

SLOVENIA (FIFTH SESSION)

UNCAC Article 5 – Preventive anti-corruption policies and practices

UNCAC Article 7 – Prevention of corruption in the public sector

TOPIC II UNDER CONSIDERATION: Public sector legislative and administrative measures, including measures to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties (arts. 5 and 7 of the United Nations Convention against Corruption)

1. Please describe the legislative and administrative measures you have taken to prevent corruption in the public sector. In particular, please provide information on measures you have taken to enhance transparency in the funding of candidatures for elected public office and the funding of political parties.

At its 19th regular session on 21 November 2013, the National Assembly of the Republic of Slovenia adopted the Act Amending the Political Parties Act (ZPolS-E), taking into account the recommendations submitted to the Slovenian authorities by the Group of States against Corruption (GRECO) in its report of 7 December 2007¹¹. The above act was published in the Official Gazette of the Republic of Slovenia (Uradni list RS) no. 99/13 and entered into force on 18 December 2013. It became applicable on 1 January 2014.

ZPolS-E has introduced several novelties, particularly in the areas of funding of political parties and preparing annual reports:

- the prohibition of financing of a party is extended to all legal persons, sole proprietors and individuals who independently perform activities;
- a party has to assign contributions acquired in contravention of that Act to charity no later than in 30 days from receipt of the contributions;
- rules on the preparation and submission of annual reports are clearer and more detailed; in the annual report, a party has to disclose information on the provider of funds if in the year the party's annual report refers to the total amount of contributions exceeds the average salary per worker in the Republic of Slovenia; information on loans to the party (amount, interest rate and payback period) has to be revealed as well;
- parties have to submit their annual reports to the Agency for Public Legal Records and Related Services (AJPES) through Web portal;
- AJPES publishes full annual reports on its website;

11. [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3\(2007\)1_Slovenia_Two_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3(2007)1_Slovenia_Two_EN.pdf)

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- the Court of Audit performs operational audits of parties and controls their financing
- some new minor offences are established that were not included in the previously applicable act; also, fines for certain types of offences are higher.

In November 2013, the National Assembly of the Republic of Slovenia adopted Act Amending the Elections and Referendum Campaign Act (ZVRK-B) that also regulates election campaigns for the election of Slovenian members of the European Parliament. The act entered into force on 14 December 2013; it comprises the following main changes:

- non-compliance with the Constitution of the Republic of Slovenia is eliminated; it is not allowed to publish opinion polls and surveys during the last 24 hours before the polling day;
- unlike the previous regulation that referred to Political Parties Act for matters of financing election campaigns, the amending act ensures that election campaign financing is regulated by it in full;
- it specifies types of contributions to election campaigns and the upper limit of contributions, whereas the total amount of contributions shall not exceed ten average gross monthly salaries per worker in the Republic of Slovenia according to the SURS data for the past year;
- prohibition of financing of a campaign is extended to all legal persons, in exceptional circumstances referendum campaign can be funded by non-profit legal persons;
- election campaign organizer must seek to obtain identification data on providers of funds on the basis of which prohibited contributions that have to be assigned to charity within 30 days from their receipt can be identified;
- content of the report on the financing of election campaigns and the way of submitting this report via the AJPES web portal are changed. In the report, the election campaign organizer has to indicate data on all individual contributions, expenditure and loans, not just on the total amount of the funds raised and utilized (in accordance with the preliminary provisions of the act, reports on the financing of the election campaign for the

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election to the European Parliament in 2014 will also be sent to the National Assembly and the Court of Audit using new forms);

- in the report, the election campaign organizer will have to state each contribution acquired from the providers of funds, including personal data, if the contribution exceeds the average gross monthly salary per worker in the Republic of Slovenia;

- act proposal provides for a mandatory public disclosure of reports on campaign financing on the AJPES website;

- Court of Audit is provided with greater powers when auditing the reports of the election campaign organizers and will now be able to request the submission of documents, explanations and inspection of books and records also from service providers and sellers of goods providing services for or selling goods to the election campaign organizer;

- new minor offences are established that were not foreseen in the applicable act; also, fines for certain types of offences are higher;

- minor offence authorities will be equipped with the possibility of imposing a range of fines; the competent court for deciding on offences in contravention of the provisions on election campaign financing is the Ljubljana Local Court.

States parties may wish to cite and describe measures that:

- **Establish a legal definition of what constitutes a donation or contribution to a candidate for public office or a political party;**

Provisions of the second paragraph of Article 22 of ZPolS and second paragraph of Article 14 ZVRK provide that, besides money contributions, every gift or other non-monetary contribution, free service, incurrance of liabilities or performing services or selling goods under conditions that are more beneficial for the party or the election campaign organizer than for other users of services or buyers of goods from those persons is considered a contribution to a party or an election campaign organizer (donation) as well. Work performed by a natural person for a party or an election campaign organizer is not considered a contribution if that person is not obliged to issue an invoice for the work done.

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Regarding loans, ZPoLS provides that a party can obtain loans only from banks and loans undertakings under the same conditions as other legal persons. A party can also obtain a loan from a natural person, to the extent that the loan agreement is concluded in writing. The amount of a loan from a natural person shall not exceed ten average gross monthly salaries per year. Given loans are not considered funding of a party.

ZVRK provides that an election campaign organizer can only obtain a loan from banks and loan undertakings under the same conditions as other persons. Given loan is not considered funding of a party.

- **Require public disclosure of donations received by candidates for public office and political parties, including the identity of individual and corporate donors;**

Regarding the disclosure of donations received by political parties and of identities of providers of funds, sixth paragraph of Article 22 of ZPoLS provides that if in the year the party's annual report refers to the total amount of contributions of a natural person exceeds the average gross monthly salary per worker in the Republic of Slovenia according to the data of the Statistical Office of the Republic of Slovenia for the past year, the annual report of the party must include information on personal name and address of the natural person and the total annual amount of the contributions given by the natural person to the party.

Legal persons under public and private law, sole proprietors and individuals who independently perform activities may not finance political parties (Article 25 ZPoLS).

In the report on financing of election campaigns, an election campaign organizer has to report on all individual contributions from natural persons that, on the polling day, exceed the average gross monthly salary per worker in the Republic of Slovenia according to the data of the Statistical Office of the Republic of Slovenia for the past year, including name, surname and address of the natural person and the amount of the contribution.

In accordance with the fifth paragraph of Article 14 of ZVRK state authorities, local community authorities, legal persons under public and private law, sole proprietors and individuals who independently perform activities may not finance election campaigns. Non-profit legal persons governed by private law can contribute to a referendum campaign. The sixth paragraph of Article 14 of ZVRK also provides that election campaign organizers may

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not acquire funds for election campaigns from foreign natural and legal persons. Organizers of campaigns for the European Parliament elections may acquire funds for election campaigns from contributions of citizens of the European Union Member States under the conditions and in the manner as applicable to the national natural persons.

- **Establish a ceiling or limits on donations that can be made to candidates or political parties;**

In the year the party's annual report refers to, the total amount of contributions of natural persons shall not exceed ten average gross monthly salaries per worker in the Republic of Slovenia according to the data of the Statistical Office of the Republic of Slovenia for the past year (fourth paragraph of Article 22 of ZPolS).

The total amount of contributions of an individual natural person for an individual election campaign shall not exceed ten average gross monthly salaries per worker in the Republic of Slovenia according to the data of the Statistical Office of the Republic of Slovenia for the past year.

- **Clarify the permissibility and limits applicable to donations by foreign donors or legal entities owned in whole or in part by the State;**

In accordance with the seventh paragraph of Article 21 of ZPolS it is prohibited for a party to acquire funds from contributions of foreign legal and natural persons, foreign sole proprietors and individuals who independently perform activities, from party's property incomings from abroad or in any other way acquire funds for a party from abroad. The above prohibition does not apply for membership fees or contributions that the party acquires from its members.

Election campaign organizers may not acquire funds for election campaigns from foreign natural and legal persons. Organizers of campaigns for the European Parliament elections may acquire funds for election campaigns from contributions of citizens of the European Union Member States under the conditions and in the manner as applicable to the national natural persons.

State authorities, local community authorities, legal persons under public and private law, sole proprietors and individuals who independently perform activities may not finance

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election campaigns. Non-profit legal persons governed by private law can contribute to a referendum campaign.

• Establish regular financial reporting obligations of donations and expenditures, including pre- and postelection, for candidates and political parties;

According to the first paragraph of Article 24 of ZPolS, a party has to prepare an annual report for the past year in accordance with that Act and the accounting regulations and standards. The annual report shall provide information on the following:

- all revenues by type and their amounts (membership fees, contributions of natural persons, property income, revenues from gifts, revenues from other non-monetary contributions, revenues from the budget of the Republic of Slovenia, revenues from the budget of the self-governing local community (hereinafter referred to as »local community budget«), revenue from the state budget for the education of deputies, extraordinary revenue and retained surplus of revenues),

- all party's expenditure by type, broken down in accordance with the accounting rules,

- all individual contributions of natural persons if in the year the party's annual report refers to their total amount exceeds the average gross monthly salary, including information on personal name and address of the natural person and the total annual amount,

- all individual loans provided to the party by banks, loans undertakings or natural persons, including information on the amount, interest rate and payback period for each individual loan, and information on the company name and office, business address, registration number of the bank or loans undertaking providing the loan to the party, regardless of the loan amount, or information that enables identifying the loan provider (name, surname, tax number, address of the natural person),

- the election and referendum expenses indicated in the manner provided by the law governing the election and referendum campaign,

- all individual contributions that have been given to the party in contravention of that Act and their amounts, including information on the company name or name, office and business address of a legal person or sole proprietor, or information on the personal name

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and address of an individual who independently performs activities or natural person who gave a contribution to the party,

- all transfers of surpluses of party's revenues under the fourth paragraph of Article 21 and contributions given to the party in contravention of that Act that have been assigned to charity,

- assets of the party and a specified description of any change of assets, including the sources of funds for increasing the assets, should such increase exceed the total amount of five average gross salaries per worker,

- other legal persons in which the party holds at least half of the capital or has a dominant influence on decision-making or management; annual reports of those legal persons have to be attached to the party's annual report as well.

In accordance with the second paragraph of Article 18 of ZVRK an election campaign organizer has to include the following information into the report on election campaign financing:

- total amount of funds raised and utilized for the elections campaign,

- the amount of contributions transferred by the election campaign organizer from its transaction account to a separate transaction account in accordance with the seventh paragraph of Article 14 of that Act,

- all individual contributions from natural persons that, on the polling day, exceed the average gross monthly salary per worker in the Republic of Slovenia according to the data of the Statistical Office of the Republic of Slovenia for the past year, including name, surname and address of the natural person and the amount of the contribution,

- all individual expenditures of the election campaign organizer for financing the election campaign, including the amount, irrespective of its level, together with the purpose and the service provider or seller of the product,

- all individual loans provided to the election campaign organizer by a bank or loans undertaking, including information on the company name, office, business address and

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registration number of the bank or loans undertaking providing the loan, interest rate, repayment period and the amount of the loan, regardless of the loan amount,

- all individual contributions that have been given to the election campaign organizer in contravention of that Act and their amounts, including information on the company name or name, office and business address of a legal person or sole proprietor, or information on the personal name and address of an individual who independently performs activities or natural person who gave a contribution to the election campaign organizer,

- all transfers of surplus funds collected by the election campaign organizer under the first paragraph of Article 22 of that Act and contributions given to the party in contravention of that Act that have been assigned to charity.

- **Apply sanctions for the violation of any relevant laws, rules and regulations applicable to political candidates or political parties; and**

The upper limit of fines laid down by ZPoLS for the most serious violations committed by political parties is sufficiently high (EUR 30,000.00); fines for less serious violations are specified separately. Minor offence authorities can impose a higher fine than the minimum specified. ZPoLS also defines offences in case of entities which give the party donations that are prohibited by that Act, and provides that contributions acquired by the party in contravention of that Act have to be assigned to charity as determined in the act governing humanitarian organizations no later than in 30 days from receipt of the contributions.

ZVRK provides for the upper limit of fines for the most serious violations committed by election campaign organizers, i.e. EUR 20,000; fines for less serious violations are specified separately. The most serious violations regarding election campaign funding include, among other things, collecting prohibited contributions (excessive contributions, contributions from prohibited sources) and prohibited loans. ZVRK also defines offences in case of entities which give the election campaign organizer contributions that are prohibited by ZVRK, and provides that contributions acquired by the election campaign organizer in contravention of that Act have to be assigned to charity no later than in 30 days from receipt of the contributions.

- **Allow for the independent monitoring of financing of political candidates or political parties.**

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In accordance with ZPolS, control and investigation in the field of funding of political parties is carried out by the Court of Audit.

The Court of Audit also performs operational audit of parties who receive funds from the state budget or local community budgets and in the past year received or were entitled to receive more than EUR 10,000.00 of such funds. Each year, the Court of Audit has to carry out regularity audits at least one third of liable parties so that over a period of four years all such parties are audited. The Court of Audit may also carry out a regularity audit of a party proposed by the Commission for the Prevention of Corruption or another supervisory authority that in the exercise of its tasks finds irregularities, or if during examination of party's annual report the Court of Audit questions the truthfulness of the information therein or finds other irregularities. When carrying out regularity audits of parties, the Court of Audits acts in accordance with the powers and procedure defined by that Act and the act governing the jurisdiction of the Court of Audit.

As regards an independent authority for sanctioning improper funding of political parties, ZPolS designates the Ljubljana Local Court as being responsible for deciding on offences on the basis of an accusation proposal by the Court of Audit. Other sanctions may be imposed on a party receiving prohibited donations, e.g. temporary loss of rights to receive resources from the state budget and local community budgets for a period of one year or reduction of these resources by a half for a period of 6 months according to the court's decision on violation. In case of funds collected contrary to the law, it is mandatory that these funds be seized from the party to a proceeding as offence generated proceeds.

In accordance with ZVRK, control and investigation in the field of funding of election campaign organizers is carried out by the Court of Audit.

Within six months after the date set for the closing of the transaction account, the Court of Audit of the Republic of Slovenia shall carry out an audit at those election campaign organizers who are entitled to partial reimbursement of elections campaign expenses on the basis of ZVRK. Within that same time term, the Court of Audit of the Republic of Slovenia may also carry out an audit at the election campaign organizers at the national level and at the election campaign organizers for the elections for members of representative and individually elected

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local community body and for referendum at the local level. Through audits the Court of Audit verifies the amount of funds raised and utilized for the election campaign, whether the election campaign organizer raised and utilized the funds for the election campaign pursuant to the law, and whether the information stated by the election campaign organizer in reports as referred to in Articles 18 and 19 of ZVRK are correct.

As regards an independent authority for sanctioning improper funding of election campaigns, ZVRK designates the Ljubljana Local Court as being responsible for deciding on offences on the basis of an accusation proposal by the Court of Audit.

The Court of Audit of the Republic of Slovenia is responsible for control over the provisions on election campaigns with regards to financing. Local court is responsible for deciding on offences in the field of election and referendum campaigns, control of which is under the responsibility of the Court of Audit. Accusation proposals are submitted by the Court of Audit of the Republic of Slovenia, whereas the Ljubljana Local Court is responsible for deciding on offences.

2. Please provide information demonstrating implementation of the measures

described above. In particular, States parties may wish to provide

information such as:

- **Disclosure reports made by candidates for public office and/or political parties.**

According to the provisions of the fourth paragraph of Article 24 of ZPolS, the annual reports of political parties are published on the AJPES website. Annual reports for the financial year 2013 were submitted by 76 political parties (from a total of 79 registered).

Reports on the election campaign financing are published by AJPES on its website.

- **Examples or statistics regarding cases involving violations of the political funding provisions, including any sanctions applied or criminal prosecutions.**

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GRECO report mentioned above stressed the insufficiency of supervision in this area. Please, see the excerpt given below:

115. First of all, the GET found the review of the annual reports of political parties rather formalistic: it consists of a mere check on whether the report is complete and submitted on time. As one interlocutor said, the review by the Court of Audit was “art for the sake of art”, something that the Court of Audit seemed to agree with, adding that not much time and resources would be spent on these reviews. Even though the Political Parties Act only provides that the annual report of political parties must be “reviewed and evaluated” by the Court of Audit, which is indeed a very limited form of supervision, the Court of Audit Act explicitly provides that the Court is to carry out audits of users of public funds (which should at least enable it to carry out audits of parties represented in parliament). While the Court undertakes comprehensive audits in other areas, it has never done so as regards a political party, making it completely reliant on the information the parties themselves submit. One reason for the fact that no audit of a political party has ever been carried out may also be that the principle of equality is considered to require a simultaneous audit of the account of all political parties (and this would require substantial resources).

116. Secondly, the GET takes the view that the resources of the Court of Audit are insufficient to carry out even a fraction of the financial audits of election campaigns the law provides for, let alone to conduct audits of parties’ routine financial activities. For example, as regards local elections, in 210 municipalities there may be altogether several hundreds campaign organisers who have received public subsidies. Although municipalities are also required to control such subsidies, independent oversight in this area (as can be carried out by the Court of Audit) is very weak.

117. Thirdly, a specific weakness of the system –lies with the Court of Audit’s investigative capacity. As regards parties’ routine financial activities, the Court has only limited investigative powers restricted to the use of public funds by parties. In the area of campaign finance, the Court has more powers: the Elections and Referenda Campaigns Act allows it to access books of commercial banks and “to perform other investigations required for the performance of an audit”. The Slovenian authorities claim that this allows the Court -to - for example - scrutinise campaigns to verify whether they could have been paid by the officially declared expenses without any sidepayments by companies or societies, to make comparisons between the number

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of advertisements in the media or posters published and the reported campaign costs or to conduct any other investigation it deems appropriate. Although the scope of the Court's investigative powers in the area of campaign finance would thus be broader than the GET was led to believe during the on-site visit, the fact remains that the Court itself takes a more limited view and does not use these powers to the extent it would appear to be permitted under the current law. In this regard, it should however also be noted that the Court of Audit can only audit election campaigns, which means that it is confined to income and expenditure during the official election campaign period (30 days to 24 hours before the day of elections) and cannot examine any campaign activities before this period. In the context of routine party finance, it would certainly go beyond its mandate to – for example - access financial information of the aforementioned societies and associations outside the party structure. Moreover, the claims made to the GET that companies would mostly donate to political parties in-kind, for example by employing people who then go to work for the party or by directly paying the bills of the party, would not necessarily come to light in an audit (and certainly not in a review of the financial report of a political party).

118. These shortcomings also mean that, in most cases, the Court of Audit would not be in a position to take appropriate action on individual complaints it may receive as regards perceived irregularities in party or campaign finances. In view of this situation and also in light of the frequently expressed doubts about the accuracy of the official reports submitted by parties and other campaign organisers, the GET is of the opinion that the effectiveness of the current supervisory mechanism would be greatly improved by giving the Court of Audit (or another independent supervisory body) investigative capacities in the area of parties' routine financial activities (not just limited to the use of public funds) and to enhance its investigative powers in the area of campaign funding. This would also improve possibilities for external scrutiny of compliance with political funding regulations (i.e. by having an appropriate mechanism to investigate complaints, oversight by external stakeholders would be encouraged).

118. In light of paragraphs 115, 116 and 117 above, the GET recommends **(i) to undertake a comprehensive audit of the finances of political parties represented in parliament, both as regards public and private funding, in accordance with international audit standards; (ii) to provide more resources to the Court of Audit to carry out these audits, as well as those of election campaign organisers; and (iii) to give the Court of Audit a mandate and resources to investigate routine party finances and to enhance its**

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capacity to investigate campaign finances.

119. Other bodies entrusted with supervisory tasks as regards party and campaign finance are the Ministry of Finance, the Inspectorate of the Ministry of the Interior and the Public Accounts Committee (PAC) of the Slovenian parliament. Although the supervision exercised by the latter is still in a developing stage, the PAC has played a role in drawing attention to political finance issues. It has highlighted weaknesses in the reporting functions and was instrumental in addressing certain deficiencies of the old Election Campaign Act (on the basis of information on these deficiencies reported to it by the Court of Audit). As regards the supervision exercised by the Ministry of Finance and (the Inspectorate of) the Ministry of the Interior, the GET found the jurisdiction and the scope of competences of these bodies as regards party and campaign finances vague. The GET noted that, pursuant to article 27 of the Political Parties Act, the Ministry of Finance is responsible for the supervision of certain provisions of the Political Parties Act (including the provisions on the financing of political parties). It became clear, however, that supervision as foreseen in article 27 has never been exercised by the Ministry of Finance. A similar provision is included in the Elections and Referenda Campaigns Act (article 40), which provides that the Inspectorate of the Ministry of the Interior “shall be competent for the implementation and supervision over the implementation of the provisions of this Act”. The Inspectorate – which informed the GET that it was surprised to have been given this competence under the new law – took a limited view of the form this supervision might take: it understood it to mean that the offence would be identified and classified by the Court of Audit, after which the Inspectorate would inform the offender and impose the sanctions. After the visit, the GET was provided with additional information on the powers of the Inspectorate. These powers appear to be quite comprehensive and include the right to inspect accounting documents, to hear witnesses in an administrative procedure, to seize objects and documents and to perform other actions in line with the aim of the inspection. However, in light of the information gathered during the visit, the GET retains some doubts whether the Inspectorate will take steps to actually use these powers in the area of election campaign finances. Consequently, the GET recommends to **clarify the jurisdiction and scope of competences of all authorities entrusted with supervisory tasks as regards party and campaign finances.**

As the legislation on transparency of party funding has been adopted recently, no statistical data is available.

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3. Please outline actions required to strengthen or improve the measures described above and any specific challenges you might be facing in this respect.

One of the challenges Slovenia might face with the change of legislation is regarding the prohibition of financing of political parties and election campaigns by all legal persons, sole proprietors and individuals who independently perform activities. When this prohibition was merely a legislative proposal, the CPC was of the opinion that such prohibition, although it in a way meets the requirement of one of the GRECO recommendations (the one demanding more transparency of financing from legal persons), at the same time opens doors for development of other practices that will increase lack of transparency in financing by those entities instead of making it more transparent. In the CPC's opinion both contributors as well as beneficiaries, as they are very much interested in having this relationship, will find ways to continue with these practices, by finding other, more sophisticated ways that won't be detected by the supervisory bodies so easily. Currently, as Slovenia is facing new elections (to the National Assembly, to the EP and local elections), one of the bigger political parties has already established a fund for collecting contributions for covering their court expenses since they have been involved in many court proceedings they have lost. It is being debated in the public whether such fund will actually help them to cover those costs or is actually a way of bringing in contributions from legal entities.