

**CROATIA AND THE INSTITUTE FOR PUBLIC FINANCE**  
**Budget Work in a Transitional Democracy**

**Albert van Zyl and Jim Shultz**

**Case study prepared for the research project**

**Lessons from Civil Society Budget Analysis  
and Advocacy Initiatives**

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# Croatia and the Institute for Public Finance: Budget Work in a Transitional Democracy

Albert van Zyl and Jim Shultz<sup>1</sup>

## 1. Introduction

To undertake the study of the Institute for Public Finance, a non-governmental organization based in Zagreb, Croatia, the authors visited the country in 2005, where they met with IPF staff, other civil society actors, members of the Croatian government and legislature, journalists, and others familiar with the IPF's work. The report aims to describe the work of the IPF and the context within which it is undertaken. General lessons for applied budget work can be drawn from the experience of the IPF.

### **An Introductory Note About the Impact of the IPF's Work**

While there is no question, in our view, about the analytic quality of the IPF's work, assessing the IPF's various impacts is more complicated. Doing so requires examining several different areas of impact.

#### *Impact on Croatia's Intellectual Elite*

Clearly, the IPF's work has had a demonstrative impact on the thinking of the intellectual elite that deals with public finance issues in Croatia. It is evidenced by our conversations with people in both the executive and legislative branches of government that the IPF's work has shaped their thinking on issues and drawn their attention to topics raised by the IPF. These actors view the IPF as a key information source, both formally and informally. The same is true, in our findings, of the IPF's impact on the handful of journalists, academics, and (the few) civil society actors who concern themselves with public finance issues. The IPF achieves this impact on thinking and attention through the variety of written products, its library, and other educational activities elaborated on in detail in the body of this report.

#### *Impact on Public Debate*

Clearly, the IPF has less impact on the general public debate about public finance issues, mostly because there seems to be an absence of such a debate beyond the policy elites noted above. As noted later, public finance issues are

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<sup>1</sup> Jim Shultz is Director of the Democracy Center in Cochabamba, Bolivia. Albert Van Zyl at the time of the study was an independent researcher, and he has since assumed a position at the International Budget Project.

one or more steps removed from the every day lives of most people in Croatia and draw little attention, it would appear to us, from the general public. The one exception to this that we found is at the municipal level, an area that is not an IPF focus.

### *Impact on Public Policy*

The impact of a budget group's work on public policy is always hard to gauge, but especially so in the case of the IPF, which does not actively campaign for public policy change and wields most of its influence several steps removed from the policy development process. To the extent that the IPF does have an impact on public policy, it is through its impact on long-term thinking by a core group of policy elites involved, as described earlier. For it to have a more direct impact on policy outcomes the IPF would need to partner with groups actively engaged in policy advocacy, and those groups are rare in Croatia—and virtually non-existent with regard to public finance issues.

## **1.1 Context<sup>2</sup>**

Croatia is one of the countries formed after the collapse of Yugoslavia, and it became independent in June 1991. It was confronted with a war with the Yugoslav army and Serbian par-militia within the country from 1991 to 1995. The last 15 years were marked by the war, the establishment of the country, the transition from a socialist to a market-oriented society, and the advent of parliamentary democracy. Croatia's goal is to become a member of the European Union, and after being granted the status of the candidate in June 2004, it began accession talks in October 2005.

### *Croatia's Budget Process and Issues*

Croatia has a rapidly modernizing budget formulation and execution system. The entire budget process is, however, dominated by the executive, and the public and Parliament have very limited opportunity to participate in it.

Croatia has a parliamentary system with proportional representation and 152 members in a single house. In terms of the legislative phase of the budget process, Croatia is typical of many parliamentary systems. The legislature therefore has no role in the formulation stage of the budget and sees it for the first time once it is tabled in the legislature.

Within the executive the formulation process is also fairly standard: administrative units prepare budget bids that are evaluated and consolidated by the Ministry of Finance. This budget process starts with a pre-budget statement,

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<sup>2</sup> See Appendix 2 for more extensive historical and economic context notes.

but the latter is very general and does not present policy options or scenarios with much clarity.

The Croatian government is on a 'two-year' Medium Term Expenditure Framework (MTEF), which is bedeviled by significant classification and definitional problems that means that outer year figures vary too much to be of use for planning or monitoring purposes.

### **Box 1. Croatia's Performance in the Open Budget Initiative<sup>3</sup>**

Croatia's scores are uneven, indicating mostly positive practices in the area of "monitoring and evaluation reports," but negative or mostly negative practices in the other two major categories: "executive budget documents" and "encouraging public and legislative involvement."

In the "executive budget documents" category, Croatia scored only 28 percent, well below the cross-country average. The budget provides information on the budget year and the prior year, but no historical data or projections beyond the budget year. Its score of 12 percent in the "comprehensiveness" subcategory indicates that the budget presents little or no information in areas such as the macroeconomic forecast upon which the budget is based, quasi-fiscal activities, and tax expenditures.

In the area of "monitoring and evaluation reports," the country's score of 51 percent indicates slightly positive practices. The executive releases in-year reports on a monthly basis but does not issue a mid-year review of the budget. Year-end reports by the executive, although released in a timely manner, lack the details needed to facilitate comparisons between enacted levels and actual outcomes.

In the "encouraging public and legislative involvement" category, Croatia fares poorly. It provides *no* information highlighting policy and performance goals—that is, it provides no information about who benefits from various programs and how those programs are performing—making it difficult to assess how budgetary figures connect to desired outcomes. In the other two subcategories—"involvement of the legislature" and "facilitating public discourse and understanding"—Croatia does moderately well, with scores of 54 percent. Although Croatia issues a pre-budget statement, it does not make available a non-technical "citizens budget" or other supplementary materials that could be used to expand public understanding of the budget.

Another recurrent theme is that apart from the efforts at gaining membership to the EU, the government has no clear development plan or vision that guides its formulation of fiscal policy and the budgets that are based on them. The result is

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<sup>3</sup> Open Budget Initiative is a questionnaire based assessment of the degree of transparency of budget documentation and the opportunities for participation in the budget process. Details available at: [www.internationalbudget.org](http://www.internationalbudget.org).

that budget allocations remain incremental and are not representative of a defined policy program.

Parochial politics also impact significantly on the budget process, especially on the capital side of the budget. Schools, hospitals, and the like are sometimes built to dispense of political patronage and not based on an analysis of real need. This also reflects a theme that we turn to next, namely the centralization of decision-making around political office bearers. Many respondents indicated that the relative power of Ministers in Cabinet has far more to do with the budget allocations than the rational pursuit of policy objectives.

### *Budget power centralized in a closed executive branch*

Government in Croatia seems to be centralized along a number of axes:

- As explained above, power is centralized in the executive to the disadvantage of Parliament;
- While there is a process of decentralization in process the bulk of power is still centralized in the national government to the detriment of regional and municipal governments. This is facilitated by the absence of clear assignments of revenue and expenditure responsibilities, leaving the geographical division of resources and functional power firmly lodged in the hands of the central government;
- Within the executive itself power is centralized in the hands of political masters rather than the bureaucrats, with politicians even having power to interfere in procurement decisions, appointment of lower ranked officials, and micro-level delivery decisions such as the location of new school and health clinic buildings;
- Within the political leadership itself power is centralized in the Office of the Prime Minister, with the latter being a key player in the budget process; and
- In terms of communication with the public and press, the opportunity to do so is confined to the political leadership of the relevant Ministry.

On the positive side, this centralization has not prevented the establishment of a culture of releasing much information publicly, particularly with the Ministry of Finance posting extensive budget related information on its Web site.

Similarly, this centralization has not compromised the independence of Croatia's system of research institutes<sup>4</sup>. Even though these institutes sometimes take a critical line against the government, their funding does not appear to have been used as an instrument to control their public profile. This centralization does, however, have a significant impact on the budget process in Croatia, as can be seen in the role of Parliament in the budget process.

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<sup>4</sup> The IPF is one of these institutes. We return to this theme below.

### *Parliament plays a minimal role in the budget process*

According to one of the IPF's researchers, "Formally Parliament has a key role in the budget process, but practically it is not so."

The budget is typically tabled on a Friday, with a major debate scheduled for the next Wednesday. After that there is a week's recess during which time members can consider the budget that has been tabled and prepare and submit amendments. These amendments are then consolidated and referred to the Chamber. The government then submits a budget that is already amended from what is tabled, and an hour later the amendments are discussed and voted on one by one. Up to 400 amendments are presented each year, but in the last 6 years none have been accepted.

Members accept what the Executive proposes when it comes to the budget. Occasionally there is some voting across party lines, but then only to support small specific projects for the relevant MP's own constituency. For these reasons the role of Parliament in the budget process is perceived to be largely "procedural or ceremonial," with the final decisions already having been taken by the executive before the tabling of the budget.

Committees do not appear to play any meaningful role either. Their proceedings are closed to the public, but interestingly their members contain non-MPs such as the representatives from trade union members, chambers of commerce, the employers' union, and academics. Committees' reports on the budget are often just a page and a half long but do occasionally contain proposed amendments.

An analysis by the IPF argues that Parliament does not adequately perform its role in the budgetary process because of its perceived inferior position to that of the Government, lack of infrastructure (i.e. offices) and funds, as well as budgetary and time constraints.<sup>5</sup>

The budget is often tabled late, and inadequate time is therefore left for the interrogation of the budget. Up to 20 percent of the approved budget figures are changed during the year as a result of a large amount of virements and general 'tampering' with budget figures. The executive also does not present data in useful formats and does not explicitly state the trade-offs and trends contained in the budget. All of this makes the work of Parliament particularly challenging, and Members further lack the technical capacity and support to understand and engage with the budget and its makers.

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<sup>5</sup> Vjekoslav Bartić. The role of parliament in the budgetary process—the example of Croatian parliament (2000-2003). Occasional Paper No. 19 October 2004.

The IPF argues that in order to improve the Parliament's operation it would be necessary to allocate more funds for the professional improvement of employees, to organize a continuous or supplementary education for Members, to establish the budget of the Committee on Finance and State Budget (The Budget Committee), to improve the efficiency of that Budget Committee, and to facilitate communication between the Ministry of Finance, Parliament, and particularly the Budget Committee. It is especially important that the Ministry of Finance should provide timely and reliable information to Parliament and the Budget Committee on all issues relevant to the budget.

There are also extensive efforts at communicating the local budget and expenditure information to the public at local levels. In these and other reforms municipalities are supported by USAID and the Urban Institute. However, citizens have not yet responded as hoped, and only small groups of people have participated. The process of decentralization should, however, raise the stakes around the local budget and encourage greater participation.

### *Croatia's Civil Society, Media and Academia*

The IPF carries out its budget work in an environment marked by rich analytic capacity related to public finance issues, a ripe audience among journalists, but with an extraordinarily weak civil society capacity and political scenario in which to convert analysis into policy change.

### ***Strong Analytic Capacity in Public Institutes and Academia***

In terms of analytic capacity, Croatia is richly gifted with a network of two dozen public institutes, many of which, like the IPF, can trace their roots back several decades. These institutes, which cover a wide range of policy areas, receive a mix of government and private funding (more on this model will be described in the section below on the IPF). They employ staffs of highly qualified analysts who, like the IPF, carry out extensive research in their respective fields.

The staff who work for these institutes are required by law to adhere to the same professional qualifications and standards as their counterparts at university: they must have PhDs or be working toward them; they must publish academic level papers on a regular basis; and they must be steadily promoted through the academic ranks (from assistants to tenured professor), etc. Some of these institutes can be quite large. The Economic Institute, for example, employs a staff of 45 researchers.

Complimenting this research capacity at institutes is an equally deep analytic capacity in the country's academic institutions. In economic and political fields there are numerous academics in Croatia who closely align their research interests with the policy issues at the forefront of the nation—EU membership, tax reform, government decentralization, etc., and there is substantial movement



back and forth between academia and government. For example, Croatia's Prime Minister has a PhD, and several of the people we interviewed have passed through major posts in both government and universities. A political science professor with whom we spoke in Zagreb explained that one reason that the nation's intellectual elite moves back and forth in this manner is because only 7 percent of the population holds a university degree.

[Note: As we will describe in some detail below, the IPF has made a trademark out of effectively harnessing this academic analytic capacity to enrich and expand the Institute's work.]

This analytic capacity in Croatia's academic institutions, together with the fact that this capacity is so tuned into the actual policy issues facing the country, means that Croatia has a capacity to understand and articulate these issues in a way that strikingly surpasses that in other similarly situated countries. However, in the field of public finance, that capacity is almost exclusively targeted on long-term issues and not on the immediate issues in any given budget cycle. This seem largely to be a strategic decision by researchers (and not an incorrect one) since the limits described earlier, in terms of political access to the budget process, do not create much of an opening to do analysis tied to specific budget cycles.

### ***Strong Media Interest in Public Finance Issues***

While we did not conduct any full-scale review of Croatian media, in our interviews with two journalists and with others in government and civil society, we found evidence of strong media interest in public finance issues. A senior business reporter<sup>6</sup> for the Zagreb daily told us that almost all the country's major newspapers have an in-house specialist on business and finance, and that the kinds of issues focused on by the IPF fall squarely into their field of interest and reporting. "There are several journalists who have a deep level of understanding about economic issues," he said. In a small country like Croatia, even a handful of such journalists may be sufficient to provide strong coverage.

For his part, he publishes a weekly column that frequently touches on public finance issues such as tax reform, government spending, shipbuilding subsidies, and other topics directly related to the IPF's research work. He also writes longer pieces for a weekly supplement published by the paper. As we will note later in the section on IPF's impact on media coverage, the Institute's information plays an important role in his reporting and that of the other journalist we interviewed. Just as Croatia appears to have a deep capacity for generating high quality budget issues information, there also appears to be fertile ground in the media for that information to be used as a basis for reporting.

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<sup>6</sup> Ratko Boskovic at the "Jutarnji list" newspaper.

### ***Weak Civil Society and Little Interest in Budget Issues***

The unfortunate flip side to Croatia's strong analytic capacity and media interest in budget issues is a strikingly weak civil society and an almost complete lack of a civil society culture of campaigning.

When the IPF speaks of "advocacy," it speaks almost exclusively in terms of providing information to the media and influencing the public debate in that way. Nowhere did we find evidence, in the IPF's activities or in those of any other group, of the other traditional elements of issue advocacy—organizing, coalition building, or lobbying of public officials. "Civil society is very weak. I don't know who we'd work with," IPF director Katarina Ott said. "A majority of civil society doesn't want to dig into budget numbers." This absence of any general culture of civil society advocacy appears especially acute with regard to budget issues. A member of the national Parliament told us, "At the national level there is virtually no involvement of civil society in budget issues."

There are a variety of reasons for this lack of civil society advocacy on budget-related issues. First, as noted earlier, Croatia is a post-conflict society that has just emerged from more than a decade of war in which other issues, such as reclaiming lost territory and protecting against attack, have been far more on the public's mind than public spending issues.

Second, a culture of citizen advocacy is still something new in many transition countries, and Croatia is no exception. Civil society groups are still not broadly understood by the larger population, and civil society campaigning has yet to develop, the IPF staff reported.

Third, because of the extremely closed culture in which the national level government makes budget decisions (as described earlier), civil society groups may see little value in expending energy on national level budget advocacy.

Lastly, as in many countries, to the extent that citizens and civil society groups do make decisions to engage in advocacy and public action, they tend to do so issues that seem to affect their lives directly. Budget issues, in any country, are always one step removed from direct issues like access to health care and quality education, even though budgets do have a major impact on those concerns.

The one clear exception we found, where citizen involvement on budget issues does seem to be flourishing, is at the local level. Mayors are obligated by law to hold at least one meeting per year with citizens to discuss the budget, and a major initiative is under way, led by the Urban Institute (with Croatian staff) to empower both municipalities and citizens to make that interaction an active

process. We met with the Mayor of Crikvenica, a small, coastal town where an accessible and understandable pamphlet on the budget is delivered to each household and where the city's citizen budget hearing is widely attended. Similar processes are underway in many other cities.

Citizen interest in budgets at the local level makes sense, because at that level the issues involved—roads, schools, infrastructure, etc.—affect people in more direct ways, and the political powers involved are far more accessible. The limit on this citizen interest at the local level is that, in Croatia, local governments only receive and spend approximately 10 percent of all public revenues, with the lion's share left to the national government. The local budget process is also constrained by two further issues. First, participation only applies to the capital side of the budget. Second, the full budget is not really up for discussion, only the locations of services that have already been budgeted. In other words, citizens can decide *where* they want the road, but not that they would rather have a school.

However, there is still a growing movement in Croatia for decentralization, both of revenue sources and control of public spending. Along with decentralization will come expanded opportunities for real citizen impact on budget issues, and the need and value of budget analysis will likely increase.

That said, in its current state, in terms of national-level issues, budget work in Croatia is clearly a mix of highly advanced technical capacity and remarkably weak opportunities to influence policy—the rough equivalent of a new Mercedes Benz rolling down a jagged dirt road. As one Member of Parliament told us, “The problem is not about a lack of scientific information. It is about politics.” The challenge ahead will be to create openings for citizen advocacy on budget issues that rise to the level of civil society's analytic capacity on those issues.

## **2. The Institute for Public Finance**

After sketching the context within which applied budget work is carried out in Croatia, we now turn our attention to the Institute of Public Finance and the work that it does. The IPF was established by the Tito regime but since the early 1990s has transformed itself into an innovative and respected research institute.

### **2.1 History**

The IPF is one of a group of 24 state-funded research institutes (ranging from institutes dedicated to nuclear physics to arts) that were established by the socialist regime. The IPF was founded at the University of Zagreb in 1970. Originally the Institute largely lived off its subsidy, working out the research program on the basis of which it received its funding from the Ministry of Science. At this stage the IPF concentrated on development and tax issues. One of their

key products was the capturing, analysis, and publishing of local budgets. Since these were not electronically available at that stage, it was quite a niche.

The IPF also used to be a banishing mechanism for academics that fell out of favor with the governing party. These were high-ranking people that government did not want to send to jail, but that they did not trust to teach students either. So they were confined to the Institute to work on and complete more or less arbitrary research projects.

The IPF has changed much since the early 1990s. With the arrival of the current director, it changed from a sluggish, state-funded research body that did its research in isolation of major policy debates to a dynamic leader on the stage of applied public finance and economic research. The IPF is currently known as a creator of opportunities, an initiator of debates, and an employee of choice for young economists.

## ***2.2 Type of Institution***

The primary purpose of the IPF is the production and dissemination of high quality research on public finance issues. This forms part of a long-term strategy of public education and development of basic research to improve the quality of public finance decision-making in Croatia. To support its basic research, it therefore has a number of dissemination outlets to distribute this research, as well as performing formal and informal education and awareness raising through round tables, lectures, a large network of informal advice, support of journalists, and the like.

As elaborated in greater detail later, the IPF organizational model is based on a small core of permanent staff that supports and manages a large network of associated academics. They have around 50 collaborators (mostly from the university) that contribute to analytical work.

The IPF describes itself as a “public non-profit” institution. They submit 3-year research proposals to the Ministry of Science which funds salaries and part of operational expenditure. These institutions are, however, free to supplement these subsidies by governmental and non-governmental, and national as well as international research funding.

Apart from these similarities, the institutes vary significantly. As explained in more detail later, the IPF has a staff of 15 for example, while its sister Economic Institute has 45 researchers. While the IPF therefore contracts out large amounts of work, the EI does most of their research in-house. Again the IPF would get a smaller proportion of its funding from the state, while the larger EI is much more reliant on state funding.

Another important characteristic is that these institutes are subject to the same requirements as academic staff at Croatian universities. Staff is required to obtain the necessary degrees to move through the academic ranks to full tenure. Journals operated by such institutes also follow a system of peer review. The IPF in particular puts heavy emphasis on quality control on research. In the words of the Director: "We are first of all an academic institution. We can only hire people [by law and to remain an institute] who meet specific qualifications."

Many of these institutes continue to be very academically oriented and do not have an immediate policy or applied research concern. Their research often has no immediate relevance, and according to one of the respondents, "nobody would care if they did nothing." Their funding from government is virtually assured, and there is no pressure on them to produce specific outputs. Many of these people even take second jobs. The IPF is something of an exception in that it has managed to transform itself into a modern and dynamic research institute.

The IPF blurs the 'non-profit' aspect of its self-definition in that some of its activities such as the tax and customs periodicals are purely commercial enterprises designed to cross-subsidize its other activities. The IPF also intentionally 'blurs' the distinction between its being a public institution and an NGO. It engages in a number of activities that border on advocacy. These include its relationship with the media as well as its advisory role to MPs and members of the executive. On issues such as the proposed 'flat tax,' it develops a position and advocates, albeit with low intensity, for such a position through the media, seminars, books, and formal and informal 'advice' to a number of decision-makers.

### ***2.3 Leadership and staffing***

The IPF is marked by strong leadership, low staff turnover, and a very talented staff. Ott, the current director, has been at the IPF since 1987. When she assumed office in 1993, she had to recruit a new generation of staff members to fit the new organizational mold of the IPF. This new organizational mode is one of openness, flexibility, and collaboration. Above all, this new mode seeks a break with the more bureaucratic style of the previous era.

The IPF currently has 15 members, of which nine are researchers and seven administrators (including two accountants, a secretary, a librarian, and two editors). Recruitment practice within the IPF is not just based on pure merit but is aimed at building a team that embodies the values and style of work that were described in the previous paragraph. Staff members are often recruited at a relatively early stage of their academic lives, and they then build up their expertise and qualifications while already employed at the IPF. In this way young researchers are also socialized into the culture of the IPF.

The IPF has molded itself into an employer of choice, providing professional opportunities and a very attractive management style and working environment. The result is a very low staff turnover and the resultant build-up of expertise and networks. The director and the staff are therefore widely respected both inside and outside Croatia. Such are the conditions of service that the staff remark that the reason they don't leave the IPF is that they wouldn't know where else to work in Croatia that would offer them a better situation.

As mentioned above, the IPF generally recruits straight from university, and staff members pursue their academic careers while they are at the IPF, with a number of staff currently in the process of obtaining advanced degrees. During their tenures at the IPF these emerging academics have opportunities to work with a wide range of established academics while they pursue their own academic paths. Working with the IPF opens up doors for young academics that they do not normally receive from university positions. For example, staff members under 30 had the opportunity to write and present a paper on tax policy at a recent National Tax Association conference in Atlanta, Georgia.

The main reason why the IPF can offer such attractive working conditions is that it generates sufficient revenue, in addition to its state funding, to allow it to top-up the funding that it receives from the Ministry of Science. This is discussed in more detail later.

The management style of the IPF allows staff to manage their own time, being allowed to pursue their studies as well as any research work that the IPF does not pursue itself. So staff is generally involved in three kinds of research, i.e. whatever academic study they are involved in, research projects of the IPF itself, and whatever research projects in which they themselves may be involved. Staff members may also use the latter category of research to supplement their salaries.

The IPF is very much built around the current director who transformed the Institute into what it is today. Her networks, management style, and initiative drive the life of the IPF. The risk of such strong leadership lies exactly in its strength. Such directors often end up in a situation of being completely consumed by the management and facilitation of research and being drawn away from any primary research themselves. Such situations also expose these leaders to fatigue and overwork that strikes at the very heart of the relevant institutions, given the centrality of these leaders.

In response to these challenges the IPF has followed a deliberate strategy of widening the base of its network and allowing other staff and associates to lead research. Staff members report that networks with principal partners are becoming much broader as other staff members have developed their own networks. This development supports the longer term sustainability of the IPF. It

is, however, not clear that this development of networks around other staff has taken significant strain off the director. The 'pressurized director' is a feature of a number of NGOs in the IBP's broad network that merits further attention. In the words of the Director: "We're small. If two to three key staff leave, it could seriously damage effectiveness." This fragility places significant pressure on the managers of such organizations.

## **2.4 Funding**

The IPF has three generic streams of revenue, namely government funding, contracted research, and subscriptions to their tax and customs publications:

- The IPF's Tax and Customs News is a subscription-based service that produces periodicals that interpret government tax and customs statutes. A discrete unit in the IPF collects questions in this regard, obtains answers to them from the relevant officials, and reproduces these in the periodicals. Subscribers include chambers of commerce, banks, customs and tax officials, large and small companies, and the public sector more generally. This service started in the early 1990s on the basis of a close relationship between the IPF's director and the Minister of Finance who placed a large initial order for government. This established the product. Even though the subscriber base has diversified since its creation, most of these subscribers are still from government. The IPF has built up a niche in this area and charges market-related subscription fees. As a result, this is the most important source of revenue for the IPF and it significantly cross-subsidizes the other work of the IPF.
- The IPF also obtains core funding from the Ministry of Science for salaries and part of other operational expenses based on an approved research program. This is the main funding source of the IPF's sister institutes and is the source around which these institutes were historically established. It is only the transformation and innovation of the IPF that has reduced the significance of this source of funding.
- In addition to the above two sources, the IPF has access to the more typical sources of research institute funding, namely research contracts and consulting. Current customers include the Croatian government itself (that is over and above regular funding), the European Union, the ILO, the International Budget Project (IBP), the Urban Institute etc.

## **2.5 Key relationships**

The IPF maintains well-developed relationships with universities and other research institutes, foreign universities and institutions, the media, government, and trade unions. As will be discussed in more detail later, its relationships with

trade unions and civil society more broadly is a potential area of further development.

- *Government*

As was mentioned above the IPF's relationship with government appears to be ambiguous. On the one hand the government provides a significant part of its core funding, commissions further research, and is a dominant subscriber to the IPF's commercial products. Two current examples are research on tax expenditures and income tax distribution.

Senior officials also consult the IPF directly and receive operational support from them. Government officials described how they are too occupied with everyday operational issues to do the 'deep thinking' and research that the IPF provides for them.

On the other hand the IPF asserts the right to take critical public positions with regard to government's policy positions and publicize these opinions through the media and elsewhere. Government and many senior positions are indeed critical of the IPF's public role and feel that they are 'getting rich' off public money as well as criticizing the source of that money. The sister EI has a similar criticism/contract relationship with government.

It is also interesting that government asserts no proprietary right on research that it contracts from the IPF and often sees the production of such research as a public good. Thus it allows the IPF to distribute and reprint such research in any way that the organization deems fit.

- *Unions*

Trade Unions in Croatia are an important consumer of the IPF's research. They value the IPF's analytical rigor, political independence, and that the IPF does not hesitate to take critical positions with regard to government. Admittedly we only spoke to one Union Federation (albeit the second largest in the country), so others could feel differently. The union with which we communicated had its own economic analyst who used the IPF's analyses extensively.

As is the case with the media, the IPF's relationship with unions is also intended to serve the purpose of the long-term education of the unions. This happens through a variety of channels such as courses that are presented to union members, participation in IPF seminars, direct exchanges with IPF staff members, and union analysts using the IPF's Web site and library.



- *Harnessing Academic Analytic Capacity as a tool for budget work*

Colleagues from universities and other institutes form an important part of the IPF's institutional model. When we asked the IPF's executive director, Katarina Ott, what one piece of advice she would give to groups starting up budget work in small or developing countries, she told us, "You need to sensitize academia to work on budget issues and budget advocacy in a publicly accessible way." If there is one area in which the IPF's work does hold especially powerful lessons for other budget groups, it is in the Institute's success at harnessing the analytic capacity of Croatian academia to be a tool in the IPF's analytic work on budget issues.

The IPF contracts out a great part of its analytic work to a network of some fifty academics spread throughout a variety of institutions (though, importantly, the IPF supervises and leads all of these projects). This collaborative approach to its analytic work offers several key advantages to the IPF. First, it allows the IPF to have an expansive analytic capacity without maintaining a large and expensive in-house staff. By comparison, the IPF has 15 total staff members, and the Economic Institute has 60, yet their analytic output is roughly equivalent. Second, it allows the IPF to undertake a multidisciplinary approach to its research, creating analytic work that cuts across many areas of expertise simultaneously (mathematics, economics, tax policy, political science, etc.). This approach also builds up the overall capacity within Croatian academia to carry out applied budget analysis. The IPF-academia relationship strengthens both sides.

The key to IPF's success in building these collaborations is that the IPF creates, through its analytic projects, opportunities for Croatian academics to meet their academic requirements by participating in IPF work. As Helena Blazic (see Box 2 below), a professor in the Faculty of Economics at the state university in Rijeka explained to us, in Croatia academics are held to a rigid set of standards for professional advancement. They must continually publish in their fields. They must present at academic conferences, both in Croatia and abroad, and they need to be seen as intellectual leaders in their field.

The IPF overtly designs its projects to allow academics to meet those requirements by collaborating with the IPF in analytic work. Funding support is also an important consideration to academics in selecting their analytic work, and the IPF fulfills that need by organizing central funding for its projects and then extending it to those who will help with the work via subcontracts.

## **Box 2. PORTRAIT OF A COLLABORATION, HELENA BLAZIC**

Helena Blazic is an assistant professor in the Faculty of Economics at the Croatian public university in Rijeka. She began her association with the IPF fifteen years ago as a masters degree student who visited the Institute's library for material related to a paper she was working on. "So Katarina found me one day digging in the books," said Blazic, "we started talking and she invited me to help write a paper for one of the IPF's journals." Over time and over the course of Blazic's advancement in her academic career, her relationship with the IPF deepened.

In 2002 the IPF decided to undertake a major research project studying the administrative and compliance costs associated with Croatia's tax system (what it costs tax authorities, small businesses, and society at large to enforce and comply with tax laws)—a comparative analysis with other countries. The project, funded by the Global Development Network, was a huge undertaking, and to carry it out the IPF assembled a team that included four Institute staff and two outside academics, coordinated by Blazic and Ott.

It looked like a piece of high quality research," said Blazic, "and I was already very interested in the topic." The study also helped her fulfill some of her ongoing academic research requirements and offered substantial opportunity for interactions with important international experts in the tax field. "It is also hard to say no to Katarina, because she is so helpful," she noted.

The results of the study were released broadly, as scientific papers and popular articles published in the IPF's editions, but also other research journals around the world. Blazic helped present the research at two international conferences, in the USA and Australia. The research work also formed the basis of a proposal for policy reform in Croatia, a proposed lump sum tax on small businesses in lieu of the more complicated current tax. "I think people [in the business community especially] are much more aware of the issue now," said Blazic.

Collaborations like these create an ongoing loyalty between the IPF and its network of researchers. When we spoke with her, Blazic had just agreed to write a review article for one of IPF's publications. "I didn't have the time but I am going to do it anyway."

As they say, "We design our projects based on the availability of our colleagues." The Institute organizes research projects proactively, secures funding, and then assembles the team it needs to carry it out.

The more human factors that draw Croatian academics into IPF's orbit are also important. Researchers spoke about the skill with which executive director Katarina Ott creates and maintains relationships with academics, in a culture where many professionals seek to keep opportunities for themselves. The IPF focus is on spreading the wealth, especially opening up possibilities to younger researchers. In a culture where professionals often interact with great formality, the IPF takes an informal approach. For example, the Institute also sprinkles these collaborations with efforts at team building, including hikes twice a year in the Croatian countryside. "Katarina is a very capable person to put together researchers of different profiles toward a common vision," Blazic said. "She's a good organizer."

To be sure, the organizing aspect of these collaborations is time consuming. Because the IPF maintains 100 percent responsibility for the quality of the final product, the Institute's staff devotes extensive time to interacting with researchers, planning the joint work involved, reviewing draft products, and providing comment and criticism. As noted elsewhere in this report, the IPF maintains a strict adherence (in their own words, "obsession") to the intellectual integrity of its work products. Those demands for coordination create a direct competition for time and focus with attention spent on the IPF staff's own research.

### **3. The IPF's main activities**

The IPF generates an impressive array of academic products, including journals, seminars, and occasional papers. It has also become adept at releasing its research in a variety of formats.

#### ***3.1. Analytic Products***

The IPF started doing applied research on government budgets in the mid-to-late 1990s. Initially they did 'item by item' budget analyses and gave detailed recommendations to MPs. These analyses concentrated on the macro-balances in the budget and did not dwell on the allocation decisions inherent in the budget. These analyses along with their work with the World Bank on the budget helped the IPF to build its own knowledge and ability to read budget numbers.

But the IPF found the production of these analyses very time and resource-intensive and did not see the desired results and impact on the voting patterns and nature of the parliamentary debate on the budget. For this reason they discontinued these detailed analyses in 2000 and shifted their focus to longer-term, issue-based research that had the goal of building capacity and provide the 'pre-conditions for future debate'. At that time the IPF opted for analyses of issues such as Poverty, Education, Cash Management, Family Income, and Tax Incidence. So the shift was to longer-term research on issues that affect the

budget, rather than on short-term attempts to support the immediate issues that Members would be voting on.

There is some evidence of this strategy having borne fruit in greater awareness in especially the younger Members. There is therefore currently some debate in the IPF about whether they should return to the shorter-term budget analysis approach embarked on in the late 1990s.

The IPF releases a broad range of products from academic books and an academic journal to a newsletter and commercial information products.

In general the IPF has a very good practice of replicating its research in several formats. The 'hard' academic research is generally rewritten for newsletters and occasionally even newspapers and magazines. Subsequently, staff also discusses this research with journalists for distribution to an even wider audience.

In-house editors allow IPF staff to concentrate on the research itself and also allow the IPF to release most of its research in both English and Croatian. This ensures consumption of IPF research both inside and outside Croatia. Another important element of the IPF's product 'assembly line' is the fact that the director exercises very strict and complete quality control over all the products that are released. She reads and edits each output several times to ensure absolute quality from content to layout.

The IPF also has a good distribution system. Apart from being posted on the Internet, many of their products are successfully distributed to central and local government level officials, Members of Parliament, academics, journalists, and donors.

### *Academic Products*

The academic products include an accredited academic journal (*Financial Theory and Practice*) that is released on a quarterly basis. The journal contains contributions by academics which are anonymously peer-reviewed and subject to all the requirements of an accredited academic journal. These journals are sometimes thematically organized; recent issues focused on poverty; Parliament and the budget, etc. The journal is available in Croatian and English and is distributed in hard copy and on the Web site. Contributors are mostly Croatian but include IPF and non-IPF staff.

The IPF also produces an occasional paper series. Twenty-six such papers have appeared to date. These papers were originally published in *Financial Theory and Practice*, and sometimes their shortened versions are published in the newsletter. Authors are generally IPF staff, although associated researchers have occasionally contributed.

The IPF also produces a wide range of books. The most recent include three books on the readiness of Croatia to become a member of the EU. Other books include books on The Croatian Tax System, The Financing of Higher Education and Science, and the competitiveness of Croatia's human resources. The IPF also produces translations of important public finance texts, such as Musgrave and Musgrave and Harvey Rosen's textbooks.

### *Public Products*

The flagship of the IPF's 'public products' is its newsletter. The newsletter is generally 4-6 pages long and is distributed to about 2,000 people, apart from being posted on the IPF Web site. The recipients include MPs, government officials, media, academics etc. About 50-100 of these newsletters are printed in English for the international community, including foreign embassies, international organizations, international media, donors, etc.

The IPF considers the newsletters marginal to their core academic business, but publish them out of a deep sense of 'civic duty' that supports their long-term vision of broad civic education.

The second set of 'public products' consists of popular booklets that explain the revenue and expenditure sides of the state budget process. To date 'A Citizen's Guide to the Budget' and 'A Citizens Tax Guide,' and a similar handbook to the tax system, 'The Croatian Tax System', have been produced. These guides were published in 1998 and 1999 and are updated regularly on the organization's Web site. The IPF is currently considering printing the updated versions.

The goal of these guides is largely educational, and the audience consists of MPs, media, students (particularly of law and economics), and citizens. Initially 1,000 of these were printed and funded by the Fredrich Ebert Stiftung and the Croatian Ministry of Finance.

### *Commercial products*

As mentioned earlier, a key success story of the IPF is the creation of a number of commercial products that provides the bulk of its funding. These products include the Tax and Customs News, a collection of the monetary, banking, and foreign currency regulations of the Republic of Croatia and a collection of payments clearing regulations.

### **3.2 The IPF's mechanisms for research dissemination**

In addition to its extensive research products, the IPF also has a diverse inventory of mechanisms that it uses to translate that research into language,

materials, resources, and activities to make it accessible to broad spectrum of officials, the media, organizations, and citizens.

### *IPF Publications*

The foundation of IPF's public dissemination program is its myriad of publications: books on public finance-related issues; occasional papers on selected topics; shorter newsletters; fact sheets; citizen's guides, and other materials. These are described and evaluated in the section on "IPF products" above.

### *The IPF Web Site*

The IPF maintains an extensive, easy-to-access Web site ([www.ijf.hr/eng](http://www.ijf.hr/eng)), in both Croatian and in English, which provides free public access to a wide variety and huge supply of Institute materials. These include:

- An online catalog of the books and resources available in the IPF library
- Basic facts about the Croatian tax system, including tax rates, tax laws, etc.
- Copies of all 22 of its newsletters published since 1999
- All 26 of its occasional papers series published since 1997
- PDF versions of more than a dozen IPF books
- A content index of the articles included in its tax and customs journals
- Summaries and full versions of more than three dozen IPF research projects carried out since 1997
- Announcements of IPF events, conferences, and research opportunities
- Extensive links to both Croatian and International public finance-related organizations and institutions
- Background information on the IPF and its staff

The IPF describes its Web site as one of its most important products. Many of the journalists, public officials, researchers, and others we spoke with made spontaneous references to the Web site, citing it as an important resource for them. As one researcher told us, "The IPF isn't charging for information, it is giving it away. It is all on their Web site."

### *The IPF Library*

The Institute maintains a substantial library of some 4,000 books and 90 periodicals, including 40 foreign journals—open daily for use by government officials, academics, students, journalists, and members of the general public. A professional librarian is also available on site to assist users with questions about the library and their research. Several of the researchers and journalists that we interviewed specifically mentioned the library as one of the Institute's most important resources. The IPF staff is engaged actively in seeking out new

material for the library and translating foreign language publications, including full books, into Croatian, to add to the collection.

### *Media Work*

A key element of IPF's work is to put their research and analysis into the hands of journalists and to influence media coverage of public finance issues. This work does not take place in formal events such as news conferences, but in an ongoing strategic process of educating journalists and establishing and maintaining ongoing relationships with the news media. The IPF undertakes this in several different ways.

Journalists spoke to us about receiving direct assistance from the Institute with both short and long term research. IPF staff members make themselves readily available for this kind of research assistance, and in at least one case, actively engaged a prominent journalist informally in a joint investigation effort on an issue of interest to both him and the IPF.

We were told by journalists about the value of having access to the IPF library, with one saying that "resources like this are not gathered together in any other location in the country." The IPF staff also regularly sends journalists articles and materials (from the IPF and from other sources) that they might find of interest, including announcements of new books available in the Institute library, a fact also mentioned spontaneously to us by one journalist. The IPF staff makes a point always to be available for comment when reporters contact them.

[Note: More about the IPF's media work is covered in the impacts section later in this paper.]

### *IPF Roundtables*

One or two times per month the IPF sponsors what it calls public "roundtables," open forums in which some new piece of research is presented and a wide spectrum of the public is actively invited to attend. The audience for these events includes: the media, academia, officials from both government ministries and Parliament, trade unions, and others. Recent topics have included issues such as: how foreign direct investment affects labor and the environment; the Croatian pension system; and financing higher education. The roundtables always draw a good turnout and strong media attention, according to the IPF staff.

To promote these events the IPF sends out approximately one thousand printed invitations, which also include an abstract of the research involved and links to where information can be found on the Internet. For the IPF, "The invitations themselves are tools for popular education." The events are always held at mid-day, always last two hours, and follow a formula of 45 minutes for presentations

by the invited panel and the rest of the time allocated to questions and open discussion.

An official of a national labor federation told us, “The roundtables are something really good. They get all the experts in Croatia on an issue all together.”

### *The Hanzekovic Trust*

To stimulate and promote research on public finance—particularly by younger authors, the IPF established The Hanzekovic Trust, which awards prizes each year for the best papers and publishes them in its journal “Financijska teorija i praksa”.<sup>7</sup>

### *Liaison with Public Officials*

The Institute disseminates its analytic work to Croatian public officials through a mix of formal and informal means. The work falls into the category of consultation and education, as opposed to direct lobbying on behalf of specific proposals or reforms.

A good portion of the IPF’s research work is formally commissioned by the government, primarily through the Ministry of Finance. In these cases the IPF’s research findings are disseminated into the hands of finance officials through formal channels, institution to institution. The IPF also reports that a large portion of the subscription base for its tax journal and customs journal are offices within government ministries, creating distribution channels by that means as well. The IPF sends its reports, newsletters, and other materials broadly to members of the government in the relevant ministries and to each individual Member of Parliament.

Its less formal contacts with government officials are of equal importance. The Institute is located in the basement of the same building that houses the national Ministry of Finance. One Ministry official that we interviewed explained that on a continuous basis Ministry staff visit the IPF library or contact IPF staff informally for assistance on technical questions. The Ministry official explained that its staff is focused on narrow issues tied to specific governmental programs and issues, while the IPF has more expertise in longer-term and broader “big picture” issues (such as tax system reform, etc.). This makes the IPF a valuable source of information for technical staff members within the government that need information about these broader issues.

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<sup>7</sup> More at <http://zaklada-hanzekovic.ijf.hr/eng/>.



## 4. The quality of IPF's analytic work

### 4.1 Analytic Assessment

As the work of an academic institution, the IPF's research is of a very high standard. As mentioned earlier, all its publications are put through a rigorous internal editing process. In addition, the articles that appear in its journal, *Financial Theory and Practice*, are also adjudicated by academic standards such as peer reviewing.

The IPF produces and oversees a wide range of analytical work. The core research areas have focused on EU accession, the role of the state in the economy, a variety of tax issues, decentralization and local government finance, the underground economy, and inequality. Indeed on their Web site, the IPF states, "Today's Institute of Public Finance is a public non-profit making institution that undertakes research into all aspects of public sector economics, e.g. public sector expenditure and revenue, fiscal policy, budget policies, public debt and the role of the state in the economy."

Other issues that have been dealt with more intermittently include the banking sector, treasury processes, Croatia's economic development, welfare policy and social transfers, debt issues, local and national budget processes, and transparency (see section 3.1 above for more detail).

As mentioned earlier, the IPF abandoned 'line-by-line' budget analyses in order to focus on these longer-term thematic research issues. The IPF's budget analyses were largely descriptive of budget content and focused on technical and procedural issues such as the quality of data and the 'size of the state.' It offers limited comments on the appropriateness of allocations or relative size of tax sources. In fact in one of its briefs it states that the "objective is not to go into the soundness of the decisions of the government or the Parliament about the allocation of the revenue and expenditure of the Budget, e.g. whether it is necessary to buy fighter planes or not, or to increase or reduce salaries in the public sector. These things fall within the area of political decisions. It is up to the electorate to choose representatives that will make such decisions in line with their wishes."

### 4.2 The IPF's work as a communication and education tool

The fact that the IPF produces a large quantity of analytic material and that it is of a high analytic quality is well established. However, what is the quality of that work as a communication and education tool?

While much of the IPF's work has been translated into English and we have been able to review it, we are handicapped in evaluating it in two respects. First,

reading translated versions of materials is not the same as reading them in their original language. Second, our interviews in Croatia were largely limited to the IPF's intellectual peers—in academia, government, the media and civil society—people who have a clear interest in public finance issues and an advanced ability to make use of the Institute's work. This constrains us in commenting on the value of the IPF's work to people with less capacity and interest in the issues that the IPF investigates.

That said we can make the following observations about the IPF's work as a communication and education tool:

***1) The IPF Produces a Diverse Array of Materials.***

A review of the materials produced by the IPF reveals a wide diversity, from full-length books and in-depth research papers geared toward a highly expert audience, to shorter newsletters aimed at a wider network of readers. This diversity reflects sophistication on the Institute's part, understanding that the same body of information can be and needs to be written and translated in a wide variety of formats to match the different audiences with which it hopes to communicate.

***2) The IPF's Materials are Understandably Written, to a Degree.***

A summary review of the various categories of IPF materials reveals that they are, for the most part, quite understandably written. Their papers and reports are well-organized, backed by adequate illustrations and graphs, broken down into clear concepts and, for both experts in the field and students new to it, the IPF's work is written and presented in an understandable format. However, it still seems that the audience for the IPF's work is limited to those with an intellectual background in public finance issues. How easily the IPF's work would be received by a larger, more popular audience is unclear. This would require specific research with focus groups and the like in order to accurately gauge. We will comment on this in more depth later in this section.

***3) The IPF's Materials Appear to Receive Wide Distribution***

The Institute clearly puts a great deal of emphasis and labor into achieving a wide distribution for its materials. First, all of the materials published by the IPF, as noted earlier, are made available at no charge through the IPF Web site. Second, the IPF includes a wide hard copy distribution of its major products, throughout government, academia, the media, and among a network of civil society groups as well. The IPF uses the Internet aggressively to spread the word about its research, including distribution of a newsletter and an ongoing effort at informal communications with journalists and others. It is clear that the IPF has made dissemination of its information an integral part of all of its planning and activities, exemplified by the large distribution (1,000) that it gives to

invitations to its issue roundtables and the inclusion in those invitations of actual summaries of the research and Internet links to the original papers involved.

It seems clear from all of the indicators we are able to judge (comments from those interviewed, a review of IPF's distribution systems, etc.) that the IPF effectively places the bulk of its research work into the hands of Croatia's intellectual elite.

#### ***4) The IPF Maintains a Strategic and Aggressive Effort to Court Press Coverage of its Research***

As discussed elsewhere in this paper, the IPF places a high priority on securing media coverage for its research work. It does this through distribution of materials, making IPF staff readily available for interviews and assistance, maintaining close relationships with a network of journalists interested in public finance issues, and other strategies. This media strategy assures that the IPF's work is not confined to the research community but that it will also get noticed by political officials and other national opinion leaders.

#### ***5) It is Unclear to what Extent the IPF's Work Reaches Beyond Intellectual Circles and Adds to the General Public's Understanding of Public Finance Issues***

The biggest potential weakness in the IPF's work as a tool for public education on public finance issues is that it is unclear how much that information reaches beyond intellectual circles to the general public. Overall, the IPF's materials are clearly written for an intellectual audience, using terminology and an explanatory writing style that are understandable and familiar to readers versed in tax and budget matters, but which is a foreign language to most lay people. Similarly, the audiences that the IPF targets for distribution are primarily Croatian political leaders and intellectuals. This stands in contrast, for example, to the more popularly oriented public finance information published by the local government efforts associated with the Urban Institute's work.

Two clear exceptions to this are the IPF's two "Citizens Guides" (on Budgets and on Taxation), which are clearly written for a lay audience and well crafted. The observations above apply to the much larger body of research work undertaken by the Institute and to its much larger collection of journals, papers, books, and newsletters.

There are some important caveats to note about this observation. First, it is clear that, as we have reported elsewhere in this paper, at the national level, Croatia's deliberations over public finance issues constitute a very closed system with power delegated almost exclusively to the executive branch. In a situation in which even Parliament members complain about having a lack of influence over national public finance issues, the influence of members of the general public is

obviously weaker still. That lack of influence probably also weakens the market of general readers for IPF's work.

Similarly, in many settings where budget work is carried out by groups such as the IPF, the task of popular translation and dissemination often falls, not to the group doing deep research work (IPF) but to a network of civil society partners. Women's organizations, organizations concerned with children's issues, health care groups, and others often take up the work of interpreting more intellectually oriented budget analysis for their members. The only case where this seems to be true in Croatia is labor unions, which do in fact take up the IPF's work and share it with their members. To reach the general public, fiscal issues analysis needs this kind of "legs," and the absence of such a civil society environment in Croatia should not be attributed to the IPF, and it is not a situation that the Institute by itself can change.

## **5. The impact of the IPF's Work**

The impact of a single research institution on public opinion and public policy outcomes is not easy to isolate, quantify, or assess. In what follows we present what our interlocutors *said* about the impact of the IPF. The picture that emerges is by no means unambiguous, but it paints a broad picture of a widely respected research institution that puts relevant research into the public domain.

### ***5.1 On public knowledge of budget issues***

The IPF seems to have a significant impact on the educated elite. Everyone with whom we spoke knew their research, seemed to have read at least some of it, and used it in one way or another. As indicated above, the wider impact of the IPF's work seems to be limited by the relative lack of interest in public policy issues among the wider population in Croatia. One respondent baldly stated, "The majority of people don't know what the budget is." Their limited public impact could also be the result of relatively low levels of educational attainment in Croatia. The model that the IPF follows with regards to the broader public is to work through the media. In the words of one IPF staffer: "Through the TV and Press we repeat the same message over and over—eventually it will filter through."

## **5.2 On media coverage**

As was indicated above, the IPF maintains excellent relationships with a significant number of influential journalists. In the words of one senior journalist: “The IPF is always available for comment.” A business writer we met had copies of IPF publications on his desk as we met with him. The same writer stated that he used the IPF’s library and read their reports ‘almost daily.’

The IPF keeps media and public interest by doing research on key issues of the day, such as the fact that people in the shadow economy are not in the tax net and the impact of this evasion on tax revenue.

The IPF maintains a very thorough press clippings file. Although this was all in Croatian, and we could not read the content of it, the impact of the IPF on the media at large can be gauged by the fact that:

- A large number of different journalists reported on their work;
- Their work is carried in a variety of publications; and
- The coverage took a broad range of forms: interviews with IPF staff, opinion pieces by IPF staff, and reporting on IPF research by journalists.

## **5.3 On Academia**

As indicated above, the IPF has a great impact on academia. Apart from the fact that its staff members teach at universities and supervise post-graduate and doctoral students, the IPF has a significant role in developing fellow academics as well as initiating innovative new research projects and sharing the opportunities that flow from these (“IPF has an important role in constantly generating projects”). It has also earned a name for encouraging interdisciplinary activities and teamwork. One of the academics we spoke to stated, “The IPF is capable of putting multi-disciplinary teams together and to direct them towards the goal.”

Through all of this the IPF has also had the secondary impact of drawing more academics into the field of applied public policy research. This in a country where academics were once confined to the ivory tower, where they were guaranteed employment for life.

## **5.4 On Civil Society**

As mentioned elsewhere, Croatia seems to have a fairly underdeveloped NGO sector that does not seem to have a strong tradition of issue-based campaigning. They also do not appear to have a specific interest in influencing public budgets. NGOs have from time to time attended IPF workshops, but have not followed

through and done their own budget analyses. Anecdotal evidence suggests that they think such analyses are too ‘complicated’ for them to be able to execute.

### ***5.5 On Policymakers and public policy***

The IPF’s products have a large readership and great respect in the community of policymakers. In addition, the IPF creates opportunities for itself to influence government by inviting policymakers to seminars and by maintaining contact with a significant number of high-profile policymakers. Many of the policymakers that we spoke to described the IPF’s analyses as ‘useful’ and as ‘required homework’ for policymakers.

While the IPF manages to ensure the exposure of policymakers to their research, most respondents expressed doubt about the IPF’s impact on public policy. The normal attribution problems aside, the IPF does not claim impact on any specific public policy decisions. They do, however, claim that their research has a longer-term impact on the policy debate, and to this end the IPF’s research does make specific policy recommendations. It is also likely that its research will have more impact on issues where it was directly contracted by government in this regard.

Some of the explanations for the relatively limited impact on policy decisions that were expressed to us include the fact that the IPF seldom offers specific recommendations on revenue and expenditure decisions that MPs face in the budget process. Many other respondents indicated that this limited impact is the result of the fact that policy decisions in Croatia are not research or evidence-based, but rather the impact of ‘political’ dynamics and interests. In this logic the government experiences the IPF’s inputs into the policy process as a challenge to their authority, hence it is ignored. There was however some evidence that younger or more junior staff in the administration may be more receptive to the IPF’s criticism. One of them stated that: “90 percent of the time they [IPF] are criticizing the government, but that criticism is helpful.”

## **6. Observations and lessons from the IPF’s approach to budget work**

When one looks at the IPF and its work against the backdrop of civil society budget work worldwide, some notable lessons emerge, both for groups that have been doing this work for a long while as well as for new groups.

### ***1) The IPF’s Innovative Funding Model***

One of the most striking things about the IPF, in comparison to other budget groups around the world is something it does *not* do—devote a good deal of its energy to seeking financial support to keep its work going. Over and over again

IPF staff members noted that financial support is not a big concern. “The money is always there,” said IPF’s staff. As described earlier, a large part of this is a result of the Institute not being a traditional civil society organization but a novel hybrid—part public institution backed with public funds and part private institution that receives support from sales of its information products, grant support and other sources. The IPF noted that the diversity of funding sources “is very important. It allows us to be independent.”

As noted previously, a substantial portion of the IPF’s budget comes from government sources. Both direct funding for staff salaries and the large portion of its subscription revenues come from government agencies. This raises an obvious question: If the IPF receives a substantial portion of its funding from the government, is it not then compromised in its ability to critique government policies? This is an important function in budget work.

We asked about this in several of our interviews, and time and time again IPF staff members insisted that this apparent conflict never materializes, and that at no time has the Institute ever felt constrained in what it was free to say about government policy. “We say what we think, and if they [government officials] like it, they like it, and if they don’t, they don’t,” Ott said. While it might be possible that the IPF staff understates the potential conflict, we heard the same message about the IPF’s political independence from groups outside the Institute. Leaders of a national labor federation specifically mentioned the IPF’s political independence as one of its strong suits. One of the journalists we interviewed reiterated the same point.

In this regard, it may be that Croatia is a special case. Frankly, it is hard for us to imagine, in a variety of nations where budget work is underway, that governments would resist using funding connections as an instrument to constrain or influence budget groups’ findings and activities.

The other creative aspect of the IPF’s funding that may well be worth pursuit by some budget groups, is the Institute’s ability to raise revenues through selling paid subscriptions to its two technical journals (on taxation and on customs issues). Budget groups which develop substantial areas of expertise may find that there is a paying market for some of the most technical expertise that they develop, though the extent of this is likely to vary widely from country to country.

To be clear, the primary purpose of the IPF is its research activity. But they also try to develop a broad base of information and materials on public finance issues and to make that information readily available for free to all potential users. The Institute’s two subscription journals are the only two materials that it publishes that are not available for free on its Web site (though they are available for free review in the IPF library). However, the notion of creating, in addition to a broad set of public materials, a more technical set of materials for subscription or sale,

is an idea worth examining elsewhere. In essence, the IPF is using the creation and sale of these journals as a way to substantially subsidize its other work.

## ***2) Harnessing Academic Analytic Capacity***

Another feature of the IPF's approach to budget work that is worth examining in other settings is its well-demonstrated ability to harness academic analytic capacity to carry out analytic work on public finance issues. As described in some detail earlier, Croatia is blessed with a very rich academic community, and the IPF has developed a very strong strategy of engaging that community in applied public finance analytic work (on issues such as tax compliance, the effects of joining the EU, and other issues).

The advantages of such an approach are many. At a practical level, this approach vastly expands the IPF's overall capacity for generating high-quality research. Moreover, it helps foster an ever-expanding community of analysts who are thinking about public finance issues, designing research that looks at key issues facing the nation, and engaged actively in the process of educating policymakers, journalists, and the public. As noted earlier, the key to this approach is to design research projects in a way that serves the needs that academics have within their profession, such as publishing and presenting high quality research and securing funding to support that research.

Not all country settings have as rich an academic community to draw on as does Croatia, but even the smallest and poorest countries have an academic community, and looking for ways to engage academics in applied budget analysis is a strategy, in our view, worth looking at closely.

## ***3) Focusing on Budget Cycle Issues vs. Long-Term Issues***

Like many groups doing budget work around the world, the IPF used to devote a good deal of its attention to looking at the national budget as it went through its cycle of development and approval. "In the beginning we spent many nights analyzing the budget proposal [to provide information to members of the Parliament]," the IPF explained. "But it was really exhausting and we didn't see any results."

In this respect, Croatia is quite similar to many other countries. As noted, the national budget process is largely a closed affair left in the hands of the executive. The lack of information about the budget and the ridiculously short time period allotted for parliamentary consideration combine to virtually eliminate the political space in which independent budget analysis could have an impact. As a direct result of this, the IPF made a strategic decision to focus its analytic work not on cyclical budget issues but on a series of ongoing issues (tax reform, decentralization, availability and transparency of data, budget process etc.) that set the longer-term framework for national public finance policy. This was a major



strategic call for the IPF, one that in the Croatian context makes good sense, in our view. Groups engaged in applied budget work in other countries ought to make the same strategic analysis relative to their own political contexts. Many might similarly find that switching their focus to longer-term issues and away from individual budget cycles might be a more fruitful long-term strategy.

That said it seems that the IPF could also play an important role in championing a specific set of reforms that would expand the political space in which the legislative branch could play a more serious role in year-by-year budget making. It is clear, not just in Croatia but generally, that the more power the legislative branch has over year-to-year budgets, the more opportunities there are as well for citizen influence and specifically for influence by groups such as the Institute. Further, we met with two members of Parliament from two parties and two very different sides of the political spectrum, both of whom were united in their desire to see the legislative branch have a greater role in national budget making. Despite the weakness of Croatian civil society (especially in terms of budget issues) that we have discussed earlier, we still see some potential for building a constituency for a more open budget process.

#### ***4) The Challenge of Staff Sustainability***

One of the most notable features about the IPF is its strong and capable staff. It has an executive director well-regarded (inside and outside of the Institute) for both her technical expertise and her ability to effectively manage relations and work products within the IPF and with other key actors in the media, government, academia, civil society, and elsewhere. It has a core of senior staff members with extremely strong academic credentials and expertise second to none in terms of the issues within the IPF's scope. It also has a group of younger staff members who have solid expertise of their own but who are also still at the start of their learning curves in public finance. This mix of staff and the quality of the people that the Institute has been able to recruit and to retain (as described earlier, staff turnover within the IPF is remarkably low) is a major element in its core strength.

As in many organizations doing budget work, long-term sustainability of the staff is an ongoing concern. In many groups the departure of one key person can unravel the entire group, setting its work back for years. This is of particular concern for groups doing budget work. Because of the technical capabilities, budget groups often find themselves in a harsh competition for staff with corporations, multinational institutions such as the World Bank, government, and other potential employers that can offer higher wages and higher status.

For now, the IPF seems to have overcome that challenge. One reason is that the IPF enables conditions for young people in advancing their careers. Another is that it gives its staff wide latitude in terms of work products and working style (the Institute pays little attention to the hours worked by its staff and instead focuses on work product). The high quality of the IPF's work and the peer respect that

results seems also to be a factor in the Institute's success in recruiting and retaining staff. IPF staff universally and genuinely described the Institute as a great place to work.

The IPF's leadership is also paying smart attention to broadening out the number of staff members that carries out its important external relationships. For example, for a long time Croatian journalists were accustomed to dealing only with the executive director. However, the Institute is engaged in a deliberate strategy of steering reporters to other researchers as well. This diversification of who deals with external actors is one way that an organization like the IPF makes those key relationships sustainable in the event of staff turnover.

### ***5) Advocacy through Informal Channels and Long-Term Relationship Building***

As a rule in civil society, we think of policy advocacy in campaign terms: an objective is set for policy change; a coalition and other political support is organized; a media effort is launched; lobbying of policymakers is organized; and the campaign marches forward. The IPF's definition of advocacy and the method with which it approaches advocacy is quite different. The IPF's approach to advocacy is rooted in a combination of influence through formal and informal channels and long-term relationship building, with key actors in government, the media, and elsewhere.

Nowhere in any of our interviews or reviews of the IPF's work did we find evidence of anything that resembled what could classically be called a "campaign." Instead what we found were longer-term efforts by the IPF to shape the framing of issues through its analysis and work with the media. An example is the IPF's stance toward a major public finance issue in Croatia, namely the calls to implement a national flat tax. The IPF has held no news conference on the subject and organized no coalition. It is, however, analyzing the issue, developing a position on it (opposing but with important qualifiers), and importantly, talking with the Institute's contacts in the media and government to advance its point of view.

The influence that the IPF wields through this approach is the direct result of years of careful relationship building, making the Institute a respected source for reporters, public officials, civil society actors, and others. In this way, the IPF's information and views on public finance issues permeates, in an ongoing way, the nation's policy elite.

The IPF notes that its move from strictly analysis to advancing positions (what it calls "advocacy") is relatively recent. While the actual policy changes this approach can claim may be modest, it is, however, an approach that matches the reality of Croatian democracy, where the notion of citizen campaigning is virtually absent. Again we observe that for budget analysis to reach its full potential as an

advocacy tool, the capacity for analysis needs to be matched with a civil society effort to effectively champion the policy recommendations that come from it. In essence, the IPF is an analytic organization in need of a campaigning dance partner.

### **Response from the IPF:**

The authors have somehow looked at the IPF as though we are an advocacy group disguised as academics. No, we are an academic group just trying to influence public sector economics of public finances. As we deal in public finance, it's logical that we'd like to improve public policy. To have a better public policy, you need accountable policymakers. To hold them accountable you need somebody to watch over them (policy watchers, i.e. participating citizens). For citizens to be able to watch/participate you need transparency of processes, documents, data... and here we are: IPF trying to influence transparency, participation, accountability, all to improve public policy, to improve public finance. That's the circle.

Or: We are interested in public finances. Of course, in good, efficient and equitable public finances. For that we would like our country to have a good public policy. To have a good public policy we need government accountability at all levels. For keeping the government accountable, we need transparency. And who could request the transparency but citizens. It's why we need citizens' participation.

And so we have a circle: public finances – public policy – government accountability – transparency – citizens' participation. In the middle of that circle is IPF trying to influence all of them.

## **Appendix 1: List of People Interviewed**

1. Katarrina Ott, Anto Bajo, Vijekoslav Bratić, Predrag Bejaković and the rest of the staff of the Institute of Public Finance
2. Helena Blažić and Vinko Kandžija, Faculty of Economics, University of Crikvenica
3. Zdravko Petak, Political Science Faculty, University of Zagreb
4. Ivica Maletistinić and two others – mayor of Crikvenica
5. Mayor, Zlatko Komadina and Branko Škrobonja – head of the County Office
6. Hrvoje Kraljević – ex- Member of Parliament , ex-minister of science, academic
7. Tonči Tadić, Member of Parliament
8. Branka Kušić, Budget Office, Ministry of Finance
9. Zvonimir Mršić, Member of Parliament
10. Dubravka Jurlina-Alibegović, Institute of Economics
11. Hrvoje Arbutina Professor of Law, University of Zagreb
12. Ratko Bošković – Journalist at Jutarnji List newspaper
13. Goran Bakula, Marija Hanževački and one other, Independent Trade Unions of Croatia
14. Miroslav Alilović and Zoran Svoboda, Urban Institute

## **Appendix 2: Historical and Economic Context**

The political and economic history of Croatia weighs heavily on the present. A decade of war has left Croatia with centralized political institutions and economic institutions that struggle to compete in Europe. The country's medium to long term future is likely to be marked by its efforts to engage in the fundamental reforms that will be required for it to accede to the European Union.

### *From war to peace*

Perhaps Croatia is most closely associated in the public mind with the recent history of war and civil conflict.

After Tito's death in 1980 the leaders of former Yugoslavia struggled, but failed, to solve mounting economic problems, as republican leaderships guarded their autonomy. Widespread dissatisfaction with the dysfunctional federation boiled over into nationalist ferment in Serbia in the late 1980s, provoking a strong counter-reaction in Slovenia and growing demands for dissociation.

Following a brief war in Slovenia in July 1991, Serb paramilitaries began to expand the area of Croatian territory under their control, expelling ethnic Croats living there. Backing the Serb cause in Croatia, the federal army became increasingly involved in the fighting. In October 1991 it laid siege to the town of Vukovar, which it eventually captured in late November. By the end of the year the federal army was engaged in a full-scale conflict with Croatia, which had barricaded army facilities in the republic, and around one-third of the republic lay outside Zagreb's control.

At the beginning of 1992 a ceasefire was negotiated that provided for the deployment of a United Nations force on the borders of the Serb-controlled areas, from which the army withdrew. The EU recognized Croatia's independence in January 1992. The conflict in Croatia was now effectively frozen, as, apart from occasional flare-ups, the UN maintained a fragile peace, and the war moved on to Bosnia-Herzegovina.

As frustration mounted at the slow pace of negotiations (coordinated by the UN) with the rebel Serbs in Krajina, the Croatian government took the military option. In May 1995 it seized control of western Slavonia, a Serb-held part of the territory, and in August of that year it launched an assault on the southern and central parts of Krajina. Under the Erdut agreement of November 1995, which complemented the Dayton peace agreement for Bosnia-Herzegovina, a transitional UN administration was established in the last Serb-controlled region of eastern Slavonia. The region reverted to Zagreb's full control at the beginning of 1998, giving the country full control of its internationally recognized borders.

### *The centralizing impact of war on the state*

The war in Croatia left the country with power centralized in a number of influential individuals. Even though the constitution declared Croatia to be a parliamentary republic, it was often described as having a "semi- presidential" political system, since the first President, Mr Tudjman, had exercised such a tight grip on government and the ruling Croat Democratic Union (HDZ). One of its most controversial features during the Tudjman era was the power of the President, which included the right to appoint and dismiss ministers (as well as the prime minister), considerable latitude to dissolve Parliament, and the ability to block the appointment of mayors and other local officials.

The coalition of opposition parties that won the January 2000 elections vowed to strip the presidency of many of its powers, and to strengthen the role of Parliament. A series of amendments passed in November 2000 therefore barred the President from belonging to a political party and made the government more accountable to Parliament. Whereas in the past the President could dissolve Parliament almost at will, the revised constitution permits him or her to do so only under very specific circumstances.

### *From Socialism to market economy*<sup>8</sup>

The conflict in Croatia also shaped the economy of the country. Before the dissolution of Yugoslavia, the Republic of Croatia was the most prosperous and industrialized area after Slovenia, with a per capita output well above the Yugoslav average. Even so, Croatia faces considerable economic problems stemming from: the legacy of long-time socialist management of the economy; damage during the civil war to bridges, factories, power lines, buildings, and houses; the large refugee and displaced population, both Croats and Muslims from Bosnia; and the disruption of economic ties. Foreign investment in the trade and banking sectors has helped restore the economy. The government has also been successful in some reform efforts—particularly macroeconomic stabilization policies, and it has normalized relations with its creditors. Yet it is still struggling with the reform of large state enterprises and a large and inefficient public sector.

Despite its small size, Croatia is a relatively closed economy.<sup>9</sup> Exports of goods and services represented only 52 percent of GDP in 2004, compared with 60- 75 percent for most countries in east-central Europe. This is because exports of goods have stagnated; the impetus of export growth has come almost entirely from exported services (which totalled 47 percent of exports of goods and services in 2000).

The result of these low levels of exports has been a growing external current account deficit. The current account deficit mirrors the widening trade deficit. The

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<sup>8</sup> [http://www.photius.com/wfb/wfb1999/croatia/croatia\\_economy.html](http://www.photius.com/wfb/wfb1999/croatia/croatia_economy.html)

<sup>9</sup> Also Economist's 2000/01 Country Profile for Croatia

current account deficit has gradually widened from 2.5 percent of GDP in 2000 to 8.7 percent in 2002, but improved to 5.2 percent in 2004. The growing current account deficit has been financed primarily by a sharp rise in external debt, which has increased the external vulnerability of the Croatian economy. Despite significant foreign direct investment (FDI) inflows, external debt soared from 60 percent of GDP and 128 percent of exports of goods and services in 2000 to 82 percent and 158 percent, respectively, in 2003.<sup>10</sup>

Gross fixed investment was equivalent to only 21 percent of GDP in 2000, compared with the 24-27 percent of GDP level prevailing in the more advanced eastern European countries, because both the government and private corporations cut back capital expenditure sharply during the 1998-99 recession.

Services have grown in importance, not just because Croatia has reached a more advanced stage of development than many east European countries, but also because of the collapse in industry at the start of the 1990s. The disruption caused by the wars of the Yugoslav succession and the lack of competitiveness of many export sectors led to a steep decline in traditional industries such as base metals, textiles, shoes, drinks, and food-processing. Although this was mitigated by growth in shipbuilding and pharmaceuticals, industry (including construction and mining) represented only 33 percent of GDP at basic prices in 2000, compared with 36 percent in 1990. Agriculture is more important in Croatia than in most countries in east-central Europe, and accounted for 9.5 percent of GDP at basic prices in 2000.

### *Entrance to the EU*<sup>11</sup>

The prospect of EU membership has been an important incentive for introducing economic, institutional, and political reforms in Croatia. By all accounts Croatia has made significant progress toward meeting all the requirements of EU membership. Ironically some respondents felt that the process of meeting the EU requirements has led to a lack of 'vision' in the government of the day. The entire policy program of the current government hinges on the EU process. In the words of the World Bank's recent Country Assistance Strategy: "The main strategic objective of the Croatian government is successful accession to the European Union (EU), so that Croatia enters the EU as a dynamic and competitive economy that can rapidly achieve convergence to EU living standards."<sup>12</sup>

In order to join the Union, candidate countries need to fulfill the economic and political conditions known as the 'Copenhagen criteria,' according to which a prospective member must:

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<sup>10</sup> Country Assistance Strategy for Croatia, World Bank, 2004 Report No. 30717-HR

<sup>11</sup> More details can be accessed at <http://europa.eu.int/comm/enlargement/negotiations/index.htm>

<sup>12</sup> Country Assistance Strategy for Croatia, World Bank, 2004 Report No. 30717-HR

- Be a 'stable democracy', respecting human rights, the rule of law, and the protection of minorities. Fulfilling this criterion is key for the start of accession negotiations;
- Have a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; and
- Adopt and enforce the common rules, standards, and policies that make up the body of EU law.

Once the relevant country has met the initial criteria for EU membership, the long accession negotiations begin. The EU assists candidates in their efforts to implement the requirements for EU membership through a country-specific pre-accession strategy. This includes various kinds of financial assistance to improve their infrastructure and economy.

Following their application in March 2003 and the European Commission's recommendation that the EU open accession negotiations with Croatia, the republic was awarded candidate status on June 18, 2004. At that time the European Council agreed that Croatia meets the political criteria, and it moved from the status of applicant to candidate country for EU membership. The achievement of candidate status by Croatia was seen by the EU as an encouragement to the other countries of the Western Balkans to pursue their reforms.

To this end the European Commission proposed a negotiating framework for membership talks with Croatia. This document lays down the guiding principles, the substance, and the procedures for the accession negotiations. As such it serves as basis for the Member States to conduct the negotiations with Croatia.

The European Council decided in December 2004 that accession talks can start with Croatia on the 17th March 2005, provided there is full cooperation with the International Criminal Tribunal for the former Yugoslavia.

As a condition of the start of negotiations, EU leaders wanted the Zagreb government to do everything possible to deliver Ante Gotovina, a former general, to the UN war crimes tribunal in The Hague. The court, formally the International Criminal Tribunal for the former Yugoslavia, indicted Gotovina in 2001 for war crimes against Croatian Serbs, including the killing of at least 150 Serbs from Krajina and responsibility for the deportation of 200,000 members of the Serb minority. Since the indictment, Croatian officials have told The Hague they cannot find Gotovina.

Croatia hoped to enter the EU in 2007, at the same time as Bulgaria and Romania. But the accession talks that were meant to start on March 17, 2005, were postponed indefinitely because of disagreement over the extradition of Gotovina. The accession talks finally started on October 3, 2005, while



Gotovina was caught in Spain in December 2005 and extradited to the Hague Tribunal.

*Key long-term issues (decentralization, tax reform, budget reform, pension fund reform, etc.)*

Closely related to the process of seeking EU membership are a number of reform processes upon which the government has embarked.

Although a number of budget transparency and participation activities have been launched at the municipal level, transparency is still much better at the national level (more and timelier data are available on national than at local levels).

Linked to the former is the issue of decentralization in Croatia. A number of processes are in the offing in this regard on both the revenue and expenditure side. In 2000 an initiative was launched to decentralize the provision of health and education services, but is proceeding slowly.

As is explained elsewhere, local government offers substantially more opportunities for citizen participation in the budget process. Croatia has three levels of government, i.e. national; the counties, and cities/municipalities. There are 21 counties, 123 cities, and 565 municipalities.

Counties form the 'middle level' of government that have responsibility for health, education, and social service—but they apparently only take these over where the relevant local authority cannot pay for these functions themselves. In other cases they 'top up' what local government provides; in short, the powers and functions of sub-national government are not clearly assigned.

The main sources of tax revenue in Croatia are VAT and excises (around 50 percent of total tax revenue), but they are not shared and they belong to the government. All three levels of government however share income tax (less than 9 percent of total tax revenue) and corporate tax (less than 6 percent of total tax revenue) that are collected centrally. Currently the counties get 10 percent of the Personal Income and Corporate Taxes, while Municipalities get 33 percent and 20 percent.

There are also block grants and conditional transfers to sub-national government, but these are not guided by transparent formulae. The result is an unclear system of intergovernmental transfers that bears no immediate relation to the functions performed by each arm of government. Very often local governmental units also have huge autonomy in budget expenditures and almost none on the revenue side.

An ongoing debate over the revenue and expenditure assignments between municipal and county (regional) level government is taking place. These

assignments are not guided by legislation and are marked by an extreme asymmetry depending on the capacity of the relevant local council. Almost everybody that we spoke to agreed that the sub-national system of government is in serious need of reform. Apart from a more rule-bound and transparent system, interviewees agreed on the desirability of greater decentralization to the local level of government.

A large number of other reform initiatives around health sector reform, administrative costs of taxation, state pension fund reform, privatization of state enterprises, state subsidies to public and private industries, and the like are also in process.

### Appendix 3: IPF publications

#### Selected themes of Financial theory and practice

2005	No 1	Poverty and the possibilities of palliating it in Croatia
2004	No1	Parliament and the Budget
	No 3	The Compliance Costs of Taxation in Croatia
2003	No 4	Labour markets in Croatia
2001	No 1	The public debt in the Republic of Croatia
	No 2	Progressiveness of Income Tax in Croatia during the 1995 to 1999 period
	No 3	Local finances and the local budget in the Republic of Croatia
2000	No 3	Pension and Retirement Fund reform in Croatia
1999	No 4-5	Tax reform and tax evasion

Note: Available at <http://www.ijf.hr/eng/>

#### Recent titles from the Occasional Paper series

2005	No 26	Income distribution in Croatia: what do the household budget survey data tell us?
	No 25	Fiscal decentralization in Croatia: problems of fiscal equalization
2004	No 24	The administrative costs of taxation and customs clearing in Croatia, 1999-2001
	No 23	The compliance costs of excise duties in Croatia
	No 22	Tax compliance costs of small business in Croatia
	No 21	The costs of customs compliance in Croatia in 2001
	No 20	Local government unit borrowing in Croatia: opportunities and constraints
	No 19	The role of parliament in the budgetary process-the example of Croatian parliament (2000-2003)
	No 18	State Aid to enterprises in Croatia in 2001.
2003	No 17	Inequality in Croatia in the period from 1973 to 1998
	No 16	Decentralization in the Republic of Croatia - A City Budget in the Period from 1996 to 2000

Note: Available at <http://www.ijf.hr/eng/>

#### A selection of books published by the IPF

Croatian Accession to the European Union: Facing the Challenges of Negotiations
The competitiveness of Croatia's human resources
Croatian Accession to the European Union: Institutional Challenges
The Croatian Tax System
The Financing of High Education and Science
Croatian Accession to the European Union: Economic and Legal Challenges
Carinska tarifa s kombiniranim nomenklaturom za 2002. (Customs Tariff)
Zbirka carinskih propisa (Collection of Croatian Customs Rules)

The Citizen's Guide to Taxation, updated in May 2005
A Citizen's Guide to the Budget
Javne financije - Harvey S. Rosen (translation of textbook Public Finance, Harvey S. Rosen)

**Recent titles from the Newsletter series**

2005	No 22	The Government and the Money Market: Who Manages the Cash and Liquidity of the Croatian Budget?
	No 21	What Are the Compliance Costs of Taxation in Croatia for Individuals
	No 20	What Are the Compliance Costs of Taxation in Croatia for Small Businesses
	No 19	What Are the Compliance Costs of Taxation in Croatia for Businesses
	No 18	The new Income Tax Law: Its Impact on the Distribution of the Tax Burden
	No 17	What is the cost of customs compliance in Croatia?
	No 16	How much do tax authorities cost us?
2004	No 15	Local government units borrowing in Croatia: opportunities and constraints
2003	No 14	Developments in the Croatian Tax System
	No 13	Who Controls Budgetary Process in Croatia
	No 12	The Croatian Public Debt: Current State and Trends

*Note: Available at <http://www.ijf.hr/eng/>*