

## **CURBING POLITICAL CORRUPTION**

### **Project Summary**

Political corruption is harmful to political and economic development, individual and collective well being and the democratic process. It leads to political decisions that primarily suit sectoral or private interests and harms the public interests directly and indirectly. Corruption occurs when the interests of bribe payers or donors to political parties determine policy. It also occurs when political leaders embezzle money or when state resources are abused to favor incumbents in elections. Most recent Global Corruption report, as of 2004, states that Croatian citizens graded corruption in political parties with 3.5 where value 1 stands for corruption zero tolerance and 5 reflects the most corrupted area.

In the Republic of Croatia the issue is not only monitoring to ensure that the regulations governing the financing of political parties are adhered to and violations duly sanctioned, but also creation of an adequate regulatory framework in the first place. The Political Parties Law merely provides a general description of types of income that can be obtained by political parties and a statement about the obligation for public stating of the origin and purpose of funds. The flow of money to political parties is for the large part hidden from the public. The Parliamentary Election Process Law (OG 116/99) and the Presidential Election Campaign Law (OG 105/04) regulate the financing of parliamentary and presidential campaigns, respectively. Due to aforementioned reasons we believe that the issue of transparent financing of political parties and campaigns should be a question of great priority in Croatian society at this moment. For instance, in the case of the last presidential campaign, we had an opportunity to witness lack of transparency among several presidential candidates. Long after the campaign was over, they failed to offer public display of their campaign cost.

Promoting transparency within the Croatian political realm will improve the public consciousness on the political expenditures, identify shortcomings in the regulatory framework of the political parties' finances, and monitor the enforcement of existing regulations. It will also contribute in evolution of political culture that has for a long time been suppressed. In this way, the public will gain oversight on the financing of political parties, and also political campaign expenditures.

### **Project Narrative**

#### **a) Needs that project address**

Our advocacy project addresses the need of establishing a transparent system of political parties' financing and an initiative, which would support the citizens' rights to familiarize themselves with financial transactions and data regarding the political parties' finances and management of their respective incomes and expenditures.

Political parties financing in Croatia is not yet an issue of stronger regulation. Compared with regulation which exists in other, especially western countries, regulation of political finances in Croatia is almost completely undeveloped.

The background of the funds that political party receives, and later on spends, is not clearly defined. Moreover, according to the most recent examination of TI Croatia, over 84% of Croatian citizens think that they should have input of the budget spending, and also finances of political parties and the state budget.

Two separate Laws regulate the financing of the political parties, Law on Political Parties (Official Gazette 36/01) regulates the regular financing of the political parties and the Law on election of the Members of the Parliament (Official Gazette 116/99) defines the financing of the election campaign. The existing legislature is not resourceful enough to completely regulate the question of the financing of the political parties. Above all, there are few regulations that are dealing directly with the question of the financing - even the regulations that are clear and easy to understand are not practically implemented. Furthermore, in Croatian political tradition, there is no traditional support that would make extensive legislature unnecessary.

The Croatian Law Center has prepared a Draft of Political Parties Law in 2002, which entails regulations on political parties' management. The section of that Draft determining the financing regulations, seems inadequate, starting with the mere title of the V. article ("The Ownership of Political Parties"). The main idea of democracy and democratic procedure is the public nature of politics and government work, be it financing of political parties out of somebody's private or national budget. The content of this Article elaborates the property concept, ownership itself and the ownership rights, within which it later on sets certain limitations. The Draft additionally introduces vague constructs such as "obtaining the right to money ownership" (Article 71) which legitimizes passive and subjective monitoring of the finances backed by the supposedly non-political and non-profitable notion of property (i.e. obtaining the right to ownership). This has been set up as a base that would ban real estate-derived profit as a result. Additionally, the Draft also determines extensive amounts of money for the parties that never even made it into the Parliament. It does not stipulate the threshold which would entitle them to public financing. As a result, this legislation engenders a huge number of political parties legally entitled to financing from the state budget.

According to many experts, and also the opinion of sizeable political parties the aforementioned Draft is inadequate, ineffective and too extensive. TI Croatia believes that the solution to these challenges is support to the initiative which would ensure the issue of political parties to be divided into 2 laws: the first law would regulate establishment and functioning of the parties, and the second law would strictly address the financing issue. Other countries in the region (i.e. Bosnia and Herzegovina, Serbia and Montenegro) have passed similar legislation that specifically regulates financing.

When developing the new Draft of the aforementioned Law, TI Croatia will positively utilize the experience of the Croatian Law Center, and also improve the Law according to the EU standards and taking into account other regional countries who have passed this legislation. For the purposes of preparing the new Draft, we shall

seek cooperation of Croatian Law Center and many field experts who would provide their contributions as experts while drafting the Law.

In accordance to the continuous efforts on behalf of Republic of Croatia to meet the EU accession criteria, the Law on financing of political parties will contribute and suitably incorporate itself into the European judicial framework and legal practices regulating this issue of utmost importance.

General aim of the project is not only financing of political parties, but also the financing of political campaigns. TI Croatia believes this proves to be as important as the financing of political parties if we strive to reduce political corruption in Croatia. Local elections in May showed that independent candidates can also achieve successful results, but the financing of their campaigns remains in the gray area, since Croatian legislation does not deal with financing of individual campaigns at all. We therefore believe that the new law on Financing of Political Parties and Campaigns must be adopted because there is no legal framework which would provide controlled financing of independent campaigns.

We believe that this important aspect of political competition in Croatia cannot be structured in a proper way by changes of the Political Parties Law, since this law has only 32 articles. According to our assessment, financing of political parties and campaigns could not be defined properly within less than 40 articles. Conditions for promotion of this law are just right at the moment, since post-electoral negotiations on local level significantly decreased public trust in politics. Therefore all parties, especially HDZ and SDP, as major parties that formed coalitions with very different partners, are eager to show their integrity. And there is no better way than to support this initiative. Also, many smaller parties, which cannot gain as much money as these two, will be as well eager to support this law, since they are not capable to get as much money as bigger parties. In other words, concise legislation favors smaller parties and they are very much aware of this advantage.

Through the project "Reducing Political Corruption" we will achieve the following:

- a) Initiate discussion on existing institutional and legislative obstacles for transparent financing of political parties and campaigns through round table discussions and debates
- b) Raise and maintain the interest of general public for voter understanding and generating pressure for clear and transparent financial management
- c) Draft the Law on Political Parties Financing
- d) Ensure transparent and public finances of political parties
- e) Monitor election incomes and election spending (Parliamentary Elections in 2007)

In addition to this initiative, TI Croatia has had experience with supporting and initiating the drafting of 2 laws, and for these reasons and various other initiatives, TI Croatia has built a reputation of a familiar and recognizable NGO in Croatia. Moreover, we have been the only organization in Croatia to provide enough pressure for the Croatian National Television to finally come out publicly with a report on the expenses of political campaigns during presidential elections.

## **b) Target groups**

Our main target groups are the general public, policy makers, public administration, political parties, political officials, MPs, media and other national and regional civil society organizations. We believe that target group of this project has to be wide because this topic and this matter have a great impact on the overall political and economic situation in the region as a whole. Also, it is important to note that these above mentioned subjects are all interrelated, one cannot exist without the other and each of them makes a significant impact on another. If the result of this project can improve the overall situation in one of the above mentioned subjects it will automatically improve the situation in every other subject in the 'circle'. Therefore, we believe that it is of great importance to target all the groups.

## **c) Who will benefit from our activities?**

TI Croatia plans to involve different stakeholders into this initiative, as we believe that the issue of transparent parties financing is of great concern to various groups in our society. Primarily, it is in interest of political parties and MPs to support this initiative and to take part in the process of drafting legislation. Beside them we plan to involve academic community, other civil society organizations aimed at increasing transparency, accountability and effectiveness of public service delivering. Understandably, involvement of the media in many ways presents the cornerstone of the project. Professional media attitude towards this issue is crucial, as wide media support in advocacy processes is needed to support these initiatives. We see involvement of aforementioned stakeholders most needed in the intensive advocacy campaign consisted of round table discussions, open debates, profound media presence and meetings with members of parliament.

All aforementioned stakeholders will benefit from these activities. We also expect many politicians to identify this project as their possibility to gain additional support regarding their morale, integrity and honesty. Most likely, the political officials who fail to support this project in a timely manner may lack the initial sympathy of the citizens who approve of the initiative. We expect corruption to easily become the primary and most vital of political focal points and an important issue in each political party's agenda, regardless on their ideological preferences. Fighting corruption and supporting this initiative will bridge the gap between various political affiliations and forge cross-party consensus. TI Croatia firmly believes that the general public will widely support and embrace this initiative, since all polls indicate the public perceives these data as the most vital for the future development and democratization.

All political parties, especially HDZ and SDP, as major parties that formed coalitions with very different partners, are eager to manifest their integrity in this way. There's probably no better way to prove their honest intentions than to support this initiative. Also, many smaller parties, which cannot gain as much money as these two, will be as well eager to support this law, since they are not capable to get as much money as bigger parties. In other words, concise legislation favors smaller parties and they are very much aware of this advantage.

Additionally, as we have learned from our previous experience with politicians and relevant officials, the tensions and quarrels among the ruling and opposition parties

often times result with compromise on both sides. This project and the relevance of the topic will surely give impetus for cross-party consensus based on each party's desire to establish the framework of finance. We will promote this idea among political leaders and party officials with whom we have established long-term communication and cooperation. Also, we will notify all political parties that hold seats in the Parliament about our project goals. We will do so by e-mail or fax, urging them to be supportive and pressing towards addressing this issue. Since this truly poses a problem that overcomes ideologies and daily political misunderstandings, we hope to achieve political support from all points of the political spectrum.

Through the years TI has proven its role as one of the most prominent civil society organizations in Croatia. Having in mind that the main mission of TI Croatia is curbing corruption and providing transparent legislative framework, we have imposed our influence regardless of the political and ideological agendas of political parties in Croatia. As a part of international TI family, Croatian office uses and transfers foreign methods and experience which already gave results in other similar international projects. All above mentioned has ensured TI Croatia to gain support of relevant political leaders and officials to recognize and approve most of TI's activities and initiatives. Most recent example of our successful collaboration with government officials has been the round table "conflict of interest" solely arranged by TI office in Zagreb. For the first time, we brought together officials and members of governmental bodies entitled to decide on the conflict of interest in the respective countries of the region (Serbia, Bosnia and Herzegovina, Macedonia, Slovenia and Croatia).

Notably, it is important to stress that this was the first opportunity for regional officials-members of bodies deciding on conflict of interest, to exchange their experience and transfer the knowledge they found useful while actively involved in their country's battle with conflict of interest. Members of Croatian Commission for deciding on conflict of interest belong to various political parties. However, regardless of their affiliations they accepted our initiative and recognized the nature of TI projects and overcame the party differences in order to use the experience of others to improve the methods of work.

**d) How will the target advocacy issue be addressed and promoted in the public? How will you disseminate the information learned and the results of this project?**

TI Croatia has regular and successful cooperation with the media in Croatia, and as we learned from our experience, proposing intense and regular contacts and press releases to the media regarding the project proved to be the best practice in these programs. As we are aware from various polls that have been conducted by TI Croatia and other resourceful media, the citizens show great curiosity when questioned if they wanted to know about how the political parties in Croatia are financed. Also, the general public is keen to reduce the corruption among politicians by making this information public and unavailable for tampering, manipulation and deception. TI Croatia will disseminate and regularly update information about the project on the official web page of the organization.

**e) How will your project contribute to longer-term impact on the addressed issue?**

Corruption in the financing of the political parties is a complex issue. The concealed nature of the relationships involved makes it rather difficult to identify corrupt transactions, and even more difficult to prove them in court. Despite this, throughout the years of implementing various projects, TI Croatia has seen and proved it is possible to curb corruption despite all the challenges. Civil society guardians can effectively fill the gaps that official enforcement bodies leave behind due to a lack of will, resources, illicit gains or simply belief they can largely depend upon the secrecy of their finances.

TI Croatia focuses on identifying and understanding the mechanisms through which corruption takes place, recommends improving of the regulatory framework and its enforcement, and advocates the recommendations to be implemented. NGOs should not be discouraged if the progress does not come at once. Reforming the system is a long-term process, and the fight against illicit political finance practices is a permanent one. Each project that embodies well designed and properly implemented proposal presents a vital step toward winning the battle against corruption.

Croatian legislation which addresses and manages the finances of political parties is not adequate at present. Every research that has been done up to this point clearly states that there is a great interest among general public about the sources of funds given to political parties. In the Republic of Croatia elections are held relatively often: local elections, parliamentary elections, presidential elections; and general attitude towards them is that there is too much money spent during that time, taking into consideration that the social and economic environment seem rather pessimistic. We strongly believe that one of the basic democratic principles is a transparent and public overview of campaign costs and financial management of political parties overall. Based on this, we can draw a conclusion that in Republic of Croatia, legislative and institutional frameworks are missing. TI Croatia has an ambition to advocate for the legal and institutional changes related to the issue of fair elections and transparent financing of the political parties active in the election processes.