly corrupt than very clean and ranks 83/176 countries that are a part of the research.

Corruption has been an important issue-to-be-solved in Bosnia and Herzegovina, especially in the terms of the Bosnian and Herzegovinian road to joining the European Union. There have been various attempts to exterminate corruption in Bosnia and Herzegovina, but mostly by individuals or non-governmental organizations calling upon both government institutions and the citizens to work together on the openness in order to improve the overall effects of democracy. One such non-governmental institution is CPI Foundation, whose vision is to create an informed and politically active public, and a transparent and accountable public sector in Bosnia and Herzegovina. Their main task is to gather, interpret, and make the crucial information available to the public.⁵

⁵ ‘O Nama’ (CPI Fondacija, 2017) <<http://www.cpi.ba/o-nama/>> accessed 1 June 2017.

Municipalities of Bosnia and Herzegovina and Their Budget Transparency

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BUDGET

In an Open Budget Index research, it has been stated that out of the aforementioned government levels, District of Brčko has gained the highest score of 53/100.



Municipalities of Bosnia and Herzegovina and Their Budget Transparency

There are 143 municipalities, 79 of which are in Federation of Bosnia and Herzegovina, and 64 that belong to Republic of Srpska. Since the municipalities are the smallest administrative units in Bosnia and Herzegovina, it would be good to start from them when analysing transparency.

When analyzing the budgets of various municipalities in Bosnia and Herzegovina a difference can be noticed first between the ways budgets of municipalities are constructed, with ones, such as tax revenues of Municipality of Prijedor on one side (picture 2) and tax revenues of Municipality of Novi Grad Sarajevo (picture 3).

Picture 2: Tax revenues of Prijedor Municipality



‘Javne Finansije | Budžetski Korisnici | Prijedor, Grad’ (Javnefinansije.cpi.ba, 2017) <<http://javnefinansije.cpi.ba/budžetski-korisnici/prijedor-grad.html#PORESKIPRIHODI2015>> accessed 1 June 2017.

These municipalities do differ on many levels, such as the entity they belong to, the amount of budget they have, but what is the most important in this case – which one provides more detail in explaining their budget expenditures/gains – in this case tax revenues.

Furthermore, there is a problem of the budget reports being hard to comprehend if read/researched by most of the regular citizens who do not manage the pure economic terms very well. Therefore, the budgets published by any level of the government should be somehow simplified for the masses, or the public, to understand how is the budget distributed.

There has already been action in the terms of providing information about transparency of Bosnian-Herzegovinian entities, District of Brčko, as well as cantons of Federation of Bosnia and Herzegovina, but the level of transparency of municipalities as the local self-administrative units is something rarely touched upon.

In an Open Budget Index research, it has been stated that out of the aforementioned government levels, District

of Brčko has gained the highest score of 53/100⁶ which is still low compared to some other countries included in the research.

However, as it was previously mentioned, little information has been offered to help and generalize the condition of the municipalities budgets’ transparency.

It is noticeable in the statistics provided on-line made with the gathered information from all the municipalities in Bosnia and Herzegovina that mostly few or none detailed information is provided, or the budget usage is listed as “other”. Also, there is a problem that appears in the reports themselves, with mismatching sums and mistakes, but, those can be disregarded in the process of writing down the statistics, unless the sum goes over some normal amount of money (i.e. 100 KM).

Organization for Economic Cooperation and Development (OECD) has published a sort of a guide for transparency, saying that to have a transparent bud-

get, there must be pre-budget reports, monthly reports, mid-year reports, year-end reports, pre-election reports, and long-term reports⁷ for a budget to be fully transparent. Unfortunately, Bosnian-Herzegovinian municipality budget reports are only year-end reports.

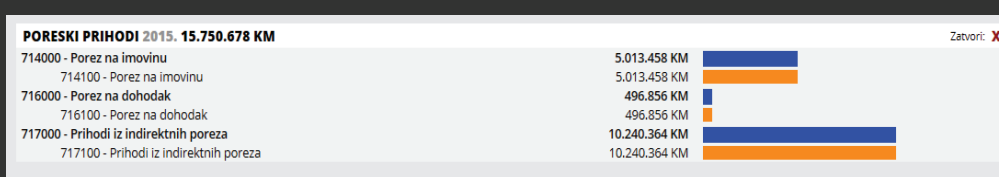
Moreover, even those year-end reports of the municipalities in Bosnia and Herzegovina are usually not available unless you contact them and ask for the budgets. If they are, on the other hand, available, they are not updated regularly so the information you can get on-line is mostly outdated, just as the picture 4 shows the example of Citluk Municipality’s website which has no posts regarding the budget.

The citizens of Bosnian-Herzegovinian municipalities rarely, or not at all participate and have an impact in creating the budget. This can be blamed on the exact fact that there is an enormous lack of transparency caused by the institutions not following the transparency guidelines set by OECD.

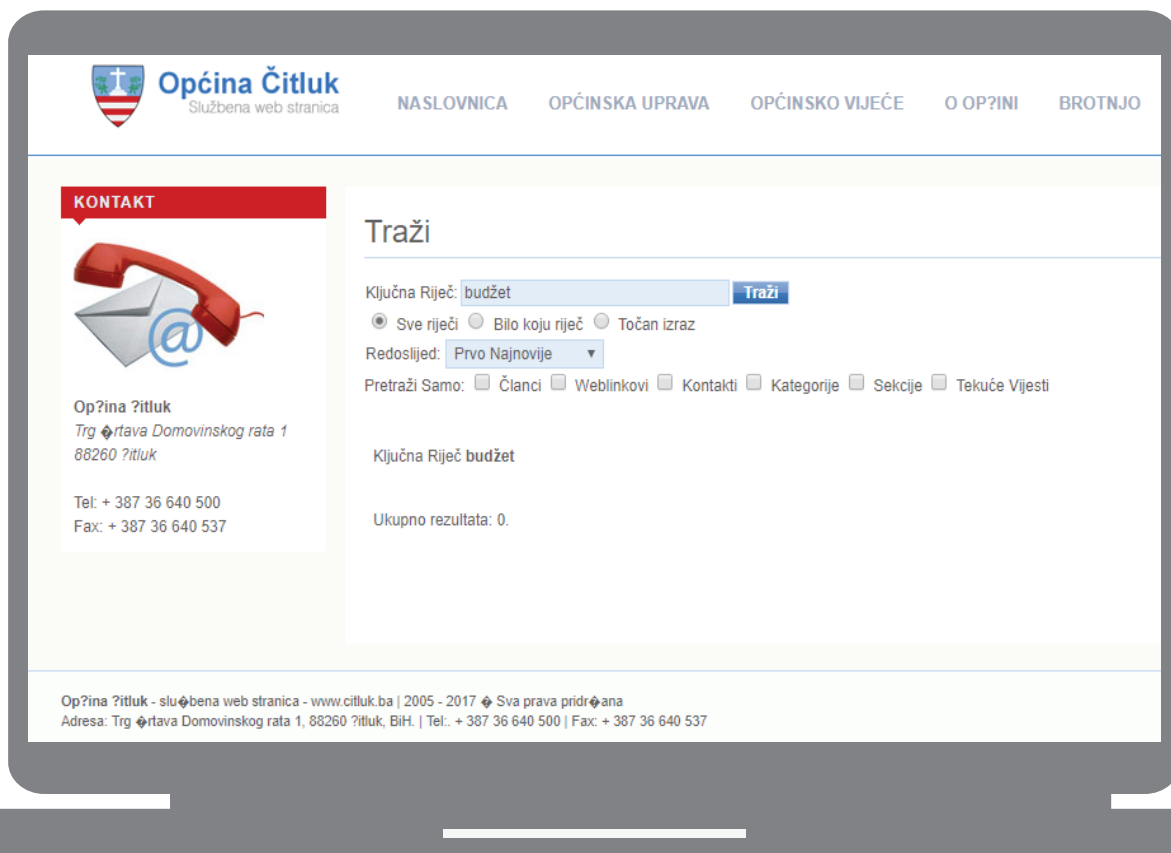
6 Mirjana Sirćo, ‘Rezultati Istraživanja Otvorenosti Budžeta BiH: glavni nalazi i preporuke’ (Fondacija Centar za zastupanje građanskih interesa 2016).

7 OECD, ‘OECD Best Practices For Budget Transparency, Public Management Committee’ (OECD 2001).

Picture 3: Tax revenues of Novi Grad Sarajevo Municipality



‘Javne Finansije | Budžetski Korisnici | Novi Grad Sarajevo’ (Javnefinansije.cpi.ba, 2017) <<http://javnefinansije.cpi.ba/budžetski-korisnici/novi-grad-sarajevo.html#PORESKIPRIHODI2015>> accessed 1 June 2017.



Picture 4: Search for
key word "budget" on
official web page of Citluk
Municipality

Source: <http://www.citluk.ba/>



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PUBLICITY
TRANSPARENCY
OPENNESS

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Recommendations

Transparency at all levels of government, including local administrative units, especially in relation to budget information, is very important in order to implement adequate programs and projects, to ensure efficient and economical spending of citizens' money, and to prevent corruption, fraud and waste of resources. Available reports on municipal revenues and expenditures enable citizens to monitor and be more involved in activities of their local communities to improve their development. Budget transparency increases confidence of people in the authorities.

To increase the transparency and availability of municipal budget information, solutions should be sought in the following:

01

harmonization of the methodology municipalities use in presenting the data in the budgetary reports;

02

a more precise definition of the "Law" provisions relating to the obligations of municipalities regarding the availability of information;

educating and raising awareness of
municipal authority about budget
transparency

03

educating and raising awareness of municipal authority about budget transparency;

04

effective supervision (internal and external) regarding compliance with the provisions of the "Law";

05

encouraging citizens to more actively monitor the work of municipal bodies and to increase their interest in participating in the creation of municipal budgets.

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