
The level of fiscal transparency and accountability of budget users – evidence from Macedonia

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Abstract: Research done in the past regarding the budget institutions and transparency/accountability issues was mainly focused on a national and local level. This is, to the best of our knowledge, the first study that evaluates transparency and accountability of budget users. The main contribution of this paper is in two areas: firstly, the level of transparency and accountability of budget users was evaluated using specially developed methodology; and secondly, the relationship between selected indicators and the level of transparency and accountability for budget users was analysed by using comparison of means and bivariate correlation. The results indicated that all monitored budget users have a very low level of transparency (on average 12.62%) and the average accountability of the budget users' performance is almost five times higher than their average transparency (amounting to 64%). Another important result indicated that the size of the total budget is positively related to the level of transparency.

Keywords: fiscal transparency; accountability; open government; budget user; performance of government; government efficiency; fiscal policy; budget systems; public policy; determinants of transparency; determinants of accountability; budget institutions.

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1 Introduction

The academic literature and research on budget institutions and transparency issues in a number of emerging and low-income countries is nascent. In general, the evidence from budget institutions suggests that usually lack of capacity, ineffective institutions of civil society, and political economy factors act as a severe constraint on the progress of modernising budget institutions (Allen, 2009). In these countries numerous targets and formal constraints on spending and fiscal deficit, which often exist on paper, may not be binding in practice. The reason for this is because mechanisms that make a commitment to budget rules, the transparency of procedures, and ensure that government ministers and officials are accountable for their decisions, are usually not well established. Thus, enhancing the transparency and accountability of budget users, the comprehensiveness of the budget process, and public dissemination of budget documents and information, may be particularly important, even in the absence of formal rules (Campos and Pradhan, 1996).

Studies published in the past mainly focused on analysing fiscal transparency on a central government and local level and there is still an open research gap concerning the

analysis of the transparency (accompanied by accountability) on a budget user level. Bearing this in mind, we have a number of reasons to dedicate our efforts to and start researching and analysing the transparency and accountability of state institutions (budget users) responsible for allocation of public money. In this regard, the first step and challenge is to measure and determine the level of transparency and the other ‘side of the coin’ – accountability, which will later lead to further analyses of the interaction with and effects of these categories on other economic and social indicators. Hence, our research mainly focuses on measuring the level of fiscal transparency and further accountability procedures at the level of budget users, analysis of the links between certain indicators for every budget user with transparency and accountability, and finally, analysing the relationships between the level of transparency and fiscal accountability procedures at the budget user level. Fiscal transparency is a key element in the effective management of public finances, determining the fiscal risks, rational financial decision making, increasing accountability by policy makers, and improving fiscal policies. In addition, fiscal transparency ensures openness of governments to the public about the structure and functions of governments, fiscal positions, potential risks, benefits versus costs of fiscal actions, and fiscal projections. It allows for a well informed debate by both policymakers and the public about the design and results of fiscal policy, and provides legislatures, markets, and citizens with the information they need to hold governments’ accountable¹. Furthermore, it helps to highlight risks to the fiscal outlook, allowing for earlier and smoother fiscal policy response to changing economic conditions and thereby reducing the incidence and severity of crises. According to the International Monetary Fund (IMF), the Organization of Economic Co-operation and Development (OECD), and numerous other studies, fiscal transparency and accountability in public finances is one of the main prerequisites for better macroeconomic and fiscal stability, better credit ratings and better fiscal discipline (lower public debt and deficits), reduced levels of corruption and a determinant for higher rates of economic growth (see IMF factsheet, 2014). In accordance with some of the previously stated benefits of fiscal transparency and accountability this paper aims to address three key research questions:

- 1 How to measure the level of fiscal transparency and accountability at the budget user level in the country?
- 2 What is the level of fiscal transparency and accountability of budget users (what are the most transparent and accountable budget users and the lowest performers)?
- 3 What is the relation among the level of fiscal transparency, accountability and other attributes of budget users?

In order to provide an answer to the first two research questions we developed two measurement instruments (questionnaires for determining the level of transparency and accountability). The categories in the questionnaire for determining the level of transparency mainly follow the key parts of the open budget questionnaire developed by IBP, IMF’s – code of good practices on fiscal transparency and part of the OECD best practices for budget transparency. Having in mind that accountability is one of the main challenges of the Macedonian budget process (on a national, local or budget user level) in the second questionnaire we defined the three basic categories, starting from:

- 1 knowledge and planning based on strategic priorities and strategic objectives
- 2 accountability of budget users in the process of planning and preparation of the budget
- 3 the level of accountability in evaluation of the budget within the budget user.

To answer the third research question correlation analysis was performed to identify relationships between transparency, accountability and specific indicators for each budget user (budget size, number of employees, expenditures for wages and benefits, operative expenditures per employee, and existence of output indicator). We are interested in understanding the relationship among these indicators and the level of transparency/accountability, having in mind the key assumption that budget users who have larger budgets and more employees usually spend more money for wages. Therefore we expect them to be more exposed to stronger pressure for greater transparency and accountability.

Taking into consideration the main research questions stated above, the contribution of this paper generally will be in several areas: firstly, to the best of our knowledge, this is the first analysis of its kind, which focuses on measuring the fiscal transparency and accountability of budget users; secondly, the methodology used in our paper can be further upgraded to serve as a basis for measuring the transparency and/or accountability of budget users in different economies (especially in countries that are in the process of reforms and strive to improve the fiscal transparency of budget users); thirdly, this research can serve as a base methodology for ranking the budget users in each country, thus allowing policy makers to transfer best practices from one budget user to another, to set reference values for monitoring budget users, or to amend the procedures, provide legal solutions, and implement reforms; and finally, this paper is a modest attempt to link the transparency and accountability with a limited number of indicators for each budget.

The structure of the body in this paper is organised in four sections: the next section of literature review briefly analyses the concept of budget transparency and elaborates the current research and studies related to the measurement and effects of fiscal transparency; in the third section we conduct a brief situational analysis of Macedonia, where the connection between transparency and other segments of society is presented descriptively; the fourth section focuses on the methodology used in the research to measure the transparency and accountability of budget users and their relationships among budget users and selected indicators (for budget users); the fifth section is a discussion of the results; and, the final (sixth) section presents the conclusion.

2 Literature review

In the last decade, especially after the great economic crisis (2007–2009), the studies that confirm the importance of fiscal transparency and accountability and calls for action to its increase have become more frequent. Three main reasons drive the restructuring of international efforts to enhance fiscal transparency (see Cottarelli, 2012): first, in a number of countries (particularly the developed economies) studies have shown that fiscal positions – public debt and deficits were not adequately defined; second, in many cases countries underestimated the fiscal risks they faced, particularly risks coming from the financial sector; and the third reason is the significant deterioration of the fiscal

position and the need for fiscal consolidation in a number of countries with the start of the global crisis. All of these confirm the need to revitalise the international efforts to enhance fiscal transparency.

Analysis and research related to budget transparency and accountability mainly can be divided into two groups:

- 1 The *first group* includes research that define the set of methodology (usually a questionnaire or survey), which enable us to measure the level of budget/fiscal transparency and accountability, to calculate indexes that further enable ranking of countries, regions, local units or institutions: von Hagen (1992) measures the fiscal transparency of eight European economies by using a specially designed questionnaire; Alesina and Perotti (1996) calculated an index of budgetary institutions of 20 Latin American and Caribbean countries by using two questionnaires, which cover ten characteristics of budgetary procedures; Hameed (2005) calculates the fiscal transparency of 57 countries by using the IMF code; Jarmuzek et al. (2006) measure the fiscal transparency of 27 transitional economies by using a survey designed and based on the IMF code for fiscal transparency; Benito and Bestida (2009) calculate budget transparency and accountability of 41 countries on the basis of a questionnaire based on the OECD's best practices; the IBP (2004, 2006, 2010) calculates the index of budget transparency based on a specially designed questionnaire and methodology for more than 100 countries worldwide. Within this group there are only a limited number of analyses that calculate the budget transparency at the local level (LSG). Thus, measurement of budget transparency and accountability in this segment has not yet been established and an internationally accepted methodology is missing. Researchers mainly use adjusted methodologies already used on the national level. One of the few relevant pieces of research which deals with this issue is the study that analyses the methodologies used in the ten pilot projects of the IBP (Argentina, Bolivia, Brazil, Croatia, Ecuador, India, Indonesia, Mali, Mongolia, Peru), which also represent a first step towards developing a manual and methodology to measure budget transparency at the local level (see Kroth, 2012). Others, such as Beales and Thompson (2010) measured fiscal transparency of 136 localities in Virginia, US, by using available information on their web pages; Boubeta et al. (2010) determined the fiscal transparency of 33 Galician municipalities in Spain by using a questionnaire based on the IMF code and the authors knowledge of budget process; Trenovski and Levkov (2014) have measured fiscal transparency in all 85 municipalities in Macedonia by using methodology based on the IBP survey for the authors' knowledge of the local units' budget process in the country.
- 2 The *second group* of studies mainly focuses on the effects and connections between the level of transparency and accountability with other economic and social variables. In his research for connections between fiscal transparency and economies outcomes, Hameed (2005) finds out that more transparent countries are shown to have better credit ratings, better fiscal discipline, and less corruption, after controlling other socioeconomic variables. Glennerster and Shin (2008) identify that countries experience a statistically significant decline in borrowing costs (on average a 11% reduction in credit spreads) when they are more transparent, and the magnitude of the decline is inversely related to the initial level of transparency and the size of the debt market. Weber (2012) identifies that the contribution of

stock-flow adjustments to increases in debt is likewise smaller in countries with above average fiscal transparency. Irwin (2012) notes a positive relationship between the use of accounting devices and perceptions of sovereign credit risks as measured by credit default swap spreads. Arbatli and Escolano (2012) find that fiscal transparency has a positive and significant effect on ratings, but it works through different channels in advanced and developing economies. Moreover, in advanced economies the indirect effect of transparency through better fiscal outcomes is more significant, whereas for developing economies the direct uncertainty-reducing effect is more relevant. Other analyses, by Richter and Paparas (2013) and Rajan et al. (2015), regarding fiscal sustainability and providing information about fiscal stance and prospects note that the rating agencies, by informing (transparently revealing) that investors will invest in bonds of high risk, can therefore create a downward spiral or self-fulfilling prophecy with regards to the sustainability of the public deficit. Gelos and Wei (2005) find that more (fiscally) transparent countries attract more foreign equity investment and are less vulnerable to withdrawals during times of economic downturns. Dabla-Norris et al. (2010) provide empirical support for the hypotheses that strong budget institutions help improve fiscal balances and public external debt outcomes. Similar results are provided by Alt and Lassen (2006), who discover that a greater fiscal transparency is associated with lower public debt and deficits in 19 advanced economies².

Regarding the accountability of budget institutions, analyses and studies that address the concept of performance-based budgeting (PBB) are very important. Often, the PBB concept is associated with productivity and efficiency of budget units, aggregate fiscal discipline and control, allocation efficiency and prioritisation of strategic goals, as well as transparency and accountability (Robinson and Brumby, 2010)³. In this context the studies by Aristovnik and Seljak (2010) and Aristovnik (2013) are one of the most relevant in the region, which elaborate what the main challenges and obstacles regarding implementation of this concept are, how useful this tool is for performance accountability and budget transparency in budget users (ministries), the level of support of this concept by state administration and management in budget institutions, etc. The analysis of Maksimovska-Veljanovski and Stojkov (2014) presents the institutional capacities and readiness of individual SEE countries, for implementation of PBB and improving budget accountability.

While it is difficult to define budget transparency, its measurement is also an exceptional challenge. This is the case because different researchers and institutions use various measurement instruments and methods, and most of them measure perceived transparency mainly through questionnaires or surveys. Earlier we reviewed the main academic studies that attempt to measure fiscal transparency, and further on we will expand our elaboration by briefly presenting the most relevant and internationally accepted methodologies that constitute the pillars which the dominant part of research in this area is based on. In this respect we will point out the most relevant guidelines for measuring budget transparency:

1 *IMF's – code of good practices on fiscal transparency*⁴. Over the years, the code provided the framework for conducting assessments of countries' fiscal transparency as part of the IMF's reports on the observance of standards and codes (ROSC) initiative, and published results for over 93 countries⁵.

- 2 *OECD's – best practices for budget transparency.* It is designed as a reference tool for governments to use for the purpose of increasing the degree of budget transparency in their respective countries. The best practices are in three parts: the first lists the principal budget reports that governments should produce and their general content; the second describes specific disclosures to be contained in the reports, including both financial and non-financial performance information; and the third part highlights practices for ensuring the quality and integrity of the reports (see OECD, 2002).
- 3 *IBP's – guide to the open budget questionnaire.* The *Open Budget Survey 2012* (2006 to 2012) examines 100 countries from around the world, measuring three aspects of how governments are managing public finances: budget transparency where each country is given a score between 0 and 100 that determines its ranking on the open budget index (OBI); budget participation; and budget oversight.

3 The relations of the fiscal transparency and accountability with the socio-economic situation in the country

According to OBI index, R. Macedonia is located in the pre-last group of countries (with the index value of 35, and is ranked 68th from 100 countries), and is in the group of countries that 'provide minimal information for budget documents and budgeting process'. If we compare the place of R. Macedonia's index for budget transparency in relation to the previous two surveys conducted in 2008 and 2010, we will note that R. Macedonia at that time was in the middle group of countries (OBI from 41 to 60), i.e., in the group of countries 'that provided data for budget documents and budgeting process'. Starting from 2008 to the final calculation of OBI in 2012, R. Macedonia has shown a continuous decline. Compared with the other Balkan countries, in 2012 R. Macedonia has the lowest value of the index (35), followed only by Serbia (39). But what have been the effects of the continuing decline of budget transparency and accountability in R. Macedonia in the last six years?

Firstly, since 2006, there has been a clear trend of increasing budget deficit and public debt, i.e., a lower fiscal discipline. Although some of these tendencies can be linked to global economic developments, nevertheless, there is also a relevant connection with transparency. The IMF executive board concludes in 2014 Article IV confirms the previous: "the overall policy framework would benefit from greater fiscal transparency and a well-articulated debt management strategy that takes into consideration both domestic and external sources of financing while maintaining macroeconomic stability and supporting growth".

Secondly, the relationships among the downward trend of fiscal transparency, the credit rating of the country and the possibility of borrowing on the international capital markets – on 24 May 2013, the long-term credit rating from Standard & Poor's (S&P) for R. Macedonia was reduced from 'BB' to 'BB-', because, as noted by S&P: "increased regional economic pressures and less anticipatory prospects for growth, increased unproductive public spending in parallel with reduced fiscal transparency. S&P indicated that the ratings could in future be increased, if the reforms are being made to increase the potential for economic growth comply/accompanied by increased efficiency and fiscal responsibility, government and public institutions"⁶. The last procedure for approval of a

loan that the Macedonian Ministry of Finance had requested from the World Bank speaks for itself of the importance of fiscal transparency⁷.

Finally, according to the World Economic Forum's *Global Competitiveness Report for 2013–2014*, the surveyed executives from the business sector chose corruption as one of the most problematic factors for running a business, in addition to access to finance and insufficient infrastructure (World Economic Forum, 2013). According to the State Department of the United States of America, the constant high level of corruption in R. Macedonia is associated with the lack of capacity of individuals as well as institutional responsibility and accountability (State Department of the United States of America, 2013).

4 Research methodology

Regarding the methodology the authors were following the consistency of procedure consisted of several steps in the process of data collection and analysis. Firstly, a list was created with all 92 first line budget users reported in the Budget of the Republic of Macedonia. From that list a research sample of 60 budget users was derived, including Funds and all of the ministries, considering that the Government is the most responsible. 32 budget users were excluded from the research sample mainly for two reasons: the first 21 users were part of another budget user, and 11 did not have their own official web page, which prevents data collection through visual inspection of a website (a method which was used for the evaluation of transparency).

Secondly, two main questionnaires as measurement instruments were developed to assess the level of the budget user's transparency and accountability. Both questionnaires were used for data collection. For the purpose of transparency the data was collected by a visual inspection of the budget users' websites. The authors of the paper manually filled the answers of the questionnaire for each budget user after a visual inspection of their websites. The second questionnaire was used to collect data about accountability and it was mailed by regular post or – e-mail to the budget user officials for answering the questions.

The first questionnaire developed for assessing the budget users' transparency consisted of 32 questions, of which 17 questions (numerated as 1 to 17) were based on the OBI open budget questionnaire and adjusted to the Macedonian context. The remaining questions (numerated as 18–32) were based on the IMF's code and the OECD's best practices, adapted to complement the assessment of the level of transparency of the budget users. All of the questions (except for the last question) measured the budget user's transparency on a maturity scale by receiving points from zero-minimum to two-maximum level of transparency. The level of transparency on the last question was measured on a maturity scale from zero to five. The highest score or maximum total points possible for a particular budget user to obtain were 67. At the end a global maturity score of fiscal transparency was calculated for each budget user, by summing up all individual scores on all 32 questions.

The websites of the budget users were used as a basis for assessing of transparency of budget users for numerous reasons. Compared to other types of information (press conferences, journalist briefings, media announcements, interviews, information campaigns, etc.), the websites are the only medium which can ensure a permanent information platform that is easily accessible to the broader audience⁸. In addition, there

are increasing legal obligations for public institutions to publish various reports and data on their websites and in connection to this, institutions usually publish most information on their websites, which serve as an archive of news and information.

In order to obtain more consistent results and answers to more specific questions about the applied procedures for the accountability of budget users, we also included field data collected by a survey in the data analysis. The questionnaire was sent to the 60 budget users, included in our initial research sample, and 32 institutions filled the survey, providing a high rate of response of 53%.

The second questionnaire used for assessing the accountability procedure of budget users consisted of 23 multiple-choice questions. All questions measured the budget user's accountability on a maturity scale by receiving points from zero-minimum to two-maximum accountability. The highest score or maximum total points possible to obtain for accountability are 43. In a similar vein to transparency, at the end a global maturity score of accountability was calculated for each budget user by summing up all individual scores of all 23 questions.

As we elaborate in the literature review part of the paper a dominant part of the studies and analyses related to budget transparency are mainly based on a questionnaire or survey as a set of methodology which enable to measure the level of budget/fiscal transparency and accountability. A significant part of the conducted analyses measure fiscal transparency by using specially designed questionnaires (which address budget documents, budget procedures, budget practices, etc.) based on the IMF code for fiscal transparency, the OECD's best practices or methodology developed by the IBP. In designing categories for our analyses we consulted a wide range of well set and accepted methodologies (developed questionnaires), but a dominant part of the methodology was adopted from the OBI open budget questionnaire and the rest was based on the IMF's – code and the OECD's – best practices. Having in mind that the budget users are in the focus of our research we tried in designing the categories to include all relevant questions that can determine their overall fiscal transparency. The categories mainly follow the key parts of the open budget questionnaire developed by the IBP, all four sections/pillars of the IMF's – code of good practices on fiscal transparency the first section of the OECD best practices for budget transparency (see more: IBP, 2010; OECD, 2002; IMF, 2007a, 2014). Thus, firstly we address the base for fiscal transparency – availability of timely and adequately prepared budget documents, secondly we include categories for strategic plans, annual programs, then we go further and try to evaluate how the achieved results of the public money spending are presented and in the end we try to investigate whether the institution takes some additional steps to increase its transparency (see Table 1).

Accountability is one of the main challenges of the Macedonian budget process (on a national, local or budget user level) having in mind that none of the institutions/budget users publishes a budget that contains output indicators, almost none of the budget users use a defined methodology for evaluation of results/outputs of budget programs and for determining the changing needs of users of these programs, a limited number of institutions define their budget priorities in line with the national objectives and strategies, etc. Considering the importance of this issue for the overall budget process in the country we define the three basic categories starting from: knowledge and planning based on strategic priorities and strategic objectives, then determining accountability of budget users in the process of planning and preparation of the budget, and in the end we

try to determine the level of accountability in evaluation with the budget within the budget user.

Table 1 Description of categories – transparency of budget users

<i>Categories</i>	<i>Descriptions of categories</i>
Minimum budget transparency (questions: 1–4)	This category implies that the institution publishes the current budget, past budgets, as well as the last annual financial statements and the financial statement of past years.
Program overview of the budget (questions: 5–8)	This category covers the manner in which the current and past budgets are presented, including the issues of whether the institution’s budget expenditures are divided by program classification (the structure of the program expenditures).
Expenditure program output indicators (questions: 9–12)	Special emphasis in this category has been given on whether and how the achieved results of the public money spending are presented. This category covers the issues of whether the budget includes expenditure program output indicators, and whether these indicators are useful to evaluate the performance of the expenditure program and achieve the goal.
Current budget transparency (questions: 13–15)	According to the legislative each budget user is required to prepare monthly and semi-annual reports, so this category monitors the structure/scope of these reports and how regularly the reports are published on the website of the budget users.
Final annual financial statements (questions: 16–22)	This category covers the issues concerning whether the budget users publish the final annual financial statement, the structure of this budget document, and the level of transparency in this report regarding the realised vs. projected budget indicators.
Strategic plans, programs and annual reports (questions: 23–30)	The category monitors whether an institution publishes its current and former fiscal period strategic plans, annual programs and semi-annual and annual reports (timeline of reports).
Additional budget transparency (questions: 31–32)	This category investigates whether the institution takes some additional steps to transparency, i.e., if the budget is published in a simplified visual form so that it can be understood by the regular citizen who has no expertise in reading the budget documents and whether the data are published as open data.

Table 2 Accountability-categories description

<i>Categories</i>	<i>Descriptions of categories</i>
Strategic priorities and strategic objectives (questions:1–4)	It investigates whether the budget users are acquainted with the strategic priorities of the government in designing a strategic plan and strategic goals of the institution (links between budget plans/programs and government priorities).
Budget preparation (questions: 5–15)	This section was designed to uncover more about accountability in the planning and preparation of the budget of the institution – starting with a budget circular, human resources management and links between the financial statement with output indicators and the different basis for budget preparation.
Budget evaluation (question:16–23)	Special emphasis in this category has been given to methodology (including managerial procedures) for evaluation of budget proposals, existing regulation and/or methodology for evaluation of achieved outputs of the budget programs and objectives/outcomes of institutions set in strategic plans in past years

The structures of the categories presented in Table 2 are defined in order to determine the degree of accountability of budget users. They are mainly based on: pillars 2 and 3 of the IMF new fiscal transparency code, which focuses more on outputs rather than processes (see IMF, 2014); and the third sections regarding integrity, control and accountability of the OECD best practices for budget transparency (see OECD, 2002).

5 Data analysis and results

5.1 Budget users' transparency

In the following section we provide the results obtained from the budget users for all the categories being evaluated. In the presentation of the results we followed a consistent procedure. Firstly, we present the obtained level of transparency and accountability of the budget users by giving the most transparent and accountable budget users and the lowest performers. Secondly, we give the total score obtained by the budget users within each category of evaluation. Thirdly, we give the budget user with the highest score within the category, and in the end we present some interesting characteristics which describe each category. The same approach was used in the presentation of the results for both budget users' transparency and accountability evaluation. Fourthly, we analyse the relationship between budget user transparency and accountability with several important indicators, such as:

- 1 budget size
- 2 number of employees
- 3 expenditures for wages and benefits
- 4 operative expenditures per employee
- 5 existence of output indicator.

The analysis of the results per institution showed that none of the 60 monitored state or public institutions can be evaluated as being budget transparent. Namely, none of the institutions scored positive for at least half of the categories. More precisely, only 1/3 of the analysed institutions have higher transparency than the average of all institutions which amounts to 12.62%. According to the results the majority of budget users in Macedonia (2/3) have achieved the lowest score of transparency belonging to the OBI category labelled as scant or no information (IBP, 2010).

If we compare the obtained results⁹, the most budget transparent institutions are the Agency of Community Rights Exercise with an overall transparency degree of 38%, followed by the Health Insurance Fund of R. Macedonia with a budget transparency of 34%, and the Commission for Protection of the Right for Free Access to Public Information with a 30% degree of budget transparency. Even the most transparent institutions with a score of over 30 percentage points belongs to the second lowest OBI category labelled as providing minimal information (IBP, 2010). The other end of the transparency side includes: the Ministry of Defense, Ministry of Agriculture, Forestry and Water Economy, National Agency for European Educational Programs and Mobility, Regulatory Commission of Housing, and the Center for Crisis Management, which have

a transparency level of only 4%. The least budget transparent institution with a degree of transparency of merely 1% is the President of the Republic of Macedonia.

In the following section we provide the results obtained from budget users for all categories being evaluated. In the presentation of the results we followed a consistent procedure. First we gave the total score obtained within each category from all the budget users, then we gave the budget user with the highest score within the category, and at the end we presented some interesting characteristics which describe the category. The same approach was used in the presentation of the results for budget users' accountability evaluation. On Figure 1 the distribution of achieved results in transparency evaluation is presented.

- 1 Minimum budget transparency – the total score obtained from budget users within this category is only 8.22%. The highest score was obtained by the Ministry of Finance, seven points out of eight. The results also indicated that only two out of the 60 monitored institutions publish their current annual budget on their website. Furthermore, the number of institutions that publish the past years' budgets is minimal, i.e., 7.92% of the monitored institutions do publish some of their past years' budgets. Only six institutions, or 10%, publish their previous year's final annual statements. The final annual financial statements for previous years can often be found as part of the annual report. Fifteen institutions (19.17%) publish the final annual statements of some previous year.
- 2 Current budget transparency – the total score obtained from budget users within this category is very low; only 1.52% of the possible points. All points have been obtained from only one of the 60 monitored institutions: the Health Insurance Fund (HIFM), with the highest score of 5.5 points out of 6. The HIFM publishes monthly reports of the implemented budget and has published these monthly reports each month since 2006. The HIFM is also unique in terms of the indicators as the published monthly reports compare the expenditures of the current year with the projections of the budget for the same period in the previous year. Furthermore, the HIFM is also the only institution that publishes a semi-annual report, which includes discussion of the economy, even though some details are omitted.
- 3 Additional budget transparency – The total score obtained from budget users within this category is 7.85%. The total of 33 points (which constitute the 7.85%) are equally distributed among 33 institutions per one point and it is not useful to appoint any institution with the highest score. Moreover, no institution has taken the extra effort to introduce and inform the citizens about their budget in a simplified visual form (0%). Out of the five levels of open data formats that the budget documents may be published in, the institutions apply only to PDF format. No institution published budget documents with a higher level of open data, such as Excel, free software, URL, or metadata. Thus, the level of budget transparency for open data is 11%.
- 4 Transparency of the strategic plans, programs and annual reports – the total score obtained from budget users within this category is 16.51%. The best score was obtained by the Agency of Community Rights Exercise with 12.5 out of 16. None of the monitored institutions published their timelines for adopting the strategic plan and work program on their website. Only 14 institutions published annual or semi-annual reports on the budget program implementation for the last fiscal year.

The younger institutions that have been established in the last ten years have a greater tendency for publishing annual reports. However, the institutions did not publish semi-annual reports. The monitoring showed that 16 institutions published a semi-annual or annual report on the program implementation in the previous year. The Data Verification Commission (DVC) is the only institution that published the semi-annual report, for which it is specifically bound by law. On the other hand, a more extensive retrospective on the transparency for the semi-annual or annual report on the program implementation of the previous years is higher, i.e., 24.17%. Almost none of the institutions published semi-annual reports on their work, or as in the previous question, semi-annual reports are only published by the DVC.

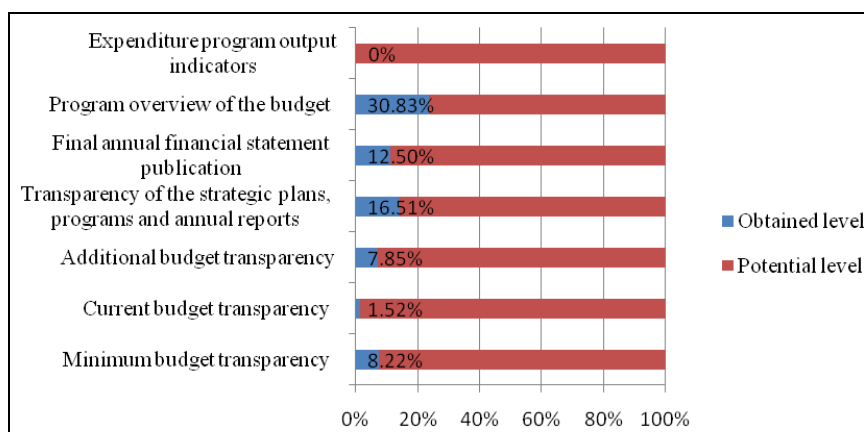
Out of the 60 monitored institutions, 17 of them or 28.33% have published their Strategic Plans for the current period. Seventeen institutions also published strategic plans for several former fiscal periods. The degree of transparency of the annual work programs is 20%, i.e., only ten institutions have published the institution's work programs. The degree of transparency of the previous period's work programs is slightly lower, amounting to 18.75%, i.e., 17 institutions published their work programs for previous years.

- 5 Final annual financial statement publication – the total score obtained from budget users within this category is 12.5%. The best score was obtained by the Pension and Disability Insurance Fund of R. Macedonia with 7.5 out of 14. Only four institutions published their annual financial statements, thus resulting with an overall transparency degree of 5.83%. Considering that almost none of the institutions publish their annual financial statements, the following questions related to the final financial statement were analysed through an overview of the final annual budget statements of the enacted Budget. The conclusion regarding the question of whether the annual financial statements explain the difference between the projected expenditures and the realised expenses resulted in a score that the degree of transparency is 39.17%. In most cases there is some type of explanation for the expenditure differences; however, the key details or any details are missing. In response to the question of whether the final annual statements explain the differences between the projected revenues and the collected revenues, the transparency degree of the explanation of the differences is 37.92%. The degree of transparency of the explanations of the differences between the macroeconomic projections for the fiscal year and the actual outcome for the same year is 2.92%. Audit transparency – with the exception of the State Audit Office (SAO), which has published the peer review of the SAO of the Republic of Macedonia prepared by the Court of Audit of the Federal Republic of Germany, no other institution has published the results of the audit of the final budget expenditures.
- 6 Program overview of the budget – the total score obtained from budget users within this category is 30.83%. The best score was obtained by the Commission for Protection of the Right for Free Access to Public Information with five out of eight. The overview of the budget for 2013 indicated that the extent of the budget transparency regarding program overview is 40%. The analysis determined that 20 institutions presented only some expenses by program classification, and 16 institutions presented all their expenses by program classification. None of the budget users' budgets presented the expenditure program structure as a percentage of

the total cost. Thus the degree of transparency on this issue is zero. The highest degree of overall transparency of 50.83% was awarded based on the question of whether the institution's budget, in addition to the current expenditures, also presents the expenditures of past years. Of the monitored institutions 57 present the past year's expenditures in addition to the current expenditures, but not for the years prior to that.

- 7 Expenditure program output indicators: output and outcome indicators – the monitoring has shown that none of the 60 monitored institutions present output indicators for their expenditure programs. The degree of transparency for output indicators of the expenditure programs is 0. Taking this into account, it cannot be assessed whether the output indicators would be useful to evaluate the budget performance of the expenditure programs and whether the expenditure program output indicators have been successfully designed as it might assess whether there is progress towards achieving the given goal of the institution-budget user. Thus, the score for both questions is zero. However, it was determined that none of the 60 budget users' budgets present any outcome results.

Figure 1 Obtained level of transparency by category of evaluation (see online version for colours)



5.2 Accountability of outcomes, performance of the budget user

The average accountability of outcomes, i.e., performance of the budget users is almost three times higher than the average transparency of budget users, amounting to 64%. At the same time, we will point out the results relating to the level of accountability of budget users, which budget user is the most and which is the least accountable, and the key points where accountability is max/min.

Comparing the obtained scores, we found that the Ministry of Information Society and Administration had the highest budget accountability score with a total of 83%. The State Commission for Public Procurement, the Secretariat for European Affairs, and the Secretariat for Implementation of the Ohrid Framework Agreement each had 37 points or 80%. The institutions that scored with less than 50 percentage points for their budget accountability and performance were: the Ministry of Labour and Social Policy with

49%, the Commission for Protection Against Discrimination with 42%, and the Commission for Fact Verification with the lowest score of 14 score points, which is 30% of the maximum possible score for its budget accountability and performance. On Figure 2 the distribution of achieved results by budget users regarding accountability is presented.

- 1 Planning and strategic priorities – the total score obtained from budget users within this category is 80.46%. Several institutions obtained the highest score of eight out of eight points within this category and they are:
 - a The Pension and Disability Insurance Fund of R. Macedonia
 - b The Ministry of Information Society and Administration
 - c The Health Insurance Fund of R. Macedonia
 - d The Agency for Promotion and Development of Tourism
 - e The Commission for Public Procurement Appeals
 - f The Ministry of Environment and Physical Planning
 - g The Secretariat for Implementation of the Ohrid Framework Agreement.

93.8% of the respondents answered that they know the strategic priorities of the GoM. Twenty-one institutions base their strategic plans and strategic goals on the strategic plans and goals of the GoM (65.6%), and 8 institutions answered that these are in accordance with those of the GoM, but with certain modifications (25%).

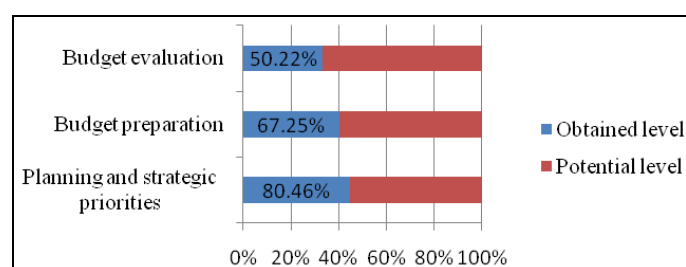
- 2 Budget preparation – the total score obtained from budget users within this category is 67.25%. The highest score was obtained by the State Election Commission with 20 out of 24 points. The surveyed persons responsible for preparing the institution's budget stated that the Ministry of Finance submits the budget circular on time. As for the time it takes for submitting applications for approval of funds based on the budget circular, 71.9% of the respondents answered that the time for submission of applications is sufficient. In terms of whether an institution's budget plan is grounded on the strategic plan and the strategic goals of the institution, 78.1% of institutions plan their budget based on their own strategic plan and strategic aims. Many of the institutions (84.4%) adhere to the timetable for the preparation and publication of the budget, and the rest responded that they adhere to the most important dates in the timeline. As to whether there is a deficiency of human resources to take part in the formulation of the institution's budget, 28.1% responded that there is a lack of human resources. Of the surveyed, 71.9% responded that the institution does not have a program for continuous training of the administrative personnel who participate in the preparation of the budget, and 9.4% responded that the trainings organised are not adequate. In terms of whether institutions have a training program for administrative staff regarding new ways of budget presentation, 90.6% responded that there are no such programs, and only a few responded that such training does exist but it is not properly implemented.

Regarding the manner of funds allocation, out of all the surveyed institutions 84.4% responded that they conduct the funds allocation based on previous analysis of the needs, and the remaining 15.6% are based on historical costs. With regards to the method for preparation of the budget, 71.9% responded that the budgets are based on the current needs and on the needs of the previous years, while 21.9% responded that

the budgets are prepared based on the resources needed for program implementation. An entire 46.9% of the institutions do not link the final annual budget statements with output indicators and outcome indicators with adequate programs, while 18.8% of the budget users completed this partially. Asked if there are quarterly and monthly deadlines for meeting the objectives of the programs, a high 21.9% responded that they have no deadlines for realisation of program goals. In cases where the expenditures approved by the Parliament significantly differed from the expected expenditures, a high 28.1% responded that partial alterations are made, as 9.4% do not make appropriate program alterations at all.

- 3 Budget evaluation – the total score obtained from budget users within this category is 50.22%. The highest score was obtained by two institutions: the State Election Commission and the Ministry of Information Society and Administration with 11 out of 24 points. Only 25% of the institutions use prescribed methodology for evaluation of the budget proposals, 56.3% partially use a prescribed methodology, and 18.8% do not use prescribed methodology. The same occurs with the evaluation of the achieved outputs of the programs, i.e., only 21.9% of institutions use the prescribed evaluation methodology. Asked whether there is an annual evaluation of the strategic plan, most of the institutions answered the question affirmatively. However, some institutions responded that there is not enough attention paid to the strategic plan, thus the evaluation is done periodically. In terms of whether there is a methodology for evaluation of the objectives and outcomes set in the strategic plan of the institution, only a quarter of the surveyed institutions (25%) have a methodology or by-law for the assessment of the achievement of objectives and outcomes set out in the strategic plan of the institution. As far as the existence of a methodology for evaluating the objectives and outcomes set out in the work program of the institution is concerned, only 40.6% of institutions have and use this methodology. Only 18.8% of institutions answered positively that they analyse the changing needs of users of the institution’s work program, and 25% answered that there is no analysis for this purpose. A high 12.5% of the budget users did not have adequate managerial procedures on following and evaluating the trends of execution of the revenues and expenditures, development of monthly and/or quarterly plans for expenditures, and reporting.

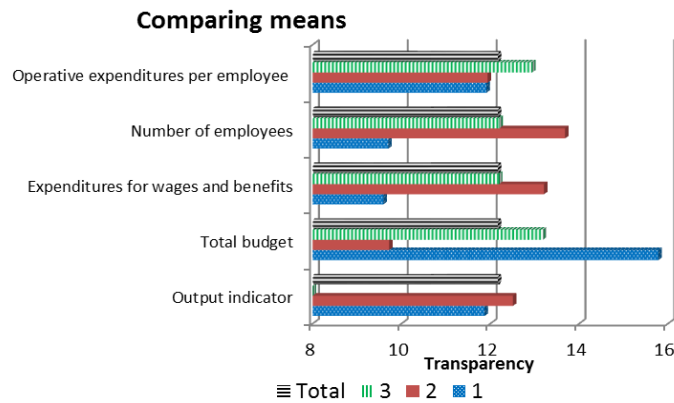
Figure 2 Obtained level of accountability by category of evaluation (see online version for colours)



5.3 How are transparency and accountability linked to other indicators of budget users?

For analysis and determining relationships between transparency, accountability and specific indicators for each budget user, we have conducted an analysis by comparing means and bivariate Pearson correlations. Therefore, taking into account the available data and information we also present and elaborate the modest results obtained from our analysis.

Figure 3 Comparing means (see online version for colours)



The analysis of the relationship between the degree of transparency and the size of the total budget of the budget user has shown this relationship to be the most important of the analysed relations, i.e., there is a positive relationship between the size of the budget of the budget user and the degree of its transparency. The first group of budget users with a budget size of over one billion denars was the most transparent. The second group of budget users with a budget ranging from 100,000,000 to 1,000,000,000 was the least transparent, while the third group of budget users with the smallest total budget was closest to the average transparency of the budget users. We tested this relationship even further by performing bivariate Spearman correlation between these two variables. The results are presented in Table 3.

Table 3 Correlation between budget size and level of transparency

Correlations		Budget size	Level of transparency
Budget size	Pearson correlation	1	.472**
	Sig. (two-tailed)		.006
	N	32	32
Level of transparency	Pearson correlation	.472**	1
	Sig. (two-tailed)	.006	
	N	32	32

Note: **Correlation is significant at the 0.01 level (two-tailed).

The results from Table 3 have once again confirmed the positive relationship between the level of transparency and size of the total budget of budget users. Budget users who have more money on disposal (larger budgets) are usually pressured more from the public to be more transparent. These institutions usually have a wider program/project list, a larger number of employees, and thus a higher need for well-defined methodologies/procedures for transparency in realising the budget activities. It is usual for governments through these institutions to distribute more money to vital public functions, concerning a larger group of citizens.

Analysis of the fiscal transparency and expenditures paid by budget users for wages and benefits indicated that the budget users from the group that have the highest amounts of payments for wages and benefits (over 500 million denars) are the least transparent. At the same time, significantly higher transparency than the total mean (average transparency) is noted for the second group of budget users, whose payments for this purpose range from 100,000 to 500,000 denars. The analysis of the relationship between the degree of transparency and the number of employees in budget users showed that budget users with the most employees (over 1,000) have less fiscal transparency compared with the mean for all the budget users, while the second group of budget users, which employs 500 to 1,000 people, has greater transparency than the total mean of transparency. Regarding transparency yet again, a comparison means of budget users groups according to operational costs per employee showed that budget users that have the lowest operative expenditures per employee (under 600,000 denars) have modestly higher transparency (see Table 4 and Figure 3).

Table 4 Comparing means

<i>Transparency</i>					
<i>Indicators (in %)</i>	<i>Output indicator</i>	<i>Total budget</i>	<i>Expenditures for wages and benefits</i>	<i>Number of employees</i>	<i>Operative expenditures per employee</i>
1	11.87	15.78	9.59	9.7	11.91
2	12.51	9.72	13.21	13.68	11.94
3	/	13.18	12.19	12.2	12.94
Total	12.17	12.17	12.17	12.17	12.17

Comparing the means of the groups of budget users according to previously identified indicators with the degree of accountability showed modest results (see Table 4 and Figure 3) – higher accountability than the average was registered only in the group of budget users that are in the second group according to the size of their budgets (from 100,000,000 to 1,000,000,000 denars), while the budget users in the group with the smallest budgets registered the lowest level of accountability (the same group of budget users).

Analysis (through comparing means) of the relationship between the degree of transparency and the existence or non-existence of an output indicator¹⁰ indicates that there is no significant correlation between the two variables. Namely, the transparency of the budget users does not depend on the existence or non-existence of the output indicator in the budget of R. Macedonia.

Having in mind that studies published in the past were mainly focused on analysing fiscal transparency on a central government and local level, as well as the specific

structure of budget users in different countries, there is limited literature regarding the analysis of the transparency (accompanied by accountability) on a budget user level, which could be closely connected with our research results. However, our research confirmed the widely confirmed results from a number of studies concerning the links between the low levels of transparency/accountability and socio-economic indicators in our economy – a significant growth of budget deficit, public debt, level of corruption and cost of borrowing on international markets (see: Hameed, 2005; Alt and Lassen, 2006; Glennerster and Shin, 2008; Dabla-Norris et al., 2010). Our results regarding the low level of transparency and accountability in the country are in line with the research from Jarmuzek (2006), Jarmuzek et al. (2006) which shows that SEE countries are behind other EU countries, experiencing serious difficulties in the budgetary process and reporting standards. Another point of our research concerning the weak links between transparency and accountability is in line with the study by Fox (2007), which elaborates the different dimensions of transparency and accountability and the point that we are obliged to distinguish between the two concepts because one does not necessarily generate the other. Our results confirmed the positive relation between the size of the budget of the budget user and the level of transparency and accountability, and correspond with several studies on a local level which have noticed that besides the number of other socio-economic variables, the size of the budget is also statistically significant (Pietrowsky and Bertelli, 2010; Jorge et al., 2011).

6 Conclusions

To the best of our knowledge, this is the first analysis of its kind, which focuses on measuring the transparency and accountability of budget users. Therefore, this approach for evaluation of the level of transparency and accountability for budget users (also having in mind specific characteristics of each budget user), can be further used and upgraded and could serve as a basis for determining and analysing the transparency and accountability of budget users in different economies. This can apply especially to countries that are in the process of reform and strive to improve the transparency and accountability of budget users. It would be interesting to compare results from similar research conducted in the future by other scholars from economies on the same level of development as the Macedonian economy.

Evaluation of the level of transparency per institution showed that none of the 60 monitored budget users could be evaluated as being budget-transparent. Namely, none of the institutions scored positive for at least half of the indicators. Only 1/3 of the analysed institutions have higher transparency than the average of all the institutions, which amounts to 12.62%. If we compare the obtained results, the most transparent budget user is the Agency of Community Rights Exercise, with an overall transparency degree of 38%, and the least transparent is the President of the Republic of Macedonia, where the degree of transparency is merely 1%.

Average accountability of outcomes or performance of the budget users is almost three times higher than the average transparency of budget users, amounting to 64%. When comparing the obtained scores, we found that the institution with the highest budget accountability score was the Ministry of Information Society and Administration with a total score of 83%. The institutions that scored less than 50 percentage points for their budget accountability and performance were the Ministry of Labour and Social

Policy with 49%, the Commission for Protection Against Discrimination with 42%, and the DVC, which scored the lowest with 14 score points, which is 30% of the maximum possible score for its budget accountability and performance.

A positive relationship between the size of the budget and the level of transparency was identified, meaning that the most transparent is the group of the budget users with the highest total budget. The least transparent are budget users that have the highest amounts of payments for wages and benefits (over 500 million denars). At the same time, budget users with the most employees (over 1,000) have less fiscal transparency compared with the mean for all budget users, while budget users that have the lowest operative expenditures per employee (under 600,000 denars) have modestly higher transparency.

Comparing the means of the groups of budget users according to previously identified indicators with the degree of accountability showed modest results: higher accountability than the average was registered in budget users that are in the second group according to the size of their budgets (from 100,000,000 to 1,000,000,000 denars), while the budget users in the group with the smallest budgets registered the lowest level of accountability (the same group of budget users also had the lowest levels of transparency). This indicates that the larger budgets of budget users are highly correlated with a higher level of transparency but not strongly related with the level of accountability.

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Notes

- 1 How do we define „fiscal transparency”? The IMF (2007a) uses the term 'fiscal transparency' and defines it as: "being open to the public about the government's past, present, and future fiscal activities, and about the structure and functions of the government that determine fiscal policies and outcomes". The OECD defines „budget transparency' as the full disclosure of all relevant fiscal information in a timely and systematic manner (OECD, 2002).
- 2 Additional recent empirical studies build on these findings to show that budgetary institutions have a significant impact on fiscal outcomes in different contexts – see, for example, Hallerberg et al. (2009) for European countries; Perotti and Kontopoulos (2002) for OECD countries; Mulas-Granados et al. (2009) for Central and Eastern Europe.
- 3 See Trenovski and Nikolov (2015) for cost-benefit analyses of PBB implementation in R. Macedonia.
- 4 First published in 1998 and last updated in 2007, the IMF's code of good practices on fiscal transparency and accompanying Manual and Guide are the centrepieces of global fiscal transparency standards (see IMF, 2007a).
- 5 In 2014, the IMF reviewed the state of fiscal transparency in the wake of the recent financial crisis and proposed a series of improvements to existing international fiscal transparency standards and monitoring arrangements (see IMF, 2014; Cottarelli, 2012).
- 6 See S&P report of 24 May 2013 [online] <http://www.standardandpoors.com/prot/ratings/articles/en/us/?articleType=HTML&assetID=1245352109145>.
- 7 Read in details about this procedure at <http://www.imf.org/external/np/exr/facts/fiscal.htm>. and <http://www.treasury.gov/resource-center/international/developmentbanks/Documents/April%201,2014%20Final%20document.pdf>.
- 8 The OBI calculated by the OBI is also based on data and information from institutions' websites. See <http://internationalbudget.org/what-we-do/open-budget-survey/research-resources/methodology/>.

- 9 Due to the limited space, we will not list in detail the degree of fiscal transparency of each budget user.
- 10 In our analysis as an output indicator, we used the defined indicator in an enacted budget which specifies the concrete outputs that should be provided by each budget user in the budget period.

Appendix

Table A1 Questionnaire for monitoring of the institutions' budget transparency

<i>Project: enhancing transparency and accountability through performance budgeting of the Center for Economic Analyses and Institute for Democracy 'Societas Civilis' Skopje</i>		
<i>A: transparency – publicly shared information on the programs and the budget of the budget user</i>		
Date:	Questions for monitoring of the institution's website	
	Name of the interviewed institutions:	
	Name and position of the interviewed officer:	
	Name of the monitor:	
<i>Check</i>	<i>Score value</i>	<i>Score received</i>
1	Is the current annual budget available?	
(a)	Yes	2
(b)	No	0
2	Are the past years' annual budgets of the institution available?	
(a)	Yes, all budgets starting from the year of establishment of the institution are available	2
(b)	Yes, there are available budgets for the last five years	1.5
(c)	Yes, there are available budgets for the last three years	1
(d)	No, the budgets are not available (to be filled if the only available budget is for the current year)	0
3	Is the annual financial statement for the previous year available?	
(a)	Yes	2
(b)	No	0
4	Are the final annual financial statements of the institution for the past years available?	
(a)	Yes, all financial statements from the year of establishment of the institution are available	2
(b)	Yes, there are available financial statements for the last five years	1.5
(c)	Yes, there are available financial statements for the last three years	1
(d)	No, the financial statements are not available (to be filled if the only available financial statements is for the previous year)	0

Table A1 Questionnaire for monitoring of the institutions' budget transparency (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
5	Are the budget expenditures categorised by program classification?	
(a)	All expenditures are categorised by program classification	2
(b)	Some expenditures are categorised by program classification	1
(c)	The expenditures are not categorised by program classification	0
6	Are the expenditures classified by program shown as percentage of the total expenditures?	
(a)	Yes	2
(b)	No	0
7	Is the current year budget presenting the expenditures of past years?	
(a)	Yes, the expenditures of several past years are presented	2
(b)	Yes, the expenditures only of the last year are presented	1
(c)	No, the expenditures of past years are not presented	0
8	Does the institution's budget compare the projected revenues for the current year with actual revenues from past years?	
(a)	Yes, there is comparison with the actual revenues of several past years	2
(b)	Yes, there is comparison with the actual revenues of the last year only	1
(c)	No, there is no comparison with the actual revenues of past years	0
9	Does the budget contain output indicators for the expenditure programs?	
(a)	Yes, the output indicators are presented for all expenditure programs	2
(b)	Output indicators are presented for expenditure programs which are covering at least 2/3 of the expenditures	1.5
(c)	Output indicators are presented for expenditure programs which are covering less than 2/3 of the expenditures	1
(d)	No there are no output indicators presented	0
10	Are the output indicators useful for evaluations the execution/performances of the expenditure programs?	
(a)	Output indicators are useful for evaluation of the execution/performance of the program	2
(b)	Output indicators are partially useful for evaluation of the execution/performance of the program	1
(c)	Output indicators are not useful for evaluation of the execution/performance of the program	0
(d)	There are no output indicators presented	0

Table A1 Questionnaire for monitoring of the institutions' budget transparency (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
11	Are the output indicator adequately designed to assess the progress towards achievement of certain objective?	
(a)	All output indicators are adequately designed	2
(b)	Most of the output indicators are adequately designed	1.5
(c)	Some of the output indicators are adequately designed	1
(d)	The programs do not have output indicators designed, or these are not adequately designed	0
12	Are the presented budget output indicators used together with outcome indicators?	
(a)	All output indicators are used in combination with outcome indicators	2
(b)	Most of the output indicators are used in combination with outcome indicators	1.5
(c)	Some of the output indicators are used in combination with outcome indicators	1
(d)	There are no output indicators used in combinations with outcome indicators	0
13	How often does the institution publish monthly reports on expenditures?	
(a)	Monthly reports on the expenditures are published each month	2
(b)	Monthly reports on the expenditures are published each quarter	1.5
(c)	Monthly reports on the expenditures are published semi-annually	1
(d)	Monthly reports on the expenditures are not published	0
14	Are the monthly reports comparing the expenditures of the current year with the projections for the period or with the same period from part year?	
(a)	Yes, the expenditures of the current year are compared with the budget projections for the same period and with the expenditures for the same period last year	2
(b)	Yes, the expenditures of the current year are compared with the budget projections for the same period	1.5
(c)	No, there is no comparison/there are no monthly reports	0
15	Is the institution publishing half-year budget year covering the economy related changes from the adaptation of the budget?	
(a)	Yes, the half-year report includes comprehensive discussion on the economy and covers revised projection for the fiscal year and its effect on the budget	2
(b)	Yes, the half-year report includes discussion on the economy, however some details are missing	1.5
(c)	Yes, the half-year report includes discussion on the economy, however important details are missing	1
(d)	No, the half-year report does not include discussion on the economy/there is no half-year report	0

Table A1 Questionnaire for monitoring of the institutions' budget transparency (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
16	How long after the final annual budget statement of RM is being published by the Minister of Finance does the institution publish the final annual statement of the institution?	
(a)	The final annual financial statement is published within six months after the end of the fiscal year	2
(b)	The final annual financial statement is published within six to 12 months after the end of the fiscal year	1.5
(c)	The final annual financial statement is published later than 12 months after the end of the fiscal year	1
(d)	The final annual financial statement is not published	0
17	Is the final annual financial statement providing an explanation for the differences between the projected expenditures and the actual expenditures?	
(a)	Yes, there is a comprehensive explanation of the differences between the expenditures, including narrative discussions and quantitative projections	2
(b)	Yes, there is an explanation of the differences between the expenditures, with emphasis on the key differences, however some details are missing	1.5
(c)	Yes, there is an explanation, however key differences are missing	1
(d)	No, there is no such explanation	0
18	Is the Final annual financial statement explaining the difference between the projected revenues and the actual revenues?	
(a)	Yes, there is a comprehensive explanation of the differences between the revenues, including narrative discussions and quantitative projections	2
(b)	Yes, there is an explanation of the differences between the revenues, with emphasis on the key differences, however some details are missing	1.5
(c)	Yes, there is an explanation, however key differences are missing	1
(d)	No, there is no such explanation	0
19	Does the Final annual financial statement explain the difference between the original macroeconomic projections for the fiscal year and the actual outcome for the same year?	
(a)	Yes, there is a comprehensive explanation of the differences, including narrative discussions and quantitative projections	2
(b)	Yes, there is an explanation of the differences with emphasis on the key differences, however some details are missing	1.5
(c)	Yes, there is an explanation, however key differences are missing	1
(d)	No, there is no such explanation	0

Table A1 Questionnaire for monitoring of the institutions' budget transparency (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
20	Does the final annual financial statement explain the difference between the original output indicator projections and the actual outcome for the same year?	
(a)	Yes, there is a comprehensive explanation of the differences, including narrative discussions and quantitative projections	2
(b)	Yes, there is an explanation of the differences with emphasis on the key differences, however some details are missing	1.5
(c)	Yes, there is an explanation, however key differences are missing	1
(d)	No, there is no such explanation	0
21	Does the final annual financial statement explain the difference between the original outcome indicator projections and the actual outcome for the same year?	
(a)	Yes, there is a comprehensive explanation of the differences, including narrative discussions and quantitative projections	2
(b)	Yes, there is an explanation of the differences with emphasis on the key differences, however some details are missing	1.5
(c)	Yes, there is an explanation, however key differences are missing	1
(d)	No, there is no such explanation	0
22	Are the results of the audit of the final budget expenditures of the institutions published after the Audit report has been published by the SAO of Republic of Macedonia?	
(a)	The final revised financial reports are publicly published within six months or less of the publication of the Audit report by the SAO of RM	2
(b)	The final revised financial reports are publicly published within six to 12 months of the publication of the Audit report by the SAO of RM	1.5
(c)	The final revised financial reports are publicly published within 12 to 24 months of the publication of the Audit report by the SAO of RM	1
(d)	The final revised financial reports are publicly published 24 months after the publication of the Audit report by the SAO of RM	0
23	Is the institution publishing the timelines for adopting the strategic plan and work program?	
(a)	Yes, a detailed timeframe is published	
(b)	Yes, a detailed timeframe is published, however, some data is missing	2
(c)	Yes, a detailed timeframe is published, however important data are missing	1
(d)	No, a timeframe is not published	0

Table A1 Questionnaire for monitoring of the institutions' budget transparency (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
24	Are the half-year and annual report for execution of the budget programs for the last fiscal year published?	
(a)	Yes, both the half-year and annual reports are published	2
(b)	Only the half-year or the annual report are published	1
(c)	No, they are not published	0
25	Are the half-year or annual reports for execution of the budget programs published for past years?	
(a)	Yes, for all previous years	2
(b)	Yes, for the last five years	1.5
(c)	Yes, for the last three years	1
(d)	No, they are not available	0
26	Are the half-year and annual report for execution of the budget programs for the past fiscal year published?	
(a)	Yes, both the half-year and annual reports for the previous year are published	2
(b)	Only the half-year or the annual report for the previous year are published	1
(c)	No, they are not published	0
27	Is the institution publishing the strategic plan for the current period?	
(a)	Yes	2
(b)	No	0
28	Is the institution publishing the strategic plan for the current period?	
(a)	Yes, the strategic plans are available for the last five fiscal years	2
(b)	Yes, the strategic plans are available for the last three fiscal years	1.5
(c)	Yes, the strategic plans are available for the last fiscal period	1
(d)	No, the strategic plans are not available	0
29	Does the institution publish the current year program?	
(a)	Yes	2
(b)	No	0
30	Does the institution publish the past years' programs?	
(a)	Yes, for the last five years	2
(b)	Yes, for the last three years	1.5
(c)	Yes, only for the last year	1
(d)	Not available	0

Table A1 Questionnaire for monitoring of the institutions' budget transparency (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
31	Does the institution publish the budget in a simplified visual form?	
(a)	Yes, the budget is published in a simplified visual form	2
(b)	Yes, the budget is published in a simplified visual form, however still not comprehensive enough	1
(c)	No	0
32	Are the published budget documents open source data?	
(a)	Yes, to all five levels (pdf, excel, csf, txd, ods)	5
(b)	Yes, to four levels (pdf, excel, csf, txd)	4
(c)	Yes, to three levels (pdf, excel, csf)	3
(d)	Yes, to two levels (pdf, excel)	2
(e)	Yes, to one level (pdf)	1
(f)	The budget documents are not published	0
	Total possible points 67	Total received points
Degree of budget transparency		

Table A2 Questionnaire on the procedures for accountability on a budget user level

<i>B: accountability procedures used by a budget user</i>		
Date:	Questions for institution interviews	
	Name of the interviewed institutions:	
	Name and position of the interviewed officer:	
	Name of the monitor:	
<i>Check</i>	<i>Score value</i>	<i>Score received</i>
1	Do you know the strategic priorities of the Government of Republic of Macedonia?	
(a)	Yes	2
(b)	Partially	1
(c)	No	0
2	Is the strategic plan and strategic objectives of the institutions based on the? Strategic priorities and priority objectives of the Government of Republic of Macedonia?	
(a)	Yes	2
(b)	Yes, with certain modification	1
(c)	No	0

Table A2 Questionnaire on the procedures for accountability on a budget user level (continued)

<i>Check</i>		<i>Score value</i>	<i>Score received</i>
3	Is the institution's budget planned based on the strategic plan and strategic objectives of the institution?		
	(a) Yes	2	
	(b) Partially	1	
	(c) No	0	
4	Are you facing difficulties in the process of linking the budget plan with the goals and the strategic plans?		
	(a) No difficulties, the budget plan is sufficient	2	
	(b) There are not enough funds allocated for achievement of the objectives	1	
	(c) The strategic plan objectives are not clear enough	0	
5	Is the budget circular timely delivered by the Ministry of Finance?		
	(a) Yes	2	
	(b) No, there are delays	0	
6	Is the available time for submitting Applications for funds approval through the budget circular enough?		
	(a) Yes	2	
	(b) Enough, however desirable to be longer	1	
	(c) Not enough	0	
7	Is there enough human resources for budget preparation?		
	(a) Yes	2	
	(b) There is a plan for human resources growth however has not been realised yet	1	
	(c) No	0	
8	Are there quarterly and monthly deadlines for achievement of the objectives of the program?		
	(a) Yes, there are quarterly and monthly deadlines	2	
	(b) Yes, there are only quarterly or only monthly deadlines	1	
	(c) There are no quarterly neither monthly deadlines	0	
9	Is there a continuous training program for the administrative staff of the institutions who are participating the budget preparation?		
	(a) Yes, there are trainings	2	
	(b) Yes, there are trainings however are not implemented appropriately	1	
	(c) No there are not	0	

Table A2 Questionnaire on the procedures for accountability on a budget user level (continued)

<i>Check</i>		<i>Score value</i>	<i>Score received</i>
10	Is there a continuous training program for the administrative staff of the institutions regarding new methods for presenting the budget?		
	(a) Yes, for preparation of budgets with output indicators, and outcome indicators	2	
	(b) Yes, but are not implemented adequately	1	
	(c) No, there are not no trainings for budget presentation	0	
11	Are the budget final financial statement expenditures linked with the output and outcome indicators of the appropriate programs?		
	(a) Yes, they are linked with outcome indicators and/or output indicators	2	
	(b) Partially, they are linked only with output indicators	1	
	(c) No	0	
12	Is the funds allocation based on previously conducted needs assessment analysis or it is based on historic costs or past years?		
	(a) Based on a conducted needs assessment analysis	2	
	(b) Based on historic costs	1	
13	Are there appropriate measures foreseen in cases when there are unpredictable budget within the budget?		
	(a) Yes	2	
	(b) No	0	
14	In the case when the expenditures approved by the Assembly of Republic of Macedonia significantly differ than the expected expenditures, do you make adequate alterations of the programs?		
	(a) Yes	2	
	(b) Partially	1	
	(c) No	0	
15	Are the budgets prepared based on the resources which are needed for program fulfilments or based on the past years budgets?		
	(a) Based on both	2	
	(b) Based on the resources needed for fulfilments of the program, on an operation plan basis	1.5	
	(c) Based on the past years budgets	1	

Table A2 Questionnaire on the procedures for accountability on a budget user level (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
16 (OBI)	Does your institution respect the timeline for preparation and publication of the budget?	
(a)	The institution respects the timeline	2
(b)	The institutions mostly respects the timeline's important dates	1.5
(c)	The institutions has difficulties in respecting most of the timeline's important dates	1
(d)	The institution does not respect the deadlines of the timeline, or does not publish the timeline publicly	0
17	Do you use prescribed methodology for evaluation of the budget suggestions?	
(a)	Yes	2
(b)	Partially	1
(c)	No	0
18	Do you use prescribed methodology for evaluation of the archived outputs of the programs?	
(a)	Yes	2
(b)	Partially	1
(c)	No	0
19	Is there regulation and/or methodology to evaluate the extent to which the objectives and outcomes of the institutions set in the strategic plan have been achieved in the past year?	
(a)	Yes	2
(b)	Partially	1
(c)	No	0
20	Is there regulation and/or methodology to evaluate the extent to which the objectives and outcomes of the institutions set in the work program have been achieved in the past year?	
(a)	Yes, for both the objectives and programs	2
(b)	Yes, only for the objectives	1
(c)	Yes, only for the programs	1
(d)	No	0
21	Are you conducting analysis of the needs change of the users of the institution's work program?	
(a)	Yes	2
(b)	Partially	1
(c)	No	0

Table A2 Questionnaire on the procedures for accountability on a budget user level (continued)

<i>Check</i>	<i>Score value</i>	<i>Score received</i>
22	Are there adequate managerial procedures (monitoring and evaluation of trends for implementation of revenues and expenditures, development of monthly and/or quarterly expenditures plans, reports and/or similar) for monitoring the financial part of the budget execution?	
(a)	Yes	2
(b)	Only part of the listed procedures	1
(c)	No	0
23	Have you heard of a performance-based budget?	
(a)	Yes, I know very well what performance-based budget is	2
(b)	Yes, however I do not know enough	1
(c)	No, I do not know and have not heard of it	0
		Total possible points
		46
		Total received points
		0
	Degree of budget transparency	
	Telephone	
	E-mail	