

TRANSPARENCY IN THE FUNDING OF POLITICAL PARTIES IN SLOVENIA

CRINIS

Research Project

Transparency International Slovenia -

Društvo Integriteta

Transparency International Slovenia - Društvo Integriteta (TI Slovenia) - is a non-governmental, independent and non-profit organisation. The purpose of TI Slovenia is to develop and implement preventive measures and raise awareness of the terms, needs and consequences of promoting integrity in politics, government, business and civil society. We also assess current levels and attitudes to ethics, integrity and corruption in Slovenia. TI Slovenia is an official chapter of Transparency International (TI).

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FOREWORD

At the end of 2012, Transparency International Slovenia – Društvo Integriteta initiated the project *Shining a light on money in politics*. This research project based on methodology CRINIS, a tool of Transparency International, evaluates the transparency of political parties and election campaign financing.

At the end of the research phase Slovenia adopted a new legal framework governing political parties and election campaign financing. CRINIS evaluated the regulation and practice which was in force before 2014 and therefore TI Slovenia, in the process of adopting new legislation, approached the relevant stakeholders and engaged in the constructive dialog in order to highlight the need for enhanced transparency, integrity and accountability in political finance.

Since not all proposed recommendations were adopted, TI Slovenia included additional analysis in this report. We prepared an overview of the new legal framework and evaluated it in accordance with international standards and best practices. The aim is to raise awareness of, and a wider public debate on political financing and elections in Slovenia within the legal frame and practice. Political financing in Slovenia is an issue which must be exposed more in the media and public. Therefore TI Slovenia wants to open substantial public debate on this issue. New legislation made a step forward in the regulation of political finance but the study shows that deficiencies in practice are substantial. A lot of effort is still needed to sufficiently encompass and implement the holistic approach presented in this study, which embodies the only possible way to effectively prevent illegal political financing in Slovenia. It should be pointed out that members of the National Assembly in early June 2014 additionally amended legislation governing political party financing. The changes softened transparency of financing of political parties instead of adopting more comprehensive regulations. The lack of integrity in the operation of members of the National Assembly is observed.

An important part of this project is also to identify the level of integrity, transparency and accountability of political parties and their candidates in election campaigns. Therefore TI Slovenia promoted the TI Anticorruption pledge for the EU Elections in May 2014, which was signed by 64.4 % of all running candidates, and 5 of the 8 elected MEP's signed the pledge. This shows that some candidates are at least prepared to fight corruption but the true test for MEP's is yet to come: to live and work in accordance with the pledge.

In the course of the analysis, TI Slovenia had a chance to identify other issues related to corruption risks in the operationalization of political parties and influence of money in politics. We identified risks connected with the "grey area" of illegal lobbying and widespread network of unpermitted associations and influence on state officials. This network also plays a major role in political parties and election campaign financing, a lot of focus, therefore, has to be dedicated on the issue of lobbying in the future.

TI Slovenia will closely monitor the level of integrity, transparency and accountability in politics and also supervise implementation of the new legislation. We will continue our work with monitoring local and parliamentary election campaigns in 2014.

Simona Habič

President of Transparency International Slovenia – Društvo Integriteta

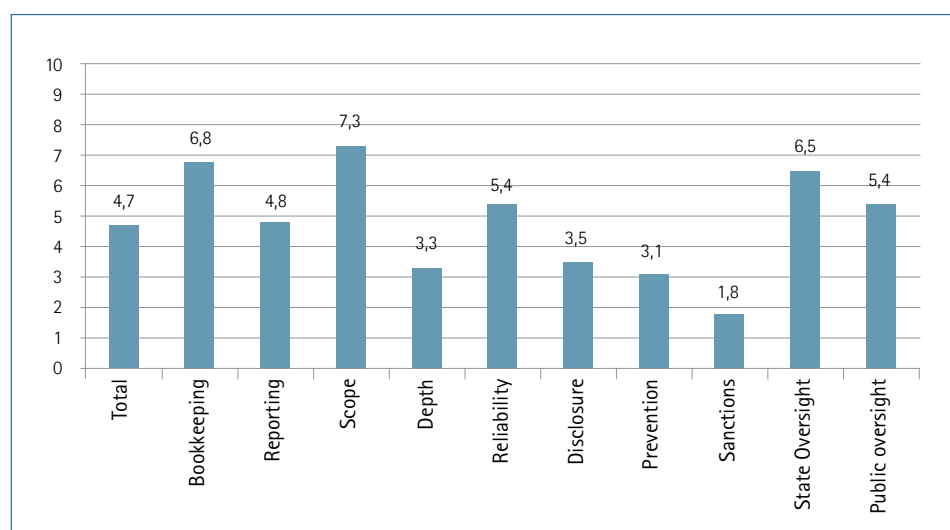
EXECUTIVE SUMMARY

Transparency International (TI) developed the assessment tool CRINIS to measure the level of transparency in political party funding. This report highlights the strengths and weaknesses of election campaigns, the legal framework for annual party financing and its implementation in practice in Slovenia. **The report evaluates the legal framework and implementation in practice, which was in force before 2014. At the end of each subsection (i.e. dimension) of the CRINIS research findings, new legal regulations are presented. Recommendations include assessment of the findings, based on the CRINIS methodology, and the new regulations (in force from the beginning of 2014 and including the amendments adopted in the middle of June 2014), which were evaluated according to international standards.**

CRINIS ASSESSMENT

The report covers ten dimensions of political financing which are crucial for ensuring transparency and reducing the risk of corruption and abuse of political finance. These dimensions are:

- internal book-keeping,
- reporting to oversight agencies,
- scope of reporting,
- depth of reporting,
- reliability of reporting,
- disclosure to the public,
- preventive measures,
- sanctions,
- state oversight,
- public oversight.



Graph 1: CRINIS Index showing overall findings with aggregated averages

Overall, Slovenia scores 4.7 out of 10 on the CRINIS index on transparency of party financing and is therefore evaluated as "average". In this respect, the study has revealed serious issues regarding the transparency of party funding and has raised concerns regarding the effective control of financial operations in Slovenia.

A particular obstacle is that existing legal provision prevents full transparency in financing. The respective political parties can withhold information from the public on relatively large amounts of money (i.e. amounts not exceeding three times the average monthly salary for the previous year). The Court of Audit has inadequate jurisdiction as it performs only a review of the accuracy and legality

of the composition of the annual reports. Although the law provides financial penalties for violators, the public authorities do not apply fines to political parties. For this reason, "sanctions" represents the weakest dimension of political financing in Slovenia. Other weak and problematic dimensions, also evaluated as insufficient (i.e. scored 3.3 or below), are prevention and depth of reporting.

PRELIMINARY ASSESSMENT OF AMENDED LEGISLATION ACCORDING TO THE INTERNATIONAL STANDARDS

Recent amendments to the legislation (which came into force at the start of 2014) impose a complete ban on contributions to party funding from legal entities. The amendments also provide for greater transparency of party funding through the mandatory publishing of the annual reports of political parties on the Internet, together with a clearer definition of the authorities that monitor compliance with the law. In this respect, the role of the Court of Audit has been strengthened.

Although amended legislation has brought some improvement, it has also triggered discussions on whether the complete ban on contributions from legal entities is an appropriate measure. At the same time, the amendments still allow political parties to act non-transparently, as parties are not required to identify individual donors or present specific and more detailed information related to political funding sources.

In order to improve the (already amended) system of political funding in Slovenia and the implementation of the legislation, the following measures are proposed.

1. Stricter implementation of sanctions is necessary in practice. Public authorities should insist on strict enforcement of sanctions for any violations of the law.
2. A complete ban on contributions to political parties from legal entities is not an appropriate solution and may have counterproductive effects. The law should rather enhance the transparency of contributions (with a limit for contributions) and thus allow greater diversification of financing of political parties.
3. Cash transactions should be completely banned by law. Only contributions through bank accounts should be allowed.
4. The Court of Audit should conduct in-depth audits of the operations of all parliamentary political parties on an annual basis (and not only the minimum requirement of at least one-third of political parties each year). It should also conduct frequent audits to those parties, where a number of significant irregularities or risks of unlawful conduct would be found. For efficient auditing, more financial resources should be allocated to the Court of Audit.
5. The legislation should not set a threshold for disclosure of information. It should allow disclosure of all contributions to political parties or election campaign organisers (including information about donors and the amounts of contributions).
6. The legislation should provide procedures, which would provide clear, timely and complete online access of incomes and expenditures of political parties and election campaign organizers. The income and expenses of political parties (as well as of organisations within the party structure) and election campaign organisers should be published online in a reasonable timeframe (maximum 14 days) from the recorded income or payment of the invoice.
7. Civil society should be formally included in the process of monitoring the financing of election campaigns.
8. With the aim of increasing ethical standards and responsibility in Slovenian politics, it is necessary to introduce a Code of Conduct within political parties and in both chambers of the national parliament (National Assembly and National Council).
9. Political parties and election campaign organisers should be allowed to enter into loans only from recognised financial institutions.
10. The National Assembly must lay down additional rules and assert stricter control over the budget funds earmarked for ensuring professional assistance to deputies to the National Assembly. The funds allocated to parties must be mobilised in a transparent, effective, designated and rational manner.

INTRODUCTION AND GENERAL CONTEXT

During the last decade of the twentieth century and following a period of substantial political change in Central and Eastern Europe, Slovenia underwent many parallel transformations. The first free and democratic elections were held in April 1990, introducing political pluralism to Slovenia. A year later, on 25 June, 1991, Slovenia declared independence, adopting a new constitution at the end of that year. In this way, it changed its political and economic system and established itself as an internationally recognised state. Slovenia joined the United Nations in 1992, the Council of Europe in 1993, the European Union and NATO in 2004, while in July 2010 Slovenia became a full member of the Organisation for Economic Cooperation and Development (OECD).

Slovenia is still conceived of as a relatively young democracy. It is characterised by free elections, regular and peaceful transfers of power, a parliament with full legislative authority, and an independent judiciary. The Slovenian parliament consists of the National Assembly and National Council. Owing to the limited powers of the National Council, however, the parliament is usually referred to as a "one-and-a-half-chamber system."¹ Deputies to the National Assembly are elected on the basis of proportional representation with a four percent threshold. In the middle of 2014, there were 84² registered political parties in Slovenia, seven of which have been represented in the National Assembly since the last parliamentary elections in 2011.

The Slovenian Constitution does not directly define the functioning of political parties, but it guarantees the individual's right to freedom of association, the legal limitations being only the interests of national security or public safety and protection against the spread of infectious diseases.³ The Political Parties Act⁴ defines a political party as 'an association of citizens who pursue their political goals as adopted in the party's programme through the democratic formulation of the political will of the citizens and by proposing candidates for election to the National Assembly, for election of the President of the Republic and for election to local community bodies.' A party may be founded by no fewer than 200 adult citizens of the Republic of Slovenia who sign a declaration to that effect. A party becomes a legal entity and must act in accordance with Slovenian regulations once the registration body (the Ministry of the Interior) marks the application by a party to be entered in the register with the time and date of receipt. Each party must include in the application for entry in the register a) declarations by the 200 founding members; b) the party statute and programme; c) a record of the founding assembly, meeting or congress, naming the elected bodies of the party and the office holder who, in accordance with the statute, represents the party as the responsible person; and d) a graphic

representation of the party's symbol or logo. The founder cannot be a person legally incapable of making a contract. The name of the party, which must be written in the Slovenian language, must be clearly distinguished from the names of already registered parties. In addition, the name cannot be the same as or similar to the name of a state institution or province in the country; nor can it include the name of a foreign country or foreign party.⁵

There are a number of legal restrictions on membership of a political party: a minor who is less than fifteen years old can become a member of youth organisation in the party; with the consent of his/her legal representatives, a minor can also become a member of the party. Membership is forbidden to foreign citizens (although they can become honorary members, if the party statutes permit). This does not apply to nationals of Member States of the European Union, who may become members of political parties if they have a statutory right in the Republic of Slovenia to vote in elections for the European Parliament.⁶ Professional members of the armed forces and police cannot be members of political parties,⁷ nor can judges be represented in the bodies of political parties.

In Slovenia, a party may not function if it is not registered in accordance with the provisions of the Political Parties Act or if its headquarters are abroad. In addition, a party may not function or set up forms of organisation within a commercial company, institute, other organisation or state body; it may not function as a military or armed association and may not be founded for such a purpose. In all these cases, the registration authority must refuse the request for registration of the party.

In recent years, we can detect increasing distrust of politics in Slovenia, and especially of political parties, in the general public.⁸ This is reflected in the continued decline in voter participation in elections at all levels (local, national and European),⁹ as well as in public opinion surveys. In 1992, participation in parliamentary elections was 85.6 percent,¹⁰ while in 2011 it was only 65.6 percent.¹¹ At the local elections in 2010, turnout in the first round was 50.28 percent and in the second round only 48.81 percent.¹² In the two previous European Parliament elections (2004 and 2009), participation was below 30 percent.¹³ The decline in con-

1 ZAJC, D. (2009) Sodobni parlamentarizem in proces zakonodajnega odločanja (s posebnim poudarkom na Državnem zboru RS). Ljubljana: University of Ljubljana, Faculty of Social Sciences.
2 Ministry of Interior (2013), Political Parties Register [WWW]. Available from: <http://mrrsp.gov.si/rdrubojave/ps/index.faces> [Accessed 14. 2. 2014].
3 URADNI LIST (1991) Constitution of the Republic of Slovenia, article 42 [WWW]. Available from: <http://www.us-rs.si/en/about-the-court/legal-basis/constitution/> [Accessed 14. 2. 2014].
4 URADNI LIST (2005) Political Parties Act, articles 4, 10 and 12 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 16. 2. 2014].

5 Ibid, article 8 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [16. 2. 2014].
6 Ibid, articles 6 and 7 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 16. 2. 2014].
7 URADNI LIST (1991) Constitution of the Republic of Slovenia, article 42 [WWW]. Available from: <http://www.us-rs.si/en/about-the-court/legal-basis/constitution/> [Accessed 16. 2. 2014].
8 Results of longitudinal public opinion surveys carried out by Politbarometer [WWW]. Available from: http://www.cjm.si/?q=PB_rezultati [Accessed 16. 2. 2014].
9 See data on voter participation in elections. State Electoral Commission. Available from: <http://www.dvk-rs.si/index.php/si/> [Accessed 16.2.2014].
10 State Electoral Commission (1992) Volitve v državni zbor Republike Slovenije – leto 1992 [WWW]. Available from: <http://www.dvk-rs.si/index.php/si/arhiv-drzavni-zbor-rs/drzavni-zbor-rs-let-1992> [Accessed 16. 2. 2014].
11 State Electoral Commission (2011) Volitve v državni zbor Republike Slovenije – leto 2011 [WWW]. Available from: <http://www.dvk-rs.si/index.php/si/arhiv-drzavni-zbor-rs/let-2011-predcasne-volitve> [Accessed 16. 2. 2014].
12 State Electoral Commission (2010) Rezultati volitev 2010 [WWW]. Available from: http://www.dvk-rs.si/arhiv/lv2010/rezultati/seznam_obcin.html [Accessed 16. 2. 2014].
13 State Electoral Commission (2004) Volitve v evropski parlament 2004 [WWW]. Available from: http://www.dvk-rs.si/index.php/si/arhiv-evropski-parlament/let-2004;Volitve_v_evropski_parlament_2009 [WWW]. Available from: <http://www.dvk-rs.si/index.php/si/arhiv-evropski-parlament/let-2009> [Accessed 16. 2. 2014].

fidence in political parties is even starker.¹⁴ Of all central government and social institutions, political parties are the least trusted by the public. A survey ('Politbarometer') conducted in 2010¹⁵ revealed that only three percent of respondents trust political parties; 64 percent do not trust political parties at all. According to the a later survey, carried out in December 2013,¹⁶ the picture is even bleaker today – only one percent of respondents trust political parties and total distrust has increased to 72 percent. Such negative results are not surprising; the internal integrity and accountability of political parties is poor,¹⁷ as adequate mechanisms are not in place for tackling unethical behaviour and preventing the risk of corruption. There is a lack of political will to curb corruption in this area. The independence of members of parliament is often hampered by their belonging to a partisan organisation; party leadership controls and directs their votes in the National Assembly¹⁸.

Such a high and increasing rate of distrust of parties is also the result of the increasing perception of clientelistic relationships between parties and various interest groups. According to the Global Corruption Barometer 2013¹⁹, 78 percent of respondents in Slovenia felt that political parties are corrupt/extremely corrupt.²⁰ These results are followed by a high score for the Parliament with the 67 percent of respondents. Similarly, the 2013 Special Eurobarometer on Corruption²¹ showed that 76 percent of Slovenian respondents believe that corruption has increased in their country in the previous three years (EU average: 56 percent), while 91 percent say that corruption is widespread in their country (EU average: 76 percent). 88 percent of Slovenians responding to the same survey consider that bribery and the use of connections is often the easiest way to obtain certain public services (EU average: 73 percent), and 38 percent are personally affected by corruption in their daily life (EU average: 26 percent). A key reason for this perception is the general lack of transparency in the financing of political parties and electoral candidates during both electoral and non-electoral periods. Given that political parties receive both direct and indirect public subsidies and that they rely on the public for support, it is vital that the public is aware of how and more importantly from where political parties and candidates receive their income, and how this income is spent. In fact, in their report on Slovenia, evaluators from Groups of States against corruption (GRECO) drew particular attention to the lack of transparency in party funding and to the problems of ensuring effective control over the financial operations of the parties.²² The report highlighted, in particular, lack of transpar-

ency of funding sources and types of party costs (aggregate data), lack of regulation of the admissibility of a loan, lack of legal requirements to disclose the financial management of internal organisational units of the parties (e.g. youth organisations), lack of legal requirements for transparency of party funding by legal entities (e.g. associations, foundations), lack of legal definition of what is considered to be a contribution to a party,²³ and lack of legal requirements for direct public access to the full annual reports of the parties. According to the GRECO report for Slovenia, an important weakness has also been inadequate control, which makes it impossible to guarantee the prevention of abuse. In practice, this means that the state does not impose fines on the parties at all. Similar findings were presented by the European Commission in its EU anti-corruption report on Slovenia, published at the beginning of 2014.²⁴

In its National Integrity System study, TI Slovenia found that the Slovenian national integrity system is moderately stable. The system encounters many cases of inappropriate, unethical and unacceptable behaviour among key decision-makers and members of political parties.²⁵ Due to weak political will to regulate this area, TI Slovenia has also prepared recommendations on how to best regulate the financing of political parties and election campaigns.²⁶

In addition to the issues of corruption, contentious acts and the lack of integrity and responsibility of representatives of politics, it is necessary to point to the "grey area" of lobbying, which has a direct impact on illegal financing of political parties. The latter denotes illegal influence on the exercise of public authority and the adoption of legislation. It is this correlation and interplay between political parties and such hidden interest groups that provides space for the "grey area" of lobbying and other illegal ways of influencing, trading and secret illegal financing of political parties.

Systematic deviations within the regulation of responsibilities and the resulting abuse of political power or political discretion are allowing secret and illegal financing of political parties. Having won an election, political parties take "the lion's share" of the role in governing and staffing the public sector. All the key positions in the public sector are either political functions, which are limited by mandates, or there is a broad array of options available to relieve officials from office without stating a reason. As a result, professional civil service in the Slovene public sector only starts at the fifth organisational level of ministries and administrations. In this respect, judicial control is left out, while control by the civil sector and the public is insufficiently developed and competent to be effective, mainly on account of secrecy. The ruling political parties are thus free to exert influence on decision making and operation in any sphere of the public sector, from economic, financial and energy subsystems to state bodies, local

14 Longitudinal public opinion surveys carried out by Politbarometer [WWW]. Available from: http://www.cjm.si/?q=PB_rezultati [Accessed 16. 2. 2014].

15 CENTER ZA RAZISKOVANJE JAVNEGA MNENJA (2010) Survey Politbarometer 12/2010. Ljubljana, [WWW]. Available from: http://www.cjm.si/sites/cjm.si/files/file/raziskava_pb/pb_12_10.pdf [Accessed 16. 2. 2014].

16 CENTER ZA RAZISKOVANJE JAVNEGA MNENJA (2013) Survey Politbarometer 11/2013, Ljubljana [WWW]. Available from: http://www.cjm.si/sites/cjm.si/files/PB11_13.pdf [Accessed 17. 3. 2014].

17 Transparency International Slovenia – Društvo Integriteta (2012) National Integrity System in Slovenia- assessment and analyses 2012 [WWW]. Available from: <http://nis.integriteta.si/publikacija/nacionalni-sistem-integritete-v-sloveniji> [Accessed 17. 3. 2014].

18 Transparency International Slovenia – Društvo Integriteta (2012) National Integrity System in Slovenia- assessment and analyses 2012 [WWW]. Available from: <http://nis.integriteta.si/publikacija/nacionalni-sistem-integritete-v-sloveniji> [Accessed 17. 3. 2014].

19 Transparency International (2013) Global Corruption Barometer [WWW]. Available from: <http://www.transparency.org/gcb2013/results>.

20 This is, however, not the case only in Slovenia. According to the Global Corruption Barometer 2013, in 51 out of 107 countries political parties are perceived to be among the institutions most affected by corruption.

21 EUROPEAN COMMISSION (2014) Eurobarometer on Corruption (Special Eurobarometer 379) [WWW] Available from: http://ec.europa.eu/public_opinion/archives/ebs/ebs_397_en.pdf [Accessed 17. 3. 2014].

22 GRECO (2010) Third Evaluation Round- Transparency of Party Funding, 2010 [WWW] Available from: http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282009%291_Slovenia_EN.pdf [Accessed 17. 3. 2014].

23 In practice (as the GRECO report confirms), donors pay bills on behalf of the party, which amounts to financing the party by other means.

24 EUROPEAN COMMISSION (2014) EU Anti-Corruption Report on Slovenia. Brussels [WWW]. Available from: http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_slovenia_chapter_en.pdf [Accessed 17. 3. 2014].

25 Transparency International Slovenia – Društvo Integriteta (2012) National Integrity System in Slovenia- assessment and analyses 2012 [WWW] Available from: <http://nis.integriteta.si/publikacija/nacionalni-sistem-integritete-v-sloveniji> [Accessed 17. 3. 2014].

26 Transparency International Slovenia – Društvo Integriteta (2012) Financing of political parties and election campaigns – Recommendations [WWW]. Available from: <http://nis.integriteta.si/policy-paper/financiranje-politichnih-strank/political-party-financing> [Accessed 17. 3. 2014].

community bodies, healthcare, education, social affairs and other subsystems, all through their officials and interest groups.²⁷

Despite extremely low trust in political parties and public perception of clientelistic relationships existing between parties, their members and various interest groups, there is a serious lack of public debate about the specific topic of political financing in Slovenia. Therefore, **the main aim of the following report is to raise the awareness of, and to initiate a wider public debate on, political financing in Slovenia, both for elections and for everyday functioning.** We believe that the results of this project, based on assessment by relevant institutions, civil society, academia and self-assessment of political parties, will contribute to further advocacy towards appropriate and more efficient policies and higher transparency.

Due to the stated deficiencies in the regulation, Slovenia adopted a new legal framework governing financing of political parties and election campaigns at the end of 2013. Although the government has made some real efforts to adopt proper regulation, it has failed to do so in some areas. In the process of amending the legislation, TI Slovenia proposed recommendations²⁸ based on good practice and international standards. By incorporating some of these recommendations, the Ministry of the Interior successfully amended the legislation, but some weaknesses remain. The amended legislation has now been in force for a few months, and we can already see some shortcomings, which will hinder transparency and control over funding and expenditure for political parties. By incorporating some of these recommendations, the Ministry of the Interior successfully amended the legislation, but some weaknesses remain. The amended legislation has now been in force for a few months, and we can already see some shortcomings, which will hinder transparency and control over funding and expenditure for political parties. Already in the middle of June 2014, additional amendments to the legislation were adopted in order to eliminate certain incomplete provisions. At the same time, deputies to the National Assembly adopted additional amendments aiming to facilitate the implementation of the act in practice, thus changing the legislation and lowering the fines for certain offences and increasing the highest permissible amounts of cash contributions to parties.²⁹ This was a massive step backward in ensuring transparency and control over the functioning of political parties. From the perspective of the rule of law in the country, these amendments are

problematic because the deputies decided to adopt them before elections and soon after GRECO had sent a response report on the success of the implementation of its recommendations from 2007 to the Government of the Republic of Slovenia. Instead of strengthening transparency, control and sanctioning, the deputies opted for the opposite direction which is in breach of GRECO's recommendations and thus fails to meet international standards.

Non-parliamentary party Zares also pointed to the weaknesses of the legislation by filing an initiative to challenge its constitutionality in the Constitutional Court of the Republic of Slovenia. The party believes that the two acts are unconstitutional because they introduce significant differences in financing election campaigns for parliamentary and non-parliamentary parties, thus closing the political space and preventing new players to enter the political arena.³⁰ It is important to stipulate, that the adequacy of the new legislation can be assessed only after a certain period of time after it was adopted in practice (at least two years).

27 The Report of the Commission for the Prevention of Corruption for 2010, based on an analysis of public cash flows, points to certain typical indicators of political corruption, related to the transfer of political power. Data suggest that a certain number of companies operating in different areas of the public sector attest to a strong correlation between the change of power and payments to those companies from the budget funds, see: Commission for the Prevention of Corruption (2010) Annual Report 2010, page 8 [WWW]. Available from: <https://www.kpk-rs.si/sl/komisija/letna-porocila>. The Report of the Commission for the Prevention of Corruption for 2011/2013 draws attention to the indicators of secret connections and influence between politics and the economy. It also considers findings of the Eurobarometer research, which states that a significant share of Slovene respondents believed corruption originates in excessively strong ties and influence between the economy and politics. The report also summarizes the findings of economists on the influence of political interests on staffing in companies. The research provided empirical proof that political staffing of supervisory board members has a negative effect on the productivity and success of Slovene companies; see Commission for the Prevention of Corruption (2010) Annual Report 2010 [WWW]. Available from: <https://www.kpk-rs.si/sl/komisija/letna-porocila>. Accessed: 14. 5. 2014.

28 Transparency International Slovenia – Društvo Integriteta (2014) Response to the proposed amendments to the legislation on political parties and elections and referendum campaign [WWW]. Available from: http://www.integriteta.si/images/shining-a-light-on-money-in-politics/noveli_zakona/ti_slo_noveli_integriteta_priporocila.pdf; and Response to the reply to proposed amendments to the legislation on political parties and elections and referendum campaign [WWW]. Available from: http://www.integriteta.si/images/shining-a-light-on-money-in-politics/noveli_zakona/dodatna_priporocila.pdf [Accessed 17. 3. 2014].

29 NATIONAL ASSEMBLY OF THE REPUBLIC OF SLOVENIA, Committee on the Interior, Public Administration and Local Self-Government (2014), Report on the Act Amending the Political Parties Act, summary procedure, EPA 1964-VI [WWW]. Available from: <http://imms.dz-rs.si/imis/5b710f9bc3e872f62a35.pdf> [Accessed 12. 6. 2014].

30 DELO (2014) Constitutional Court to call preferential treatment of party financing [WWW]. Available from: <http://www.delo.si/novice/politika/ustavno-sodisce-bo-financiranje-strank-obravnavalo-prednostno.html> [Accessed 10. 6. 2014].

LEGAL FRAMEWORK FOR POLITICAL FINANCING

This chapter reviews the legal framework for political funding in accordance with the **current, amended** legislation.³¹ It thus includes amendments to legislation, which were adopted at the end of 2013 and in June 2014. **The CRINIS evaluation is, however, based only on the legislation which was valid prior to the legislation amendments.**³²

The financing of political parties in Slovenia is regulated by two acts: the Political Parties Act and the Elections and Referendum Campaign Act. The parties' non-electoral financing is regulated by the Political Parties Act which was adopted at the end of September 1994 and has been amended and supplemented a number of times, most recently in 2013 and in June 2014. The parties' non-electoral financing is regulated via chapter IV of the Political Parties Act, articles 21–26. Financing of electoral campaigns in Slovenia is regulated by the Elections and Referendum Campaign Act, adopted in May 2007 and which has been repeatedly amended and supplemented, most recently in 2013.

While assessing the transparency of political financing in Slovenia, the following legislation/regulations have been taken into account:

- Public Information Access Act;³³
- Accounting Act;³⁴
- Rules on the content and format of the annual report and the abridged annual reports of political parties;³⁵
- Rules on the content and form of reports collected and used for elections and referendum campaigns;³⁶
- Slovenian Accounting Standard 36 - Accounting solutions for non-profit organisations – legal entities of private law.³⁷

According to the Political Parties Act, political parties can obtain funds from membership fees, contributions from individuals, income from property (which must not exceed 20 percent of the total annual income of the party), and the state budget.

PRIVATE FUNDING

In accordance with recent amendments to the Political Parties Act,³⁸ adopted on 21 November, 2013 and which came into force on 1 January, 2014, the legislation introduced a complete ban on contributions from legal entities. On the other hand individuals (i.e. natural persons) can contribute funds in cash for the year, for which the annual report is prepared, up to the amount stated in the act regulating the tax procedure with respect to the obligation to transfer payments and receipts through bank accounts.³⁹ Higher contributions must be paid through credit transfer or direct debit chargeable to the payment account of the contributor through banks, savings banks or other legal entities, which provide payment services in accordance with the regulations. For cash contributions, an individual must provide personal data including name, surname, personal identification number, date of birth and address. Contributions can also be by gift, any other non-cash contribution or free service. The receiving party and the person who renders the service should sign a written contract. Contributions from individuals should not, in total, exceed ten times the average gross monthly wage of employees in Slovenia (as reported by the Statistical Office of the Republic of Slovenia for the previous year). If contributions of individuals exceed the amount of the average gross monthly salary, the party must then provide information including the name and address of the person, as well as the total annual amount of the contribution in its annual report.

The amended legislation also determines that payment service providers who, in accordance with regulations, perform payment transactions are required, in the case of paid contributions to the party, to forward the given amount of funds to the party and also information enabling the identification of the person who made the contribution. The required information includes name, surname and payment account number of the individual or self-employed person, or information about the name or company and payment account number of the legal entity or individual entrepreneur.⁴⁰

PUBLIC FUNDING

Parties can obtain funds from the state budget as well as from local community budgets. Resources used to fund political parties are determined in the state budget and must not exceed 0.017 percent of gross domestic product in the year before the passing of the budget. The amount of funds allocated to each party is defined in the budget of the National Assembly.

31 The Amended Political Parties Act was adopted on 21 November, 2013 and came into force on 1 January, 2014 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=201399&stevilka=3550> [Accessed 19. 3. 2014]; the Amended Elections and Referendum Campaign Act was adopted on 19 November, 2013 and came into force on 1 January, 2014 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20133490> [Accessed 19. 3. 2014].

32 URADNI LIST (2005) Political Parties Act [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345>; URADNI LIST (2007) Elections and Referendum Campaign Act [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20072221> [Accessed 19. 3. 2014].

33 URADNI LIST (2003, 2005, 2006, 2014) Public Information Access Act [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3336> [Accessed 19. 3. 2014].

34 URADNI LIST (1999, 2002, 2006) Accounting Act [WWW]. Available from: http://zakonodajja.gov.si/rpsi/r07/predpis_ZAKO1597.html.

35 URADNI LIST (2001) Rules on the content and format of the annual report and the abridged annual reports of political parties [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 19. 3. 2014].

36 URADNI LIST (2007) Rules on the content and form of reports collected and used for election and referendum campaigns [WWW]. Available from: <http://www.uradni-list.si/1/content?id=83222> [Accessed 19. 3. 2014].

37 Slovenian Accounting Standard 36 (2006) [WWW]. Available from: http://www.racunovodja.com/clanki.asp?clanek=583/Slovenski_racunovodski_standard_36_2006_-_racunovodske_resitve_v_nepridobitnih_organizacijah_-_pravnih_osebah_zasebnega_prava [Accessed 19. 3. 2014].

38 URADNI LIST (2013) Amended Political Parties Act [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=201399&stevilka=3550> [Accessed 19. 3. 2014].

39 URADNI LIST (2014) Tax Procedure Act, Article 36 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703> [Accessed 12. 6. 2014]; URADNI LIST (2013) Rules implementing the Tax Procedure Act, Article 23.a [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV7927> [Accessed 12. 6. 2014].

40 URADNI LIST (2013) Amended Elections and Referendum Campaign Act, article 6 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20133490>; Amended Political Parties Act, article 8 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20133550> [Accessed 19. 3. 2014].

Parties may also obtain up to 50 percent of funds from part of the state budget earmarked for additional professional assistance in the work of parties on the basis of the financing plan of the National Assembly of the Republic of Slovenia in line with the act regulating the operation of deputies to the National Assembly of the Republic of Slovenia. The party obtains such earmarked funds from the parliamentary groups and deputies that were elected in the National Assembly from the same candidate lists. In order to receive these funds, on the proposition of the chair of the parliamentary group or his deputy, the party and the National Assembly sign a contract. The contract is not subject to public procurement as provided by the laws regulating public procurement.

Parties can also receive funds from local communities. The competent municipal authority decides on the financing of parties. Parties which participated in the most recent elections for the municipal council receive funding from the local community budget in proportion to the number of votes received at the last election. A party obtains funding from the local community if it has received at least half of the number of votes required for the election of one member of the municipal council on condition that the number of valid votes is divided by the number of seats in the municipal council. The amount of funds allocated for the financing of political parties is determined in the budget of the local community for each financial year. Under the regulations governing the financing of municipalities, the amount of the subsidies may not exceed 0.6 percent of local community assets.

The legislation also imposes restrictions on the funding of political parties. In this respect, it is forbidden to obtain funding from abroad. However, such prohibition does not apply to membership fees and contributions that the party obtains from its members.⁴¹ In addition, state authorities, local communities, legal persons of public and private law, individual private entrepreneurs, and individuals who independently perform business activities should not fund parties.

LOANS

In their report on Slovenia, GRECO evaluators drew attention to the lack of regulation of the admissibility of loans to political parties. The amended legislation addresses this issue. Parties can obtain loans only from banks and loan-banks under the same conditions as other legal entities. A party can also obtain loans from individuals, on the condition that the loan agreement is concluded in a written form. The amount of a loan from an individual cannot exceed ten times the average gross monthly salary in Slovenia per year. Loans are not considered as party financing.

The annual report of the party must include details of the amount, interest rate and repayment period of individual loans, the name and registered office, business address and registration number of the bank or loan-bank, from which the party has acquired a loan, regardless of the amount of the loan. For loans made by individuals, the annual report must include data enabling the identification of the individuals who made loans (name, surname, date of birth and address), information on the amount, interest rate and repayment period of each loan.

⁴¹ According to the Political Parties Act, a foreigner cannot become a party member, with two exceptions. First, where provided for by statute of the party, a foreigner can become an honorary member of a party. Secondly, a citizen of an EU member-state with a statutory right to vote in Slovenia can become a member of a party.

REPORTING

Political parties must prepare annual reports for the previous financial year. Reports should include information on:

- a) total incomes according to types and their values (membership fees, contributions from individuals, income from property, income from contributions, income from other non-cash contributions, income from the state budget, income from local community budgets, extraordinary income, and retained surplus of revenues);
- b) all expenditures of the party according to the type and in accordance with the accounting rules;
- c) all contributions from individuals where the total amount of contributions to the party exceeds the average gross monthly salary;
- d) all individual loans that the party has received from banks or individuals;
- e) costs of elections and referendums, displayed in the manner provided by the law governing the election and referendum campaign;
- f) all individual contributions given to the party in contravention of the legislation: their values, including information about the company or individual;
- g) information on assets, particularly any changes which have occurred, including information on the sources of funds which enabled buying new assets or increasing their value, if this increase exceeds the total of five average gross monthly salaries.

For the purpose of public access and national statistics, parties are required by the amended legislation to submit the annual reports to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (hereinafter referred to as AJPES), through the web portal of AJPES by 31 March for the previous financial year⁴². Annual reports of political parties must be made publicly available on the AJPES website. Since the amended legislation only came into force on 1 January, 2014, preparation of annual reports and new reporting requirements will be possible no later than on 1 March, 2015 for the reporting year 2014⁴³. For the financial year 2014, political parties will have to submit annual reports specified by the instructions on the submission of annual reports of non-profit organisations – legal entities of private law. AJPES will then publish full reports online. For the financial year 2013, annual reports should be prepared in accordance with the previous Political Parties Act⁴⁴ and the Rules on the content and format of the annual report and the abridged annual reports of political parties⁴⁵.

EXTERNAL SUPERVISION

On the basis of publicly available reports, the Court of Audit

⁴² AJPES [WWW]. Available from: <http://www.ajpes.si/> [Accessed 31. 3. 2014].

⁴³ MINISTRY OF INTERIOR (2014) Notification for political parties [WWW]. Available from: http://www.mnz.gov.si/nc/si/novinarsko_sredisce/novica/article/12027/8445/ [Accessed 19. 3. 2014].

⁴⁴ URADNI LIST (2007) Political Parties Act [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlrid=20075133> [Accessed 19. 3. 2014].

⁴⁵ URADNI LIST (2001) Rules on the content and format of the annual report and the abridged annual reports of political parties [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 19. 3. 2014].

examines whether annual reports are in accordance with the law and may request amendments to the annual report, if not. In such cases, a party needs to amend and resubmit the report to AJPES in a given timeframe, which cannot be shorter than 15 days or longer than 30 days.

The Court of Audit also conducts audits of financial operations of political parties which receive or were entitled to receive more than EUR 10,000 of these funds from the state and/or local community budget in the past year. The Court is obliged to audit financial operations each year for at least one third of all parties; within a four-year period it has to audit all parties. The Court of Audit may also carry out an audit of the expenditure of funds and a party's financial operation, if this is proposed by the Commission for the Prevention of Corruption or another supervisory authority. The final version of the Audit Report is published on the website of the Court of Audit. The Court of Audit should also send the final version of the report to the National Assembly.

SANCTIONS

Sanctions are envisaged for political parties, individuals and legal entities in case of non-compliance with the law. In the event of an infringement of financial regulations, political parties can be punished with a fine of EUR 6,000 to EUR 30,000 or from EUR 4,200 to EUR 21,000 depending on the breach, while the person responsible for the party can be punished with a fine of EUR 1,500 to EUR 4,000. Individuals that violate the rules concerning contributions, loans and services for parties are punished by fines of EUR 600 to EUR 1,200, while legal entities are punished by fines of EUR 6,000 to EUR 30,000. Amendments to the legislation have increased sanctions for violations of the law. Finally, the Court's decision on an offence, in which it is established that the party has violated the law, can include forfeiture of entitlement to funds from the state or local community budget for a period of one year. Alternatively, parties may receive half the funding promised from the state or local community budget for a period of six months.

The Court of Audit can suspend funding from the state or local community budget if the party fails to submit or amend the annual report on time and until such time as it fulfils its obligations. The decision is final, with no appeal, although an administrative dispute is possible.

REGULATING ELECTORAL CAMPAIGNS

In Slovenia, electoral campaigns are regulated by a special Elections and Referendum Campaign Act.⁴⁶ Election campaigns include political advertising and other forms of political propaganda aimed at influencing voter decisions in elections. An election campaign may begin no earlier than 30 days before the voting day, and must end no later than 24 hours before the voting day. Election campaigns can be organised by a single candidate, a representative of the proposer of candidates or lists of candidates, a political party or any other legal entity or individual. An election campaign organiser is responsible for the legal implementation of the election campaign. Campaign organisers may obtain con-

tributions from individuals. Total contributions from individuals for an election campaign should not exceed ten average gross monthly wages per employee in Slovenia (as reported by the Statistical Office for the previous year). Contributions in cash are allowed from individuals up to a maximum amount of EUR 50, while higher cash contributions must be paid through banks, savings banks or other legal entities, which provide payment services in accordance with the regulations. Election campaign organisers must open a special bank account labelled "election campaign" and specify the elections for which they are responsible no later than 45 days prior to the date of voting in elections. For election campaign financing, parties can transfer their funds from their bank account to the bank account of the party organising the election campaign for a joint list of candidates or a joint candidate on the basis of a written agreement, if the parties propose a joint list of candidates or a joint candidate. The party organising the election campaign must transfer the entire received amount on a special bank account for the election campaign. The party receiving partial reimbursement of election campaign costs can transfer those funds on bank accounts of other parties in line with a written agreement.

Campaign organisers of elections to the National Assembly must submit a report on the financing of the election campaign to AJPES through a web portal of APJES no later than 15 days after the closure of the special account.

⁴⁶ URADNI LIST (2013) Amended Elections and Referendum Campaign Act [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20133490> [Accessed 19. 3. 2014].

CRINIS METHODOLOGY

The CRINIS methodology entails assessment of two different types of political financing: the non-electoral finances of political parties and election campaign funding for legislative elections. This study looks at the assessment of:

- a) funding of annual activities of political parties in the Slovenia in 2012, where resources were mobilised to support the party structure and its activities during this non-election year;
- b) funding of the election campaign in the 2011 legislative elections, where resources were mobilised by political parties to run the election campaign.

WHAT IS MEASURED AND HOW IS INFORMATION PRESENTED?

The methodology involves examining the regulatory framework on the transparency of political financing so as to compare it against internationally recognised standards. Through different research methods, it also examines what happens in practice. By providing a thorough analysis of the legal framework and actual practice, it provides strong empirical evidence to create a clear picture of areas that are in need of reform. The information collected during the research was used to build **an index on the transparency of political party funding**. The level of transparency is quantified using ten dimensions.

Dimensions	Generic questions for building indicators
1. Internal book-keeping of parties	Is book-keeping mandatory by law? How professional is book-keeping in practice?
2. Reporting to state oversight agency	By law, do political parties and media render accounts relating to their finances? When and in what format?
3. Comprehensiveness or scope of reporting	Do reports include public and private sources? Do they cover income and expenses? Do they cover monetary contributions, in-kind contributions etc.?
4. Depth of reporting	By law, do reports include information on individual contributions? Do they clearly identify the donor of each donation?
5. Reliability of reporting	Do different actors disclose all resources in reports? How accurate are reports, to the knowledge of stakeholders?
6. Disclosure to the public	Is it mandatory for state agencies/parties to disclose information on political finances? In practice, how accessible is such information to experts, journalists and ordinary citizens?
7. Preventive measures	Are contributions channelled exclusively through official bank accounts? Are there any loopholes for anonymous contributions?
8. Sanctions	What are the existing sanctions - civil, criminal and political - according to the law? In practice, are the existing laws strictly enforced?
9. State oversight	Do experts evaluate institutions of state oversight as independent? Are they considered efficient? From the perspective of self-evaluation, do they lack human resources? Do they lack training?
10. Public oversight	Do civil society organisations monitoring political finance exist? In which areas of political finance do they develop activities? Do experts evaluate organisations of public oversight as independent?

Table 1: Ten Dimensions of Transparency in Political Finance

Internal book-keeping (dimension 1) ties in to the way in which political parties manage their financial resources internally. **Reporting to the state oversight agency** (dimension 2) evaluates the extent to which parties or candidates report to a government oversight body. Three dimensions – **comprehensiveness of reporting** (dimension 3), **depth of reporting** (dimension 4) and **reliability of reporting** (dimension 5) – centre around the nature of the data furnished in the financial reports and help to determine the quality of the information submit-

ted to the oversight bodies. These evaluate crucial areas such as whether all relevant financial activity including cash, in-kind and other transactions have been included; the identity of the donor; the credibility of the data submitted; and the perception of the credibility of the reports by key actors. **Disclosure of information to the public** (dimension 6) takes a look at the public's access to political finance information. A third group of dimensions encompassing **prevention** (dimension 7), **sanctions** (dimension 8) and **state oversight** (dimension 9) addresses monitoring

compliance with established rules and regulations. This includes preventive measures to facilitate effective oversight, the existence of sanctions that can be imposed and the institutions and actors in charge of performing oversight functions. Finally, **public oversight** (dimension 10) addresses the monitoring and oversight role of civil society and media with regard to political financing issues, irrespective of the formal state oversight body.

The information collected through the involvement of a broad spectrum of sources and different research methods, brings together over **70 evaluation indicators** covering law and practice. Questions feeding into each indicator have different ranges of answers. This translates into different weights for the final score for each indicator. The scale for each indicator ranges from 0 to 10, where 10 indicates that a country has met all expected criteria in terms of transparency and accountability and 0 indicates that none of these criteria has been met. The quantitative index is computed by averaging scores on each of the ten dimensions and by assigning the same weight of law and practice to each dimension. Then a weighted average, based on three types of financing, is computed to arrive at the total score. Scores between 0 and 10 are grouped into three evaluation categories: *insufficient* (0 to 3.3), *regular* (3.4 to 6.7) and *satisfactory* (6.8 to 10). The index thus offers a detailed picture of the strengths and weaknesses of the political finance system of a particular country, under transparency criteria.

Dimensions	Number of indicators	Weight Law/ Practice
1. Internal bookkeeping	<i>Total 5</i> 3 Law 2 Practice	50% Law 50% Practice
2. Reporting to state oversight agency	<i>Total 9</i> 5 Law 4 Practice	50% Law 50% Practice
3. Scope of reporting	<i>Total 4</i> 2 Law 2 Practice	50% Law 50% Practice
4. Depth of reporting	<i>Total 5</i> 3 Law 2 Practice	50% Law 50% Practice
5. Reliability of reporting	<i>Total 3</i>	100% Practice
6. Disclosure to the public	<i>Total 15</i> 6 Law 9 Practice	50% Law 50% Practice
7. Preventive measures	<i>Total 10</i> 5 Law 5 Practice	50% Law 50% Practice
8. Sanctions	<i>Total 12</i> 6 Law 6 Practice	50% Law 50% Practice
9. State oversight	<i>Total 5</i> 2 Law 3 Practice	50% Law 50% Practice
10. Public oversight	<i>Total 5</i>	100% Practice

Table 2: Quantitative index of transparency in political party funding – dimensions, indicators and weighting of law and practice

DATA SOURCES AND DATA COLLECTION METHODS

This study utilised both primary and secondary sources for collecting data. For the evaluation of the legal framework, relevant laws and regulations were examined. For analysing practice on the ground, the research team examined reports from the political parties and oversight bodies and interviewed various stakeholders to get insights on the operation of the party funding system and its oversight. Key actors surveyed included five parliamentary and two non-parliamentary political parties; two state oversight bodies (the Court of Audit and the Ministry of Finance, Budget Supervision Office); journalists; experts and members of the academic community; donors and potential donors; and non-governmental organisations (see Table 3). Altogether, 31 interviews were conducted. Stakeholders were interviewed personally, based on a survey questionnaire. Two political parties (Slovenska Demokratska Stranka/Slovenian Democratic Party and Demokratična stranka upokojenecv Slovenije/Democratic Party of Pensioners of Slovenia) refused to take part in this study. The Court of Audit as the major state oversight body served also as a primary source, providing access to some of the secondary sources such as parties' financial reports.

List of stakeholders	Number of interviews
<i>Political parties</i> Pozitivna Slovenija/Positive Slovenia Socialni demokrati/Social Democrats Državljska lista/Citizen's Alliance Slovenska ljudska stranka/Slovenian People's Party Nova Slovenija/New Slovenia Liberalna demokracija Slovenije/Liberal Democracy of Slovenia Stranka za trajnostni razvoj Slovenije/The Party for Sustainable Development of Slovenia	15
State oversight institutions Court of Audit Ministry of Finance, Budget Supervision Office	6
Journalists Daily newspaper <i>Delo</i> Daily newspaper <i>Večer</i> Public broadcasting service, RTV Slovenia Largest commercial television network, POP TV	4
<i>Experts/members of the academic community</i> (University of Ljubljana, University of Maribor)	3
<i>(Potential) donors</i> (Representatives of private sector companies)	2
Non-governmental organisations Centre for Civic Education	1

Table 3: List of relevant stakeholders participating in the project

Field tests were conducted to measure how easy it is for the public to access information on the funding of political parties and thereby evaluate rates of response from different institutions, including parties, state oversight agencies, media and donors. The aim of the field tests was to contrast the ability to access the same set of information by members of the public with different levels of knowledge and contacts. Field tests were

conducted by a group of volunteers consisting of three different groups of participants: seven members of the general public, four students and three journalists.

The group of participants reflected the country's population demographics according to: a) gender, b) age and c) level of education.⁴⁷ A list of specific information regarding regular political party funding was given to the volunteers to help them request access to data from political parties, state oversight agencies, media and donors using different communication tools, including the internet, phone or official letters from the media, requesting information.

In addition, **letters requesting information** were sent to relevant stakeholders by the research team. The main aim of this test is to verify the responsiveness of various stakeholders to the requests for information regarding political finance. In this respect it allows us to measure the responsiveness of stakeholders to requests for information by civil society organisations. The time allowed for reply was 60 days.

Table 4 summarises the type of information collected, the source of information and the data collection method used in the study.

Type of Information	Source of Information	Data Collection Method
Legal Framework	Relevant laws and regulations	Legal review
Internal practices on financial issues of the political party	Party reports, official records and public information	Team analysis, complemented by interviews of party accountants and experts
Disclosure of information	Political parties, oversight agencies, media agencies	Research of publicly available information Testing availability of information from various stakeholders through written requests
Income and expenditure of political parties	Parties, oversight agencies, donors	Interviews
General practice on political finance	Parties, oversight agencies, CSOs, NGO's, experts	Interviews

Table 4: *Type and Sources of Information*

⁴⁷ According to statistical data published by the Statistical Office of the Republic of Slovenia, 51.4 percent of the population is female and 48.6 percent of the population is male. Our sample, therefore, consisted of seven women and six men. In Slovenia, 14 percent of the population is younger than 15 years, 70.2 percent are aged between 15 and 64 and 15.7 percent are older than 65. Accordingly we included six people ranging from 24 to 75 years of age in the general public sub-group. Statistical data vary on educational levels. According to data from Eurostat and UMAR around 60 percent of the population has a high school education level, 17 percent has only a primary school level and 23 percent has a bachelor degree or higher. Among participants there were three with university degrees, three had finished high school and one had a primary school level of education. Profiles of the members of the public were as follows: one pensioner, one young person who had just completed a Masters degree and was unemployed, one part-time employee, three employed people, and one unemployed person. We included students of public administration and students of criminal justice and security.

LIMITATIONS OF THE STUDY

There are several limitations to this study, including challenges that the research team faced during the project. The area of study, political financing, is not new in the Slovenian context, but it is still rather under-researched and is a particularly poorly-controlled area. In this respect, only a few studies have been carried out on the financing of political parties. Media reports on the issues are more widespread. As a result, there is a limited public dialogue on this matter in Slovenia. All this contributed to a number of challenges. The research team had access to a limited number of secondary data sources and available expertise. In addition, some identified stakeholders refused to take part in the survey. As a result, the research team was not able to interview representatives of two relevant parliamentary parties – the Slovenian Democratic Party and the Democratic Party of Pensioners of Slovenia. Moreover, at the end of 2013, the National Assembly enacted comprehensive changes to legislation, regulating political financing in Slovenia. These new regulations came into force on 1 January, 2014. **Since all interviews were conducted before the adoption of the recent legislative changes, this study evaluates the legislation that was in force before 2014. However, at the end of each subsection (i.e. dimension) of research findings, new regulations (if there are any) are presented.** Last but not least, the scores for different dimensions are independent of each other and there is no correlation between them.

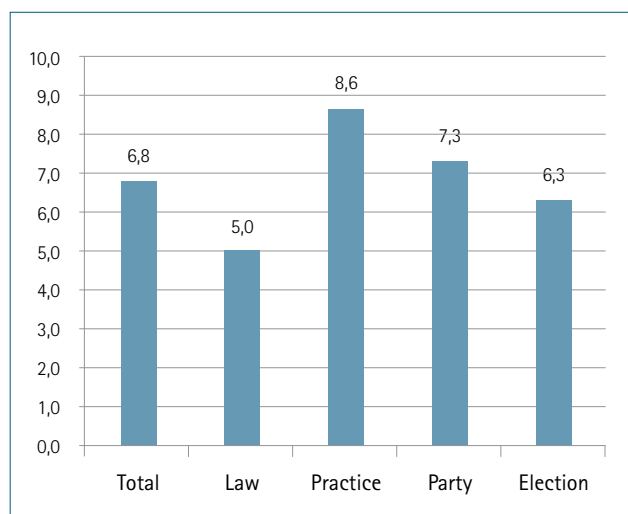
CRINIS RESEARCH FINDINGS

This section examines both the regulatory framework and implementation in practice with regard to the transparency of political financing in Slovenia. It covers an assessment of the funding of the annual activities of political parties in Slovenia in 2012, and the funding of the election campaign in the 2011 legislative elections. **It evaluates the legislation that was in force before 2014**, while at the end of each subsection (i.e. dimension), new regulations (if there are any) are presented and

assessed on a normative basis and according to international standards. Thorough diagnosis of the legal framework and actual practice is provided through the ten dimensions: internal book-keeping, reporting, scope of reporting, depth of reporting, reliability of reporting, disclosure of information to the public, prevention, sanctions, state oversight and public oversight. The CRINIS index on the transparency of political party financing in Slovenia is presented in light of these ten dimensions.

Dimension 1: INTERNAL BOOK-KEEPING

The first stage of reporting by parties is internal book-keeping. Legal obligations, the political culture of the parties and the functional abilities of their administration are factors that can influence this dimension. In this study, the internal book-keeping of parties was measured using five general indicators. These include legal requirements for parties to keep books on income, expenditure and assets and their actual practice in this regard. Other indicators address questions of disclosure of this information to party members, the standard of accounting procedures followed, the individuals authorised to sign financial accounting reports and whether financial records are kept for the regulated period of time.



Graph 2: CRINIS Index on internal book-keeping

Keeping of political parties' accounting books and registers in Slovenia is regulated by the Political Parties Act, Rules on the content and format of the annual report and the abridged annual reports of political parties, the Accounting Act, and Slovenian Accounting Standard 36 – Accounting solutions to non-profit organisations – legal entities of private law (2006).

Slovenian legislation requires all political parties to maintain accounts on all income and expense. The accounts books consist of the balance sheet and statement on income and expense. The balance sheet contains information about the assets and liabilities of the parties at the end of the accounting period. The statement of income and expense must contain information on the income and expenditure of all internal organisational units within the party during the period. The parties draw up a balance sheet and statement of income and expenditure in accordance with Slovenian Accounting Standard 36, in which the format of the forms and the content of information to be disclosed is prescribed. Notes to the financial statements contain information on income, expenditure and assets of the parties for the current accounting period. Here, income from individual sources includes membership fees; contributions from self-employed people, legal entities and individuals; income from property; income from gifts and bequests; income from the state budget; income from local community budgets; profit from the income of a company owned by a company; extraordinary income; and transferred excess of income.

Legally, the information on the income and expenditure of political parties is public. However, parties in Slovenia do not have an obligation to inform their members about their financial records. As a result, parties inform neither the general public nor their members about their financial records on their own accord.

The Political Parties Act⁴⁸ requires that parties report "in accordance with the accounting rules", but there is no explicit obligation to have the accounts of the parties audited and signed by a certified accountant or external auditor. In accordance with the Accounting Act,⁴⁹ an authorised person signs the accounts of the legal entity (i.e. political party). Each party must have a responsible person (i.e. representative of the party) defined in its statute.⁵⁰ In accordance with the law, however, it is not mandatory for the

48 URADNI LIST (2005) Political Parties Act, article 24 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20054345> [Accessed 22. 3. 2014].

49 URADNI LIST (1999, 2002, 2006) Accounting Act, articles 3 and 27 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO1597> [Accessed 22. 3. 2014].

50 URADNI LIST (2005) Political Parties Act, article 10 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20054345> [Accessed 22. 3. 2014].

accounts to be signed by a member of a party's Executive Committee (or equivalent). Accounts documents must be signed by the responsible person (i.e. representative of the party). However, practice shows that in the case of most parties, the responsible person is also a member of the Executive Committee. Reports on electoral campaigns must be signed by the election campaign organiser.⁵¹

As parties are required to submit annual financial reports to the Court of Audit, parties should, in practice, have to update their accounts at least annually. However, in accordance with conducted interviews, representatives of most parties claim that they update their books on a more regular basis (from daily to monthly).

In accordance with the Accounting Act, accounts books and registers must be kept in accordance with the regulations.⁵² The minimum period of retention is: a) durable for the annual financial statements; b) ten years for the general ledger and the diary; c) five years for book-keeping; d) three years for the book-keeping of payment transactions; and e) two years for auxiliary accounts and similar documents. There are no special regulations with regard to keeping the accounts and registers on funding legislative elections. The law does not require individual candidates to keep a copy of their accounting reports on file. As members of the Slovenian parliament are not elected as independent candidates, we have identified this as a shortcoming.

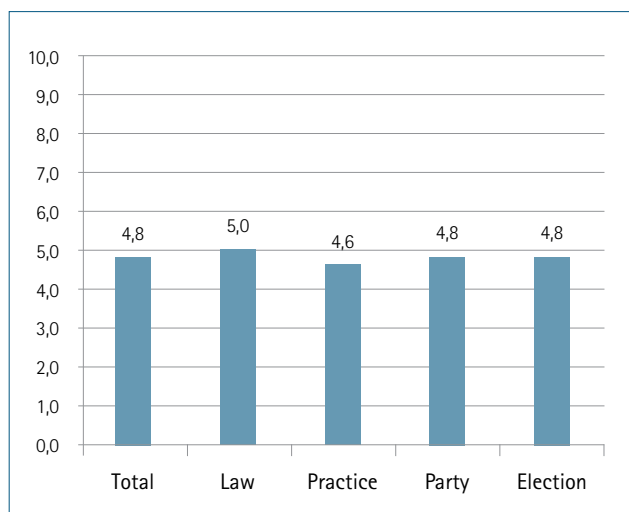
Regarding the professional level of administration of party finances we can conclude that the parties we analysed seem to have professional systems of financial administration in place. They all had accountants in charge of their finances, and in practice they sign financial reports although this is not an explicit regulatory obligation. The fact that most political parties reviewed in this study externally audited their financial reports without any legal obligation, together with the fact that a senior member of the party signed the accounting reports, explains why the score for implementation in practice is higher than the score for law.

⁵¹ URADNI LIST (2001) Rules on the content and form of reports collected and used for election and referendum campaign, Appendix 1: Report on electoral campaign [WWW]. Available from: <http://www.uradni-list.si/1/content?id=83222> [Accessed 22. 3. 2014].

⁵² URADNI LIST (1999, 2002, 2006) Accounting Act, article 30 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO1597> [Accessed 22. 3. 2014].

Dimension 2: REPORTING TO THE OVERSIGHT AGENCY

For this dimension, the study focused on five indicators that covered both the legal framework and reporting to the designated government oversight agencies. These indicators included questions regarding whether parties must render accounts to a state agency, whether there is a specific standardised format for submitting information, how often reporting is required, and whether donors, suppliers or media companies are required to report.



Graph 3: CRINIS Index on reporting to oversight agencies

According to the Political Parties Act,⁵³ parties are required to tender their financial reports to the Court of Audit and the National Assembly. By 30 April each year, parties should submit an annual report on the operations of the party for the previous year to the National Assembly. Before submitting the report to the National Assembly, the report must be reviewed and evaluated by the Court of Audit of the Slovenia. Each political party is required to submit its annual report to the Court by 31 March each year. The record of examination is annexed to the report. The President of the National Assembly may require supplementary information if the report is not compiled in accordance with the law, and can set a deadline by which the supplementary information must be submitted. Any party which, in the last year, received funds from the state budget, a local community budget or contributions from individuals, must publish an abridged annual report in the Official Gazette of the Republic of Slovenia by 31 May of the current year at the latest. The law requires parties to include the following in their annual reports: a) all the income and expenditure of the party; b) the sources of the party's income, in accordance with accounting regulations; c) the assets of the party and all changes in asset value, described in detail, including a statement of the sources of funds for an increase in the assets if such increase exceeds the total of five times the average monthly wage per employee in the Slovenia (as reported by the Statistical Office

53 URADNI LIST (2005) Political Parties Act, Article 24 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 23. 3. 2014].

in the year for which the report was compiled); and d) the cost of elections if it was an election year.⁵⁴

The law requires political parties to submit annual reports⁵⁵ and electoral campaign organisers to submit reports on legislative elections.⁵⁶ Reports must be compiled in a standardised format. According to the law, the parties' regular accounting reports should be filed annually, while accounting reports for the legislative electoral campaigns should be filed within 15 days after the closure of a special bank account.⁵⁷

The law does not require a) donors to submit reports to state oversight agencies on their political contributions; b) suppliers to submit reports to state oversight agencies on services rendered and goods sold to candidates or parties; or c) media companies to submit reports to state oversight agencies on advertisements for candidates or parties. Although, in practice, political parties report to the state oversight agency (Court of Audit), the score for practice (4.6) is relatively low, due to the non-reporting of donors, suppliers and media companies.

The recent amendments to the Political Parties Act and Elections and Referendum Campaign Act brought some innovations. For the purpose of publication and national statistics, parties have to submit annual reports by 31 March to AJPES, through their web portal and no longer to the Court of Audit, National Assembly and Official Gazette. Annual reports of political parties should also be made publicly available on the AJPES website. Transmission of annual reports of parties through the web portal AJPES should be possible no later than 1 March, 2015 (starting with financial year 2014). For the financial year 2013, annual reports should be prepared in accordance with the Political Parties Act and the Rules on the content and format of the annual reports and the abridged annual reports of political parties, and forwarded to AJPES in the manner specified by the Instructions on the submission of annual reports of non-profit organisations for private legal entities.⁵⁸

54 Ibid, article 24; Rules on the content and format of the annual report and the abridged annual reports of political parties (2001), article 5 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 23. 3. 2014].

55 URADNI LIST (2005) Political Parties Act, article 24. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345>; URADNI LIST (2001) Rules on the content and format of the annual report and the abridged annual reports of political parties, article 5 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 23. 3. 2014].

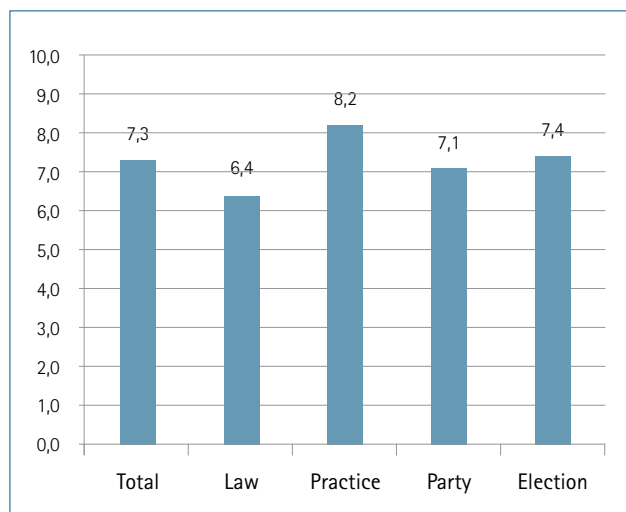
56 URADNI LIST (2007) The Elections and Referendum Campaign Act, article 18 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20072221>; Rules on the content and form of reports collected and used for election and referendum campaign. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 23. 3. 2014].

57 URADNI LIST (2007) The Elections and Referendum Campaign Act, article 18 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20072221> [Accessed 23. 3. 2014].

58 URADNI LIST (2013) Amended Political Party Act, article 10 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20133550> [Accessed 23. 3. 2014].

Dimension 3: SCOPE OF REPORTING

Scope of reporting includes two main indicators: what types of funding sources are included in the reports (e.g., contributions and public funding) and what expenses are included in the reports (e.g., expenses from private contributions and expenses from public subsidies).



Graph 4: CRINIS Index on scope of reporting

The law requires political parties to include income from the following in their annual reports: membership fees; contributions from legal entities and individuals; income from property; income from gifts and bequests; income from the state budget; income from local community budgets; profit from the income of a company owned by a company; extraordinary income; and transferred excess of income.⁵⁹

The law requires electoral campaign organisers to include the following information in their reports on legislative elections:⁶⁰

- the total amount of collected funds for the election campaign;
- all loans that are granted to the organiser of the election campaign where the amount of credit granted exceeds the amount of three times the average gross monthly wage per employee in Slovenia, including an indication of the lender;
- all deferred payments to the organiser of the election campaign where the amount of deferred payment exceeds the amount of three times the average gross monthly wage per employee in Slovenia, including a statement of the legal entity or individual who granted deferral of payment.

Parties have to report on expenses undertaken both from public funding and private contributions. The law requires parties to include the following expenses in their annual reports: costs of materials, costs of services, adjustments in current assets, depreciation, provisions, labour costs, other expenses, expenses for financing, extraordinary expenses, and the excess of expenditures transferred over from previous years.⁶¹ Accounting reports on legislative elections should include only the total (not each) amount of expenses.⁶² In practice, political parties include the information on income and expenses as required by law.

The recent amendments to the Political Parties Act still requires that parties prepare annual reports, including information on total income according to income types and their values. They must also report on all party expenditure according to type and broken down in accordance with the accounting rules as well as the costs of elections and referendums, displayed in the manner provided by the law governing election and referendum campaigns. Additionally, the amendments require that parties include all individual loans that the party receives from banks or individuals, and all individual contributions that have been given to the party in contravention of the legislation, and their values, including identification information about the company or individual who made the contribution to the party.⁶³

⁵⁹ URADNI LIST (2001) Rules on the content and format of the annual report and the abridged annual reports of political parties, Appendix 1 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 23. 3. 2014].

⁶⁰ URADNI LIST (2007) The Elections and Referendum Campaign Act, article 18 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20072221>. URADNI LIST (2001) Rules on the content and form of reports collected and used for election and referendum campaign [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 23. 3. 2014].

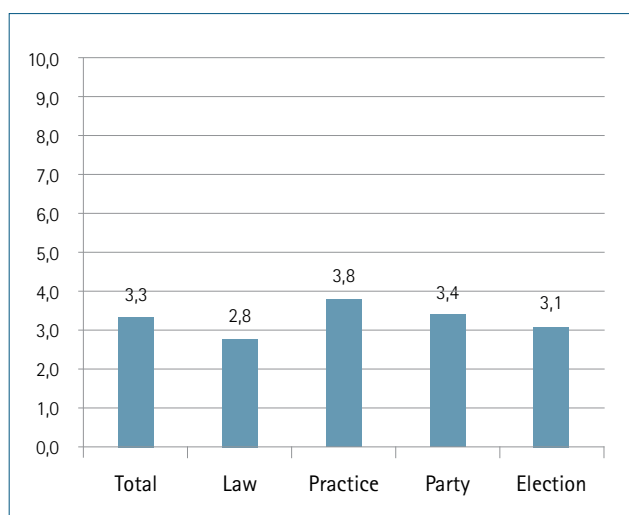
⁶¹ URADNI LIST (2001) Rules on the content and format of the annual report and the abridged annual reports of political parties, Appendix 1 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 23. 3. 2014].

⁶² URADNI LIST (2007) Elections and Referendum Campaign Act, Article 18 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20072221>. URADNI LIST (2001) Rules on the content and form of reports collected and used for election and referendum campaign, Appendix 1 [WWW]. Available from: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV3664> [Accessed 23. 3. 2014].

⁶³ URADNI LIST (2013) Amended Political Party Act, article 10 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20133550> [Accessed 23. 3. 2014].

Dimension 4: DEPTH OF REPORTING

The usefulness of financial reports depends largely on the information included and whether they include details which enable control and oversight. Therefore, it is recommended that reports identify not only the total amount of received contributions, but also the name of each donor, and the amount and date of each donation. Expenditure should be itemised in the same way. This depth of information allows oversight bodies, civil society groups and voters in general to examine the accuracy of the information provided, identify parties who depend excessively on a few selected donors and monitor future representatives for any potential action that may benefit their donors at the expense of the public. This dimension was measured by aggregating multiple indicators such as the level of detail contained in income and expenditure reports and whether there is a threshold for the reporting of income in financial reports.



Graph 5: CRINIS Index on depth of reporting

The depth of reporting is one of the weakest dimensions of political financing in Slovenia; it has the third lowest score among all measured dimensions.

In Slovenia there is a threshold for the reporting of income in financial reports. Total (individual) contributions to a party may not exceed ten times the average monthly salary per employee in the Slovenia. If the total of such contributions exceeds three times the average monthly wage per employee in the Slovenia for the previous year, parties must report all details of the donor. The same rule exists for legislative elections; the campaign organiser must report all details of any contributions that on the day of voting exceeded three times the average gross monthly wage per employee Slovenia (according to the Statistical Office for the previous year). In the latter case, the report should also include any deferred payments to the campaign organiser, if the amount of the deferred payments exceeds three times the average gross monthly salary for the previous year, including a statement of the legal entity or individual who granted the deferral of payment.

Due to the threshold for reporting of income in financial re-

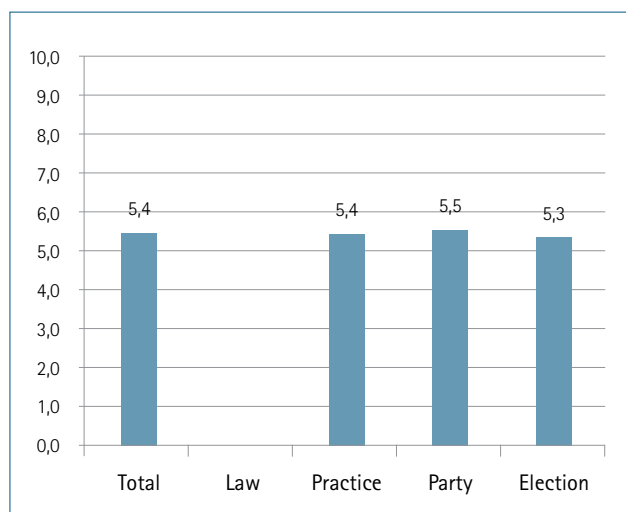
ports, reports submitted to the oversight bodies do not identify individual donors, nor the amount and date of each donation. Most political parties, therefore, avoid presenting specific and more detailed information related to political funding sources. As a result, annual reports mostly contain information about donors only in the form of totals, while the identity of the great majority of donor institutions and donor individuals is hidden. Reporting does not require political parties to provide separate details on the finances of organisations within the party structure. This has been identified as a major problem.

The recent amendments to the Political Parties Act and Elections and Referendum Campaign Act lowered the threshold for the reporting of income in financial reports: the annual report should include all contributions from individuals, if the total amount of contributions to the party exceeds the average gross monthly salary per employee in Slovenia. Additionally, reports should include the sources of funds for the increase of assets, if this increase exceeds the total of five average gross monthly salaries.⁶⁴ Although the threshold for the reporting of income in financial reports has been lowered from three times the average gross monthly salary per employee to one average gross monthly salary, which also applies to the election campaigns, such regulation still does not identify each donor. This encourages secrecy and discourages the presentation of specific and more detailed information related to political funding sources

⁶⁴ URADNI LIST (2013) Amended Political Party Act, article 10 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20133550> [Accessed 3. 4. 2014].

Dimension 5: RELIABILITY OF REPORTING

Due to its close ties to transparency, a key element of reporting is its reliability or the belief that the data contained in a report are accurate. This dimension, therefore, is perception-based and there are no legal indicators. Measuring the reliability of data is therefore more difficult. The CRINIS methodology relies on data from surveys on this topic with key actors, such as representatives of parties, officials of oversight agencies and members of civil society. Multiple indicators processed the responses to issues such as the accuracy of reports (e.g., in terms of the percentage of contributions likely to be reported), favouritism and fear, as well as whether it is possible to obtain an accurate idea of party financing by looking into the official accounting statements.



Graph 6: CRINIS Index on reliability of reporting

When respondents to the survey were asked for their opinion on the reliability of political party and campaign organiser reports, the average total score yielded a not satisfactory score of 5.4. There is almost no difference between the perception of annual party financing and funding for legislative elections (see graph above). In this respect, respondents believed that it is only possible to obtain a partially accurate idea of the financing of parties by looking at the official accounts. Most respondents estimated that the percentage of reported total incomes is relatively high, because a large proportion of funding is obtained from state and local community budgets and therefore must be included. Otherwise, taking private contributions into account, reported amounts are significantly smaller. Here, a large grey area exists, relating to material assistance, or work for a party on a voluntary basis. Campaign organisers should evaluate and report on this, but they don't. In addition, reliability of reporting is hindered by possible cases of illegal campaign and political party financing, namely when companies bear the costs of a political party or election campaign organiser. In addition, problems with the financing of electoral campaigns in practice must be emphasised. Most parties finance electoral campaigns by transferring financial resources from their original accounts, which represents a serious threat to the transparency of financing of electoral

campaigns. In addition, parties do not, as a rule, collect resources for funding electoral campaigns in advance, but only afterwards.

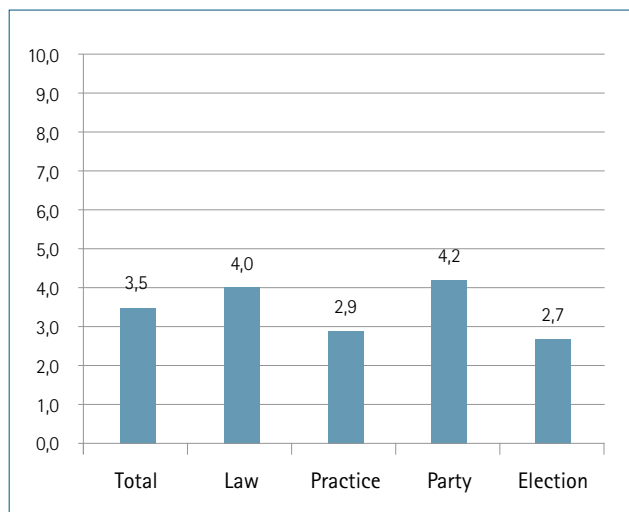
The ruling party always has the advantage in the use of infrastructure, which it controls, but this is not just a Slovenian phenomenon. In line with this, the respondents have a perception that government favours the ruling parties to a limited extent through abuse of administrative resources. However, there is a very strong opinion⁶⁵ that legally-defined penalties are not enforced in practice.

When it comes to the reliability of the disclosed information relating to contributions, respondents are of the opinion that donors do not want to be identified because the real purpose of a contribution is to promote future favours. In addition, donors fear finding themselves involved in political scandals. Here, one of the major problems is the threshold for reporting income in financial reports. Parties can make arrangements with donors as to the way in which donations are made in order to break up the total sum so that each individual donation remains under the disclosure threshold. As a result, there is a large possibility that reports are not entirely accurate.

⁶⁵ Transparency International Slovenia – Društvo Integriteta (2012) National Integrity System Assessment [WWW]. Available from: <http://nis.integriteta.si/policy-paper/financiranje-politichnih-strank/political-party-financing> [Accessed 3. 4. 2014].

Dimension 6: PUBLIC DISCLOSURE

The disclosure of financial information is a key element in ensuring that the media, civil society organisations, members of the public and aspirants to public office can freely and easily monitor party finances. This dimension is based on indicators describing the types of requirements to which the parties are subject: the disclosure of information on public subsidies; the disclosure of information on private financing received; the frequency of disclosure; and the channels through which the public is made aware of such information. Additional indicators, based on the findings of field tests, were used to measure disclosure practices. This included the test of access to information, in which a group, consisting of members of the public, journalists and students, requested information addressed to various stakeholders (such as political parties, donors, oversight institutions and media). These indicators are based on the following questions: what information was obtained by way of field tests conducted by volunteers? What was the rate of response achieved with requests for information submitted by local research teams? And did parties voluntarily disclose financial information?



Graph 7: CRINIS Index on disclosure to the public

In Slovenia, some political parties are entitled to receive public subsidies. Parties that entered candidates at the previous elections to the National Assembly have the right to receive funds from the state budget if they received at least one percent of the vote nationwide. If two or more parties entered a joint list of candidates at the elections, they have the right to funds from the state budget if they received at least 1.2 percent of the votes nationwide (if the joint list was entered by two parties) or at least 1.5 percent of the votes (if the joint list was submitted by three or more parties). Parties are entitled to up to 10 percent of the funds allocated in the budget for the financing of political parties in equal shares, and to the remaining 90 percent of the funds in proportion to the number of votes which they received in all the constituencies.⁶⁶ In Slovenia, at state level, parties must pass a 4 percent threshold of votes cast if they wish to enter parliament.

⁶⁶ URADNI LIST (2005) Political Parties Act, article 23 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 3. 4. 2014].

Therefore, some non-parliamentary parties are also entitled to public funds – those that received more than one percent or less than 4 percent of the votes cast at state level. It should also be noted that the political parties represented in the National Assembly are entitled to have other 'indirect' (financial, personnel, administrative) resources, which they receive from the National Assembly's budget.

Local communities may also finance political parties. A municipality can decide that a party that entered candidates for the municipal council may obtain funds from the budget of the local community in proportion to the number of votes cast for it at the elections. If the elections are held in accordance with a majority voting system, the number of votes the party received at the elections in an individual constituency are divided by the number of members of the council of the local community who are elected in that constituency. A party may obtain funds from the budget of the local community if it received at least 50 percent of the votes required for the election of one member to the council of the local community. The amount of funds allocated to the financing of political parties is determined in the budget of the local community for the particular budget year. These funds may not exceed 0.6 percent of the funds that the local community has set aside in accordance with the regulations and with which it can finance the implementation of constitutional and statutory tasks for the year.

Election campaign organisers, whose lists received mandates for deputies to the National Assembly, are entitled to reimbursement in the amount of EUR 0.33 per vote. The total amount of reimbursed expenses should not exceed the amount of funds expended, as shown in the audit reports. The campaign organiser also has rights to reimbursement of part of the costs of the campaign, where the list of candidates got at least six percent of the total votes cast in the constituency or at least two percent of the total votes cast throughout the country, in the amount of EUR 0.17 per vote in the constituency or country, respectively.⁶⁷

The total amount of direct state subsidies to all the parties for annual activities is published in the Official Gazette of the Republic of Slovenia each year. In 2012, all parties received EUR 2,688,195.10 in total.⁶⁸ Furthermore, the total amount of direct state subsidies to the campaigns of all the parties running for election in 2011 was EUR 335,658.75.⁶⁹ In Slovenia, parliamentary political parties obtain a significant portion of their funds from the State budget, which gives them a political and electoral advantage over non-parliamentary parties.

The law only requires publication of the information from annual financial reports of those parties, which in the last year received funds from the state budget, a local community budget

⁶⁷ URADNI LIST (2007) The Elections and Referendum Campaign Act, article 24 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20072221> [Accessed 3. 4. 2014].

⁶⁸ URADNI LIST (2011) Decision on the amount of funds that belong to each political party from the state budget in 2012 [WWW]. Available from: <https://www.uradni-list.si/1/content?id=106698#1/Sklep-o-visini-sredstev-ki-pripadajo-posamezni-politici-stranki-iz-sredstev-drzavnega-proracuna-v-letu-2012> [Accessed 3. 4. 2014].

⁶⁹ COUR OF AUDIT (2014) Audits of financing of election campaigns [WWW]. Archive of auditing reports is available from: <http://www.rs-rs.si/rsrs/rsrs.nsf/PorocilaArhiv?OpenForm&appSource=91F2455D38551D7CC1257155004755A7> [Accessed 3. 4. 2014].

or contributions from individuals. In these cases, political parties must publish an abridged annual report in the Official Gazette of the Republic of Slovenia by 31 May of the current year at the latest.⁷⁰ With regard to private income, information on the amount of each donation and clear identification of donors is required only if donation exceeds three times the average monthly wage per employee in Slovenia for the previous year.

All public financial reports may be obtained in accordance with the Access to Public Information Act. Both legal entities and individuals have free access to public information. Each applicant has the right, on request, to acquire information from a body or authority by consulting it on the spot or by acquiring a transcript, copy or electronic record of such information. The body or authority must accede to the applicant's request immediately, or at the latest within the time limit of 20 working days beginning from the day of receiving the completed request. However, this law covers political parties only indirectly. The work of the parties is indeed public, but nonetheless political parties are not government bodies, bodies of local communities, public agencies or public funds. They neither exercise public powers nor do they provide public services. Political parties cannot be classified as other bodies governed by public law, as they are merely a voluntary association of individuals. According to this interpretation, political parties are not considered as public entities and as such are not obliged to inform the public about their political financing.⁷¹ Nonetheless, the Political Parties Act⁷² specifies that the functioning of a party must be public. As a result, parties must submit annual reports on their operations for the previous year to the Court of Audit and the National Assembly. This, however, does not mean that reports are published in any official documents. The public or members of the public can request political parties' reports through the public bodies (e.g. the Court of Audit and the National Assembly), which are obliged to send the requested (public) information.

Legislation determines the distribution of free radio and TV advertising space to the parties running for election only in the case of the national broadcaster. During election campaigns, the law requires Radio and Television of Slovenia (RTV Slovenia) to provide airtime to the candidates, political parties and their manifestos, free of charge. The time allocated to candidates and political parties represented in the National Assembly (and European Parliament) must be the same for all, and the conditions for airing pre-election broadcasts must also be the same. Political parties and independent candidates that are not represented in the National Assembly (or European Parliament) must be allocated a total of one-third of the total time determined by RTV Slovenia for all political parties and candidates participating in the elections. RTV Slovenia must allocate to these parties and candidates separate slots within the framework of special pre-election broadcasts, such that each party and each independent candidate are afforded equal representation.⁷³

Before the early elections to the National Assembly in December 2011, RTV Slovenia adopted rules under which parliamentary and non-parliamentary parties could not, by law, appear together. Some lawyers argued that public broadcasters undoubtedly have the right to broadcast debates and programmes in which political parties represented in the National Assembly may confront political parties or other organised groups that are not represented in the National Assembly. Suitable criteria are acquired legitimacy and credible political power, as measured by the predicted support of voters – this accords with several of the principles of the Constitution including democracy, equality before the law, freedom of expression and the press, and the right to vote. National broadcasters can give parliamentary parties a maximum of (but not exactly) two-thirds of the time, and others at least (but not exactly) one-third of the time available. The way in which this time is measured is at the discretion of RTV Slovenia. In addition, RTV Slovenia can autonomously decide which non-parliamentary parties, new parties or candidates will be invited to engage in debates with the parliamentary parties.⁷⁴

The research team was able to obtain the annual party financial reports from all nine parties that were selected for the survey. We received all reports from the Court of Audit, which is obliged to send requested information in accordance with the Access to Public Information Act. However, the research team received only five reports directly from the political parties.⁷⁵ This again confirmed the thesis that Slovenian political parties do not, of their own accord, want to inform the public about their financial management.

Additional assessment of practices of disclosure was made with field tests. Although some stakeholders responded immediately, volunteers did not obtain the requested information from all of them. The rate of obtaining requested information was below 50 percent in total. This is partly due to a number of gaps. First, no political party in Slovenia has so called 'personal contributions' for parliamentary elections. Secondly, no political party is obliged to report information on donors if they do not exceed the sum stated in the law. Finally, private companies are not obliged to disclose information on purchased media space.

The recent amendments to the Political Parties Act have enabled the general public to have better direct insight into political party funding. Namely, the annual reports of political parties must be made publicly available on the AJPES website. Transmission of annual reports of parties via the web portal AJPES should be possible no later than on 1 March 2015 for the 2014 annual reports.⁷⁶

70 URADNI LIST (2005) Political Parties Act, article 24 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 3. 4. 2014].

71 The Information Commissioner made this decision already in 2005, when two journalists sent a complaint to the Commissioner that political parties did not send them requested information regarding political financing.

72 URADNI LIST (2005) Political Parties Act, article 2 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 3. 4. 2014].

73 URADNI LIST (2007) Elections and Referendum Campaign Act, article 6 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20072221> [Accessed 3. 4. 2014]. URADNI LIST (2005) Radio-Television Act, article 12 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=2005968stevilka=4191> [Accessed 3. 4. 2014].

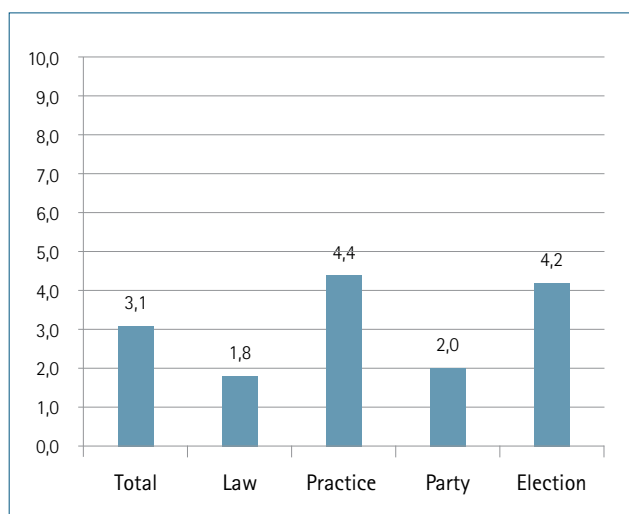
74 Transparency International Slovenia – Društvo Integriteta (2012) National Integrity System Assessment [WWW]. Available from: <http://nis.integriteta.si/policy-paper/financiranje-politichnih-strank/political-party-financing> [Accessed 7. 4. 2014].

75 We received the reports from: New Slovenia, Civic list, Positive Slovenia, Slovenia People's Party, and the Party for Sustainable Development of Slovenia.

76 URADNI LIST (2013) Amended Political Parties Act, article 10 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20133550> [Accessed 7. 4. 2014].

Dimension 7: PREVENTIVE MEASURES

This study assesses the dimension of preventive mechanisms in political party funding by using six indicators. These include the existence of a centralised system of bank transactions (known as a "single account") and a ban on cash deposits, which could prevent identification of the origin of contributions. Furthermore, this dimension looks into the existence of preventive measures against abuse of government resources and whether fiscal incentives are present for the disclosure of contributions. Another indicator focuses on whether any media regulations exist to prevent potential abuse of political influence.



Graph 8: CRINIS Index on preventive measures

The Political Parties Act does not require political parties to conduct their financial transactions through a bank account, nor is there an explicit provision in the law prohibiting the acceptance of cash contributions. However, this has not been the case in legislative election campaigns. Election campaign organisers must open a special bank account labelled "election campaign" not later than 45 days before the voting day, and they must indicate the election to which the campaign relates. The campaign organiser must lodge to this bank account all resources that it receives from other legal entities or individuals for financing the election campaign. The organiser must settle all costs of the election campaign solely via this account. The organiser must close the account no later than four months after the polling day.

The law guarantees the parties running for election the ability to purchase advertising space in the media. All print and electronic media (whether in direct or indirect public ownership) must guarantee the same conditions for the publication of electoral publicity and promotional materials to all election campaign organisers. As already mentioned, during election campaigns, the law requires RTV Slovenia to provide airtime to the candidates, political parties and their manifestos, free of charge.

Donors are not required by law to report the contributions they make to parties. Thus, the obligation to report contributions lies solely with the political parties. In addition, there are no fiscal

incentives (e.g. tax exemptions) for donors to encourage disclosure, or for parties to file contributions.

The recently amended Political Parties Act and Elections and Referendum Campaign Act has added some preventive measures. The amended law introduced a complete ban on contributions from legal entities, which is supposed to prevent interplay of interests between business and political parties. On the other hand, individuals can contribute funds to the party. Funds may be contributed in cash for the year, for which the annual report is prepared, up to the amount stated in the act regulating the tax procedure with respect to the obligation to transfer payments and receipts through bank accounts. Higher contributions in cash must be paid through bank accounts. When contributing cash, in addition to the amount of the contribution, an individual must give to the party their name, surname, personal identification number, date of birth and address. Contributions from individuals should not exceed in total ten times the average of gross monthly wage per employee in Slovenia (as reported by the Statistical Office for the previous year).⁷⁷ The amended Referendum and Election Campaign Act also banned funding from legal persons, while individuals may donate up to EUR 50 in cash, higher contributions must be paid through bank accounts. In addition, state authorities, local communities, legal persons of public and private law, individual private entrepreneurs, and individuals who independently perform business activities, should not fund parties.⁷⁸

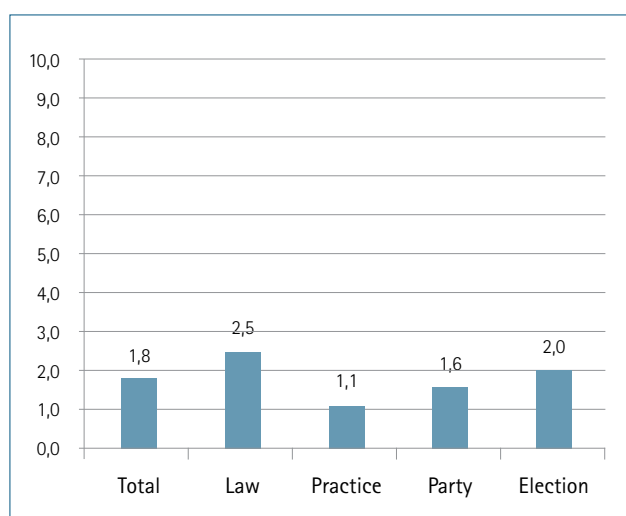
⁷⁷ URADNI LIST (2013) Amended Political Parties Act, article 8 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20133550> [Accessed 7. 4. 2014].

⁷⁸ Ibid, article 12.

Dimension 8: SANCTIONS

As with most other dimensions, multiple indicators that focused on both the legal framework and practices were used to evaluate the dimension of sanctions. Questions included: are existing laws on annual funding of political parties adhered to in practice? Is current legislation in this area adequate? Are sanctions for violation of established rules appropriate? In order to verify whether sanctions were applied, media reports and court cases were reviewed.

The law allows for the penalisation of political parties that accept monetary and other contributions. Both assets and contributions in-kind are forbidden by law. The law also allows for the imposition of a fine to parties for non-submission of reports or the failure to maintain financial records. In addition to this, penalties are allowed for the person who is in charge of handling finances.



Graph 9: CRINIS Index on sanctions

"Sanctions" is the weakest dimension of political financing in Slovenia. The law establishes financial penalties to the parties due to non-compliance with the rules of political accounting, but only with rather symbolic amounts.⁷⁹ More significant amounts are in place in the case of financial penalties to the parties running for election due to non-compliance with the rules of accounting on political finance.⁸⁰ The law provides also for the suspension of public subsidies to the legislative elections campaigns due to non-compliance with the political accounting rules.⁸¹ However, the main problem has been that, in practice, the state has not imposed fines on the parties, which also in turn has had a negative effect on the budget. The legislation demands only that the annual reporting must be in the right form. The Court of Audit only checks whether the form is duly completed and contains all the information. According to the available data, no sanctions have yet been imposed on any of the bigger parties for improperly completed reports, while smaller parties have often not even

reported. In the case of irregularities, the Court of Audit adopts an opinion with reservation and announces irregularities to the Ministry of Finance, Budget Supervision Office. Usually, a simple rectification is all that has been demanded.

The law does not define penalties for donors for non-compliance with the rules regarding the financing of parties' annual expenses. Financial penalties are available only for public institutions, public enterprises, local authorities, aid organisations, religious communities and companies in which at least 50 percent is invested public capital, if they finance political parties.⁸² The law establishes penalties for media companies for non-compliance with the rules on advertising space in legislative campaigns, but again sanctions are largely symbolic.⁸³

The amended Political Parties Act and Elections and Referendum Campaign Act provides stricter sanctions against political parties that violate the law. In the event of an infringement of the financial regulations, political parties can be punished with a fine of EUR 6,000 to EUR 30,000,⁸⁴ or from EUR 4,200 to EUR 21,000 depending on the breach, while the person responsible for the party can be punished with a fine of EUR 1,500 to EUR 4,000. The law also provides sanctions for individuals as well as legal entities that violate the rules concerning contributions, loans and services for parties. Individuals can be punished by a fine of EUR 600 to EUR 1,200,⁸⁵ while legal entities may incur fines of EUR 6,000 to EUR 30,000.⁸⁶ In addition, where a party has not submitted the annual report for the previous financial year to AJ PES on time, or where a party has failed to amend the annual report, the Court of Audit can issue a decision suspending funding from the state and local community budgets, until the party has fulfilled its obligations. No appeal is admissible against the decision of the Court; however, an administrative dispute is possible. Finally, if the party violates the law it may be subject to a forfeiture of entitlement to funds from the state and local community budgets for a period of one year. Alternatively, for a period of six months, parties may receive half the funding to which they are entitled from the state budget and local community budgets.⁸⁷ Proposals for such sanctions should be submitted by the Court of Audit, while the decision on the offence is in the jurisdiction of the District Court of Ljubljana.⁸⁸

79 URADNI LIST (2005) Political Parties Act, article 28 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 7. 4. 2014].

80 URADNI LIST (2007) The Elections and Referendum Campaign Act, articles 38 and 39 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20072221> [Accessed 7. 4. 2014].

81 Ibid, article 31

82 URADNI LIST (2005) Political Parties Act, article 29 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20054345> [Accessed 7. 4. 2014].

83 URADNI LIST (2007) The Elections and Referendum Campaign Act, Articles 34 and 35 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20072221> [Accessed 7. 4. 2014].

84 URADNI LIST (2013) Amended Political Parties Act, article 15 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlid=20133550> [Accessed 7. 4. 2014].

85 Ibid, article 16.

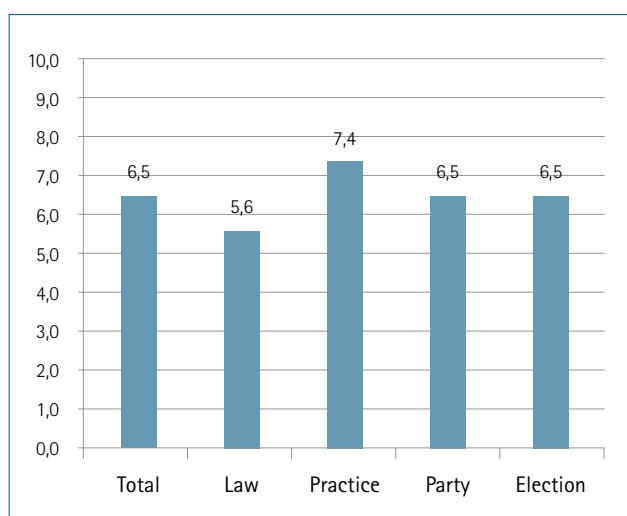
86 Ibid, article 17.

87 Ibid, article 11.

88 Ibid, article 23.

Dimension 9: STATE OVERSIGHT

State oversight is an indispensable element in strengthening the systems that regulate political financing. The independent and clear mandate of the oversight body is necessary for its effective functioning. It is also vital that the institution has sufficient resources and technical capacity to carry out its duties. The three indicators used in this study include questions on the legal mandate and institutional arrangement to evaluate whether the body has the necessary legal powers to carry out independent oversight of political party funding. Other questions focus on examining actual practices, such as, how independent is the electoral governing body, as evaluated by relevant actors in the field? What are its capacities and shortcomings in terms of its resources?



Graph 10: CRINIS Index on state oversight

The state oversight agencies in Slovenia have demonstrated independence during the last few years and have sufficient resources according to their legal responsibilities. Supervision of the provisions of financing the political parties has been carried out by the Inspectorate of the Ministry of the Interior, the Ministry of Finance and the Court of Audit. Supervision of misdemeanours in the operation of political parties is the responsibility of the Inspectorate of the Ministry of the Interior, which has so far received only a small number of reports of such misdemeanours. The Ministry of Finance, according to the Political Parties Act, supervises the provisions on the financing of the parties. However, until recently (June 2013), such supervision had not been organised and therefore was not implemented in practice. A very limited amount of control over the provisions of party funding also falls under the jurisdiction of the Court of Audit, which reviews only the accuracy and legality of annual reports, but does not audit the financial statements or the business of the parties.

The main problem in Slovenia is that responsible agencies do not have the necessary legal powers to effectively perform control over political financing. In this respect, the Court of Audit has no legal jurisdiction to analyse or audit the annual reports

of the parties. It focuses only on the “matching of numbers”, not on the content of the reports. This means that annual reporting must be in the right form. The Court of Audit checks only whether the form is duly completed and contains all the required information. Despite auditors carrying out their work in accordance with the formal legislative powers, and this certainly includes compliance with international auditing principles, in the case of annual financial reports they still perform only a review and not a revision of reports.

The Ministry of Finance is formally responsible for supervising the implementation of the provisions of the Political Parties Act, which regulates the funding and assets of the parties. However, the Minister of Finance only authorised inspectors of the Budget Supervision Office to conduct misdemeanour proceedings in respect of infringements of the provisions of the mentioned Act in June 2013. Inspectors of the Budget Supervision Office therefore, under the authority of the Minister of Finance, conduct the misdemeanour proceedings only in those cases when the authority which exercises supervision (i.e. the Court of Audit) forward a proposal for initiating misdemeanour proceedings for infringement of the provisions of the Political Parties Act. In any case, the Budget Supervision Office does not exercise inspection or control over the funding of political parties, since this area of control is not in its powers. The budgetary inspection of political parties would be possible on the basis of the Public Finance Act, but only in respect of that part of the resources which political parties receive from the state budget. So far, on the basis of the Public Finance Act, the Office has not carried out an inspection of any of the parties as, according to the criteria for preparing the annual work plan of budgetary inspection, none of the political parties has been included in the plan reviews, nor has the budget inspection received any reports which refer to the illegal use of funds that parties receive from the state budget. Therefore, in the event of financial inspection on the basis of the Public Finance Act, the subject of supervision would not be the financing of parties (or their receiving of funds), but the regularity and legality of their spending – and only in that part of the funds that parties receive from the state budget.

Unlike the annual reports, the Court of Audit audits reports on legislative election campaigns. Election campaign organisers, the Bank of Slovenia and commercial banks in which campaign organisers open special bank accounts are obliged – at the request of the Court of Audit – to submit all documents necessary to carry out the audit and provide an insight into their books and records. The Court may, in accordance with its respective powers, also perform other queries that are necessary to perform the audit.⁸⁹

⁸⁹ URADNI LIST (2007) Elections and Referendum Campaign Act, article 29 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20072221> [Accessed 8. 4. 2014].

The recently amended Political Parties Act gives a clearer definition of the authorities that monitor compliance with the law, and, in particular, has strengthened the role of the Court of Audit. The Court of Audit on the basis of publicly available reports examines whether annual reports are prepared in accordance with the law. If a report is not made in accordance with the law, the Court may request amendments to the annual report and determine a deadline which should not be shorter than 15 days and no longer than 30 days, within which the party should amend the annual report and resubmit it to AJPES. Additionally, the Court conducts revisions of the correctness of financial operations of political parties that receive funds from the state or local community budgets and which, in the past year, received, or were entitled to receive, more than EUR 10,000 of these funds. The Court is required each year to audit the regularity of operations of at least one third of the parties, while in a period of four years it has to conduct the audit of all parties. The Court of Audit may also carry out a revision of the correctness of a party's financial operation, where this is proposed by the Commission for the Prevention of Corruption or another supervisory authority. The final version of the audit report is published on the website of the Court of Audit. The Court must also send the final version of the report to the National Assembly.⁹⁰

All contractors (i.e. service providers and sellers of goods or services) of the political party, in which the audit is carried out, are required, at the request of the Court of Audit, to submit for free all legal documents necessary to carry out the audit, and to comment and provide an insight into their books and records. In the event that the Court finds risk that all the data is not displayed or is not displayed correctly in a party's annual report, it can request clarification and information or documents that are necessary to perform the audit from other persons.

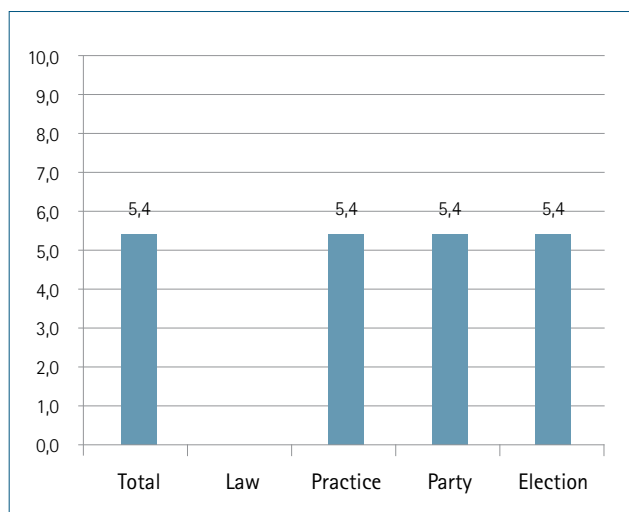
⁹⁰ URADNI LIST (2013) Amended Political Parties Act, article 11 [WWW]. Available from: <http://www.uradni-list.si/1/objava.jsp?urlurid=20133550> [Accessed 7. 4. 2014].

Dimension 10: PUBLIC OVERSIGHT

In addition to the oversight functions performed by the state bodies, other actors such as civil society organisations, the media, academics, members of the public and, at times, political parties themselves may engage in monitoring the funding of political parties. Monitoring may include activities such as reporting irregularities to government bodies, analysing financial reports to inform the public and pressurising authorities to ensure that their oversight is functioning and effective. This study addressed this dimension by focusing on the oversight activities performed mostly by civil society organisations and media. The specific questions included: whether organisations that oversee political financing exist and whether they are independent, active and influential in their activities. Another indicator also looks into the question of whether civil society, members of the public or political parties report irregularities to the state oversight body.

In Slovenia, to date, no civil organisation has conducted organised monitoring of the financing of political campaigns and electoral costs. In addition, no other project, nongovernmental organisation or other public organisation has been involved in the monitoring of regular political financing. TI Slovenia is conducting this survey for the first time and it will monitor local elections in 2014.

In this survey, the respondents recognised TI Slovenia as the only active nongovernmental organisation in this field. However, they saw TI Slovenia as having little or no influence. According to the respondents, the biggest informal influence, with limited control, consists of a small number of journalists who regularly cover this topic, drawing attention to irregularities and shaping public opinion. Since transparency in political financing is still rather low, there is a window of opportunity for the civil society sector in Slovenia to play a more active role in this field in the future.



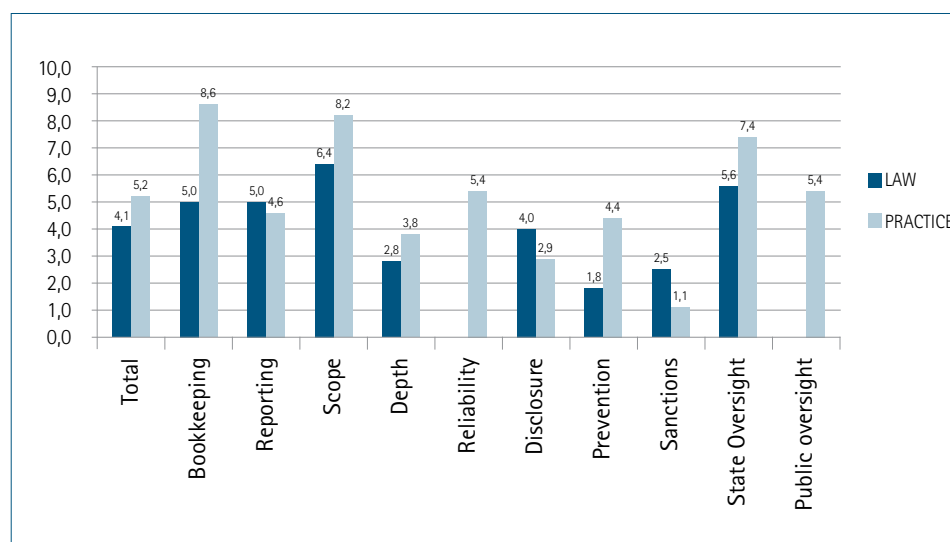
Graph 11: CRINIS Index on public oversight

CONCLUSIONS

CRINIS

Overall, Slovenia received a total score of 4.7 on the CRINIS Index on transparency of party financing, evaluated as average. In this respect the survey has revealed serious issues relating to the transparency of party funding and has raised concerns regarding the effective control of financial operations in Slovenia.

A particular obstacle is the legal provision that prevents full transparency in financing, enabling the respective parties to withhold from the public information on relatively large amounts of money (i.e. amounts not exceeding three times the average monthly salary for the previous year). Political parties fail to inform the public about their financial management on their own accord, and, because of loosely drafted regulation, the general public has only limited possibility of direct access to information about the financial performance of the parties. The Court of Audit has inadequate jurisdiction as it performs only a review of the accuracy and legality of the composition of the annual reports. Although the law provides financial penalties for violators, the state does not apply fines (or applies only symbolic fines, which are not effective) to political parties. For this reason, "sanctions" represents the weakest dimension of political financing in Slovenia. Other weak and problematic dimensions, also evaluated as insufficient (i.e. scored 3.3 or below), are prevention and depth of reporting. The only dimensions evaluated as satisfactory (i.e. scored 6.8 or above) are scope of reporting and book-keeping.



Graph 12: CRINIS Index showing overall findings with averages for Law and Practice

PRELIMINARY ASSESSMENT OF AMENDED LEGISLATION ACCORDING TO THE INTERNATIONAL STANDARDS

Although the new legislation which came into force in 2014 has brought improvements, some solutions remain questionable and some issues unresolved. In this respect, the amendments provide for the regulation of mechanisms for greater transparency of party funding by publishing annual reports of political parties on the Internet, although the regulatory framework does not fully guarantee clear, timely and comprehensive public disclosure procedures. Additionally, the amendments provide a clearer definition of the authorities that monitor compliance with the law; in this respect, the role of the Court of Audit has been strengthened. The new legislation also governs the issue of loans to political parties. Corruption risks remain as political parties can still obtain loans from individuals. The amended legislation leaves opportunities for political parties to act non-transparently,

as it does not require parties to identify individual donors or to present specific and more detailed information related to political funding sources.

One of the biggest changes in the revised legislation is the complete ban on contributions from legal entities. This is supposed to prevent interplay of interests between business and political parties. However, past experience shows that, in countries which have already considered a similar ban on contributions from legal entities, there is no evidence that corruption risks have decreased.⁹¹ Therefore, we can assume that the proposed action will not reduce the possibility of illegal funding of political parties by legal entities, especially if appropriate disclosure of expenditure and income, which enables good quality and adequate supervision, also from the civil society, is not guaranteed. In addition, the proposed regulation does not provide a reasonable balance between public and private funding. As a result, this reduces the dependence of political parties on funding from a single source, and makes it difficult to finance smaller and non-parliamentary parties. Prohibition of funding by private individuals and legal entities can thus trigger the opposite of the desired effect, as it can deepen the problem of hidden, illegal financing "under the table".⁹² The proposed arrangement is also in conflict with the primary purpose of political parties, since they are not part of the state, but should represent its citizens.⁹³

Due to limited control over and lack of rules on spending earmarked funds for providing assistance to deputies, there is major risk that these funds are being spent in an ineffective and uneconomic way, incompatible with their purpose. To this end, the National Assembly must take appropriate measures to improve the transparency of the funds. The Court of Audit has already established that the new legislation, which allows a different way of spending the funds for professional assistance to deputies, will not enhance transparency, economy and success in spending the funds.⁹⁴

The Members of the National Assembly in early June 2014 revised legislative framework and softened transparency regulation. Their behaviour does not reach the expected level of integrity. Members should amend the legislation in order to further strengthen the transparency, control and sanctions.

⁹¹ Transparency International (2013) The impact of banning legal entities donations to political parties. Berlin.

⁹² Transparency International (2009) Business principles for countering bribery (2009) [WWW]. Available from: http://www.transparency.org/whatwedo/pub/business_principles_for_countering_bribery [Accessed 8.4.2014].

⁹³ Transparency International Slovenia – Društvo Integriteta (2013) Stakeholder meeting "Shining a light on money in politics".

⁹⁴ Court of Audit (2014) Effectiveness of regulating the area of ensuring professional assistance to deputies, Audit Report [WWW]. Available from: [http://www.rs-si/rsrcs/nsf/1/KEA5085E2683BF5F5C1257CE400322344/\\$file/Svetovanje_poslancem.pdf](http://www.rs-si/rsrcs/nsf/1/KEA5085E2683BF5F5C1257CE400322344/$file/Svetovanje_poslancem.pdf) [Accessed: 3.6.2014].

RECOMMENDATIONS

Transparency is one of the most powerful tools for preventing corruption in political party and election campaign financing, but it is not sufficient in itself. In order to ensure the lawful and fair financing of political parties and election campaigns, an integrated approach is required, which would include high quality control by the state and civil society, as well as effective sanctioning of all violations. The following recommendations are **based on analysis comprising the research findings of the CRINIS assessment as well as the amended legislation that came into force in 2014. The analysis has been evaluated according to international standards.** The recommendations we present are interlinked and so form a holistic approach to the regulation of political party funding.

1. In accordance with the CRINIS evaluation, "sanctions" represents the weakest dimension of political financing in Slovenia. For this reason, **stricter implementation of sanctions in practice is necessary, and public authorities should insist on strict enforcement of sanctions for any violations of the law.**
2. The new legislation introduced a complete ban on contributions to political parties from legal entities. Studies on the impact of such regulation on enhancing transparency in party finance or proving that such measures have made party financing cleaner are scarce. Such provision can have counterproductive effects, since it does not allow dispersed funding between public and private sectors. **The law should rather enhance the transparency of contributions (with a limit for contributions) and thus allow greater diversification of financing of political parties.** The prohibition should apply to all legal persons which are directly or indirectly owned by the Republic of Slovenia or the local communities.
3. According to the new legislation, contributions from individuals are allowed up to the amount determined in the act regulating the tax procedure with respect to the obligation to transfer payments and receipts through bank accounts. The same goes for the election campaigns while the individuals may donate up to 50 EUR in cash, higher amounts have to be paid through bank account. Cash contributions dramatically increase the possibility of illegal political funding. We recommend that **cash transactions should be completely banned by law and only contributions through bank accounts allowed.**
4. According to amended legislation, the Court of Audit should conduct revisions of the correctness of financial operations of political parties that receive funds from the state budget or local community budgets and in the past year received or were entitled to receive more than EUR 10,000 of these funds. The Court is required each year to audit the regularity of operations of at least one third of parties, while in a period of four years it has to conduct an audit of all parties. The Court of Audit may also carry out a revision of the correctness of a party's financial operation, where this is proposed by the Commission for the Prevention of Corruption or another supervisory authority. The new arrangement is defective and does not follow the objectives of integrated control of the financing of political parties. Thus, it is recommended **to conduct an audit of operations of all parliamentary political parties on an annual basis. It should also conduct frequent audits to those parties, where a number of significant irregularities or risks of unlawful conduct would be found.** Such an arrangement would improve the possibility of verifying compliance with the regulations governing political financing, and, consequently, reduce corruption risks. For efficient auditing, more financial resources should be allocated to the Court of Audit.
5. The recent amendments to the Political Parties Act lowered the threshold for the reporting of income in financial reports: the annual report should include all contributions from individuals where the total amount of contributions to the party exceeds the average gross monthly salary per employee in Slovenia. Additionally, reports should include the sources of funds for the increase of assets, if this increase exceeds the total of five average gross monthly salaries. Although the threshold for the reporting of income in financial reports has been lowered from three times the average gross monthly salary per employee to one average gross monthly salary, the regulation still does not enable the identification of each donor. This encourages secrecy and discourages the presentation of specific and more detailed information related to political funding sources. In this respect, the new arrangement does not fully

follow international standards⁹⁵ and best practices of European countries.⁹⁶ Since political contributions represent an area of high corruption risk, we recommend that **the legislation does not set a threshold for disclosure of information and enables disclosure of all contributions to political parties or election campaign organisers (information about donors and the amount of contributions).**

6. The new legislation provides for the regulation of mechanisms for greater transparency of party funding by publishing annual reports of political parties on the Internet. In accordance with international standards, the regulatory framework should provide clear, timely and comprehensive public disclosure procedures, which in the case of new Slovenian legislation is not fully guaranteed. **The incomes and expenses of political parties (as well as of organisations within the party structure) and election campaign organisers should be published online in a reasonable timeframe (maximum 14 days) from the recorded income or payment of the invoice of the political party or election campaign organizer.** In addition, **the legislation should provide user-friendly and easy access through a single online database,** also in an open format, **without the need of registration.** Concurrent publication of this information would allow voters, public authorities and watchdog institutions an additional source of information for assessing the up-to-date status of the funding of political parties.
7. The new legislation does not presuppose the formal inclusion of civil society as an important part of the control of the financing of political parties and election campaigns. In our opinion, the legislation should, at least in the part that covers political campaign financing, provide for the active participation of civil society. **Civil society should be formally and actively included in the process of monitoring the financing of election campaigns.** Namely, civil society – together with the media – can effectively contribute to control over the financing of election campaigns.
8. Internal integrity and accountability of political parties in Slovenia is poor, as sufficient mechanisms for tackling unethical behaviour and prevention of corruption risks are not in place. There is a lack of political will to curb corruption in this area. The independence of members of parliament is often hampered by their being members of a partisan organisation, as party leadership controls and directs their votes in the National Assembly. **With the aim of raising ethical standards and responsibility in Slovenian politics, it is necessary to introduce a Code of Conduct within political parties and in both chambers of national parliament (National Assembly and National Council).**
9. Amended legislation has provided regulation on the transparency of loans but some deficiencies remain. The law still allows political parties to receive loans from individuals. This highlights the risk of using such loans as a means of avoiding the thresholds on donations to political parties.⁹⁷ With the aim to reduce this risk, **political parties and election campaigns organisers should be allowed to enter into loans only from financial institutions.**
10. The National Assembly must lay down additional rules and assert stricter control over the budget funds, earmarked for ensuring professional assistance to deputies to the National Assembly. The funds allocated to parties must be mobilised in a transparent, effective, designated, successful and rational manner. Only such a regulation can pave the way towards providing quality and professional assistance to deputies while giving citizens control over the spending of taxpayer's money.

⁹⁵ Transparency International (2005, 2009) Standards on political funding and favours, Berlin [WWW]. Available from: http://www.transparency.org/whatwedo/pub/policy_position_no_01_2009_standards_on_political_funding_and_favours; http://www.transparency.ca/9-Files/Older/Reports-Older/Readings/SR-P-01policy_position_standards_political_funding_favours.pdf [Accessed 14. 4. 2014].

⁹⁶ Must reports from political parties and/or candidates reveal the identity of donors? [WWW]. Available from: <http://www.idea.int/political-finance/question.cfm?field=292®ion=50> [Accessed 14. 4. 2014].

⁹⁷ Transparency International (2011). Regulation on loans in the funding of political parties.

