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CROATIAN PARLIAMENT

Pursuant to Article 89 of the Constitution of the Republic of Croatia, I hereby pass the following

DECISION

PROMULGATING

THE POLITICAL ACTIVITY AND ELECTION CAMPAIGN FINANCING ACT

I hereby promulgate the Political Activity and Election Campaign Act as adopted by the Croatian Parliament at its session of 11 February 2011.

Class: 011-01/11-01/25

Reg. No.: 71-05-03/1-11-2

Zagreb, 16 February 2011

Prof. Ivo Josipović, Ph.D. (*m.p.*)
President of the Republic of Croatia

****** Including May 2011 amendments ******

POLITICAL ACTIVITY AND ELECTORAL CAMPAIGN FINANCING

ACT

I. GENERAL PROVISIONS

Article 1

This Act shall regulate the methods of financing political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units and independent slates, the acquisition and use of funds, and oversight and audits.

The provisions of this Act shall apply to the regular annual financing of political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units, and the financing of election campaigns by political parties, independent slates and candidates in elections for the President of the Republic of Croatia, members to the Croatian Parliament and members of the representative bodies of local and regional governmental units.

For the purposes of this Act, financing shall mean the acquisition of funds and the provision of services or products free of charge with a view to supporting and promoting the political activities of political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slates and candidates, as well as the use of such funds, products and services for the purposes of such political activities in compliance with this Act.

II. SOURCES OF FINANCING

Article 2

In order pursue their political objectives, political parties may receive revenues from the assets they own, membership fees, publishing activities, voluntary contributions (donations), the sale of promotional materials, the organization of party events, and any other sources as may be deemed eligible by law.

Revenues from the sources specified in paragraph (1) of this Article, save for those from membership fees and the organization of party events, may also be received by independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units.

Political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units may be financed from the central and local and regional budgets in the manner and under the conditions set forth in this Act.

Political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units may use the funds specified in paragraphs (1), (2) and (3) of this Article solely for the purposes of pursuing the goals set down in the programmes and charters of political parties or, as appropriate, their operating programmes and annual political plans.

The funds specified in paragraphs (1), (2) and (3) of this Article shall not be used for private purposes.

Financing from the central and local and regional budgets

Article 3

The funds required for the regular annual financing of political parties, independent deputies and national minority deputies shall be secured in the central budget of the Republic of Croatia, and shall amount to 0.05% of operating expenses incurred as stated in the previously published annual budget execution report.

The funds required for the regular annual financing of political parties and independent members of the representative bodies of local and regional governmental units shall be secured by local and regional governmental units in their budgets, and shall be equal to any such amount as may be appropriated therein for each year for which such budgets are adopted.

Article 4

Political parties having their deputies in the Croatian Parliament, independent deputies elected from independent slates and national minority deputies shall be entitled to regular annual financing from the central budget.

Political parties with members in the representative bodies of local and regional governmental units and independent members of the representative bodies of local and regional governmental units, who have been elected from independent slates, shall be entitled to regular annual financing from local and regional budgets.

Article 5

The funds specified in Article 3 of this Act shall be allocated by setting an equal amount thereof for each deputy to the Croatian Parliament or each member of the representative body of a local and regional governmental unit, with each political party being entitled to receive any such funding as may be proportionate to the number of its parliamentary deputies or members of the representative body of a local and regional governmental unit at the time of the constitution of the Croatian Parliament or the representative body of such local and regional governmental unit.

If the membership of a deputy (deputies) to the Croatian Parliament or a member (members) of the representative body of a local and regional governmental unit in his/her (their) political party is terminated after the constitution of the Croatian Parliament or the representative body of such local and regional governmental unit, the funds allocated under paragraph (1) of this Article shall be retained by the political party to which such parliamentary deputy or member of the representative body of such local and regional governmental unit belonged at the time of the constitution of the Croatian Parliament or the representative body of such local and regional governmental unit.

Should two or more political parties merge, the funds allocated under paragraph (1) of this Article shall belong to any political party deemed the legal successor of the political parties that have ceased to exist as a result of such merger.

If an independent deputy of the Croatian Parliament or an independent member of the representative body of a local and regional governmental unit, who has been elected thereto from an independent slate, becomes the member of a political party represented in the Croatian Parliament or the representative body of such local and regional governmental unit after the constitution of the Croatian Parliament or the representative body of such local and regional governmental unit, the deputy or member of the representative body of such local and regional governmental unit, who was originally elected from an independent slate, shall retain the funds secured for his/her regular annual financing in the central, local or regional budget, and shall remain subject to the provisions hereof pertaining to independent deputies or independent members of the representative bodies of local and regional governmental units, who have been elected from independent slates.

Article 6

For each elected deputy or member of the representative body of a local and regional governmental unit who belongs to an under-represented gender, political parties shall also be entitled to a bonus of 10% of the amount allocated for each deputy or member of the representative body of such local and regional governmental unit, as specified in Article 5(1) of this Act.

Article 7

Decisions on the allocation of funds from the central budget under Article 5(1) hereof shall be made by the Committee on the Constitution, Standing Orders and Political System of the Croatian Parliament. The allocated funds shall be transferred, on a quarterly basis and in equal sums, to the central accounts of political parties or to special accounts of independent deputies and national minority deputies, as described in paragraph (3) of this Article.

Decisions on the allocation of funds from local and regional budgets under Article 5(1) hereof shall be made by the representative bodies of local and regional governmental units. The allocated funds shall be transferred, on a quarterly basis and in equal amounts, to the transfer accounts of political parties or to special accounts of independent members of the representative bodies of local and regional governmental units, as described in paragraph (3) of this Article.

Independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall open special accounts for the regular financing of their activities.

Independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units may establish an office for the performance of administrative and professional tasks.

With regard to the staff of their office specified in paragraph (4) of this Article, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall have the rights and obligations of employers.

Article 8

Independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units who have, after the expiry of their term of office, not been re-elected as deputies to the Croatian Parliament or members of the representative bodies of local and regional governmental units or whose term of office has been terminated before the expiry of the period for which they were elected shall, within 30 days after the expiry of their term of office or the termination thereof before the expiry of the period for which they were elected, return to the central or, as appropriate, local or regional budget:

- any unspent funds received from the central or, as appropriate, local or regional budget for the regular annual financing of their activities; and
- the pecuniary amount equal to the market value of any assets purchased by funds received from the central or, as appropriate, local or regional budget for the regular annual financing of their activities.

By way of derogation from the provisions of paragraph 2(ii) of this Article, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units specified in paragraph (1) of this Article may return any assets purchased by funds received from the central or, as appropriate, local or regional budget for the regular annual financing of their activities to, and put them at the disposal of, the Government of the Republic of Croatia or the relevant local and regional governmental unit.

The pecuniary amount equal to the market value of any assets specified in paragraph (1)(ii) of this Article shall be determined by the Ministry of Finance according to the market value of such assets at the time when the return of such pecuniary amount is made.

Independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units specified in paragraph (1) of this Article may, within the period specified in paragraph (1) of this Article, donate for general community purposes any unspent funds received by way of donations, provided that, if such funds have not been received by way of donations, they shall be subject to taxation under special regulations.

Indirect financial support

Article 9

With regard to their efforts strictly associated with their political activity, political parties shall not be subject to the payment of the profit tax and the value-added tax under the provisions of special laws, and may also be entitled to tax benefits under the provisions of a special law.

Membership fees and voluntary contributions (donations)

Article 10

For the purposes of this Act, membership fees shall mean regular pecuniary sums paid by members of political parties in any such manner and under any conditions as may be set forth in the charters or other acts of such political parties.

For the purposes of this Act, voluntary contributions (hereinafter specified as “donations“) shall mean occasional or regular payments through which natural or legal persons, acting on a voluntary basis, give money or provide services or products free-of-charge to political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slates and candidates for the purposes of their political work or to finance their election campaigns.

For any donation made by way of products or services (including donations made in other non-pecuniary forms, such as movable or immovable property, property rights, etc.), natural and legal persons shall issue an invoice specifying the market value of any such donated product or service, stating that it has been made out to a political party, independent deputy, national minority deputy, member of the representative body of a local and regional governmental unit, independent slate or candidate, and indicating that it is not subject to payment.

Services specified in paragraph (3) of this Article shall not be deemed to include any voluntary work done by volunteers.

Political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slates and candidates shall keep records of, and issue receipts for, all membership fees received.

The method of keeping the records and issuing the receipts specified in paragraph (5) of this Article shall be regulated in an ordinance to be passed by the Minister of Finance.

Maximum amounts of donations

Article 11

Natural and legal persons may make donations to political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, and independent slates and candidates on a one-off basis or several times during the calendar year.

Donors shall pay pecuniary donations to the central accounts of political parties or the special accounts of independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units, as described in Article 7(3) of this Act, or the special accounts of independent slate heads and candidates, as described in Article 14(3) of this Act.

The total amount of donations made by a natural person to a political party, independent deputy, national minority deputy, member of the representative body of a local and regional governmental unit, independent slate or candidate shall not exceed HRK 30,000.00 (thirty thousand Croatian kuna) within a single calendar year.

The total amount of donations made by a legal person within a single calendar year shall not exceed (i) HRK 200,000.00 (two hundred thousand Croatian kuna) when such donations are made to a political party or a candidate in elections for the President of the Republic of Croatia; (ii) HRK 100,000.00 (one hundred thousand Croatian kuna) when such donations are made to an independent deputy, a national minority deputy, and an independent slate or a candidate for national minority deputy in the election of deputies to the Croatian Parliament and the election of members of the European Parliament; and HRK 30,000.00 (thirty thousand Croatian kuna) when such donations are made to an independent member of the representative body of a local and regional governmental unit and an independent slate or a candidate in elections at the local or regional level.

Political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads and candidates shall report any amount of donations exceeding the amounts specified in paragraphs (3) and (4) of this Article to the State Audit Office and the National Elections Commission or, if such donations have been made with a view to financing their election campaigns, to the National Elections Commission, and shall pay it to the central budget not later than 8 days after the date when they received such payment.

III. FINANCING OF ELECTION CAMPAIGNS

Funding sources for financing election campaigns

Article 12

Political parties, candidates and independent slates may finance their election campaigns from their own sources and through donations.

Political parties, independent slates and candidates shall publicly disclose the amount of, and any discount granted thereto on, the price of media advertising for the purposes of their election campaigns.

Political parties, candidates and independent slates specified in paragraph (1) of this Article shall be entitled to recover the costs of their election campaigns from the central or, as appropriate, local or regional budget in the manner and under the conditions set forth in this Act.

Companies providing media advertising services for the purposes of election campaign shall deliver their advertising rates to the National Elections Commission.

Financing from own sources

Article 13

Candidates for the President of the Republic of Croatia and those for municipality and city mayors, county prefects and the mayor of the City of Zagreb shall, by the closing date set for the submission of candidature, publicly disclose indicative data on the amount and sources of their own funds they intend to use for their election campaigns on their websites or in the daily press (for local elections, in the local press).

Disclosure on websites under paragraph (1) of this Article shall be deemed to constitute disclosure available thereon through the end of the election campaign.

Financing through donations

– Special accounts –

Article 14

Donations made to finance the costs of election campaigns for candidates nominated by political parties to participate in the election of deputies to the Croatian parliament, the election of members of the Croatian Parliament, and the election of members of the representative bodies of local and regional governmental units shall be paid to special accounts of such political parties to be opened thereby for the purposes of financing their election campaign costs.

Donations made to finance the costs of election campaigns for independent slates and candidates shall be paid to special accounts of independent slate heads or candidates, as described in paragraph (3) of this Article.

Special accounts specified in paragraph (2) of this Article shall be opened by:

- candidates for the President of the Republic of Croatia, regardless of whether they have been nominated by political parties or electors;
- independent slate heads in the election of members of the European Parliament;
- candidates for municipality and city mayors, county prefects and the mayor of the City of Zagreb, regardless of whether they have been nominated by political parties or electors;
- independent slate heads in the election of deputies to the Croatian Parliament and candidates for national minority deputies; and
- independent slate heads in the election of members of the representative bodies of local and regional governmental units.

The political parties, candidates and independent slate heads specified in paragraph (3) of this Article, as well as persons intending to stand for election, shall open special accounts for the purposes of financing their election campaigns not later than the date of the submission of their candidature and may open them no earlier than one year before the date set as the election day, provided that the date set as the election day shall be deemed to constitute the date when the election was held during the current term of office if no specific date has been set by law as the election day.

Donations made to finance election campaigns may be collected solely on the accounts specified in paragraphs (1) and (2) of this Article and not later than the deadline set for the submission of election campaign financing statements referred in Article 34(1) of this Act.

In the event of the failure to submit, the untimely submission of, the invalidity of, or the withdrawal of candidature, the persons who have opened their special accounts shall return any unspent donations paid to such accounts to their payers, in proportion to any amount as may have been donated.

The special accounts specified in paragraph (2) of this Article shall be retail transfer accounts opened with selected banks in any such manner and according to any such procedure as may be specified in the general rules of banking operations, and shall be intended solely for the receipt of payments by way of donations made to finance election campaigns, but not for the receipt of other payments made to account holders on any other grounds (e.g. income from self-employment or employment, etc.). Likewise, the funds collected on such accounts by way of donations shall not be used for any purpose other than to cover the costs of election campaigns.

Article 15

The political parties that have nominated their candidates for the President of the Republic of Croatia, municipality and city mayors, county prefects and the Mayor of the City of Zagreb shall pay the funds required to finance the election campaigns of such candidates to the special accounts thereof, as specified in Article 14(3) of this Act.

The provisions of Article 11 of this Act, pertaining to the maximum amounts of donations, shall not apply to the amount of funds paid by political parties to the special accounts of their

candidates as described in paragraph (1) of this Article.

Maximum costs of election campaigns

Article 16

The funds collected to finance election campaigns may be used solely for the purposes of election campaign activities.

The funds specified in paragraph (1) of this Article shall not be used for covering any private costs of candidates, such as the costs of their personal attire, debt repayment, private costs of their family members, and any other costs that are not directly associated with their election campaigns for the office for which they run.

Funds from the central or, as appropriate, local or regional budget, which are otherwise used by candidates as officials of the Republic of Croatia or authorized local officials in the performance of their duties, shall not be used for the purposes of election campaigns.

The office premises, official vehicles and office equipment of governmental bodies and local and regional governmental units shall not be used for the purposes of election campaigns, save for individuals subject to special regulations on protected persons.

Maximum total amount of election campaign costs

Article 17

The total amount of election campaign costs per candidate or candidate slate shall not exceed the following amounts:

- HRK 8,000,000.00 (eight million Croatian kuna) in case of elections for the President of the Republic of Croatia;
- HRK 1,500,000.00 (one million five hundred thousand Croatian kuna) within a single constituency in case of the election of deputies to the Croatian Parliament;
- HRK 1,500,000.00 (one million five hundred thousand Croatian kuna) in case of the election of members of the European Parliament;
- HRK 500,000.00 (five hundred thousand Croatian kuna) in case of elections for the Mayor of the City of Zagreb;
- HRK 400,000.00 (four hundred thousand Croatian kuna) in case of elections for county prefects and the mayors of major cities and county seats;
- HRK 250,000.00 (two hundred and fifty thousand Croatian kuna) in case of elections for city and municipal chief officials in local governmental units with a population exceeding 10,000;
- HRK 100,000.00 (one hundred thousand Croatian kuna) in case of elections for city and municipal chief officials in local governmental units with populations from 3,001 to 10,000; and

- HRK 50,000.00 (fifty thousand Croatian kuna) in case of elections for city and municipal chief officials in local governmental units with a population not exceeding 3,000.

The amounts specified in paragraph (1)(iv), (v), (vi), (vii) and (viii) of this Article with regard to elections for chief executives in local and regional governmental units shall also apply to elections for members of their representative bodies units.

If the total amount of donations received to finance election campaign costs exceeds the eligible amount of election campaign costs as specified in paragraph (1) of this Article, political parties, independent slate heads and candidates shall return the total amount of donations exceeding the eligible amount of election campaign cost to their payer, in proportion to any such amount as may have been donated.

IV. RECOVERY OF ELECTION CAMPAIGN COSTS FROM THE CENTRAL OR LOCAL OR REGIONAL BUDGET

Article 18

The following candidates, political parties and independent slates shall be entitled to recover their election campaign costs from the central budget of the Republic of Croatia:

– candidates who, as a result of elections for the President of the Republic of Croatia, receive a minimum of 10% of the valid votes of electors;

– political parties and independent slates which, as a result of elections for members of the European Parliament, receive a minimum of 10% of the valid votes of electors;

– political parties and independent slates which, as a result of elections for deputies to the Croatian Parliament, receive more than 5% of the valid votes of electors in their constituency;

– candidates for national minority deputies who have become deputies in the Croatian Parliament; and

– candidates for deputies of national minorities accounting for less than 1.5% of the population of the Republic of Croatia, who have, as a result of elections, not become deputies in the Croatian Parliament, but have received more than 15% of the valid votes from voters in their constituency, shall be entitled to recover 15% of costs that would otherwise be recoverable by elected deputies. The following candidates, political parties and independent slates shall be entitled to recover their election campaign costs from local or regional budgets:

– political parties and independent slates which, as a result of elections for members of the representative bodies of local and regional governmental units, win at least one seat in any such representative body; and

– candidates who, as a result of elections for municipality or city mayors, county prefects and the Mayor of the City of Zagreb and their deputies, receive a minimum of 10% of valid votes from the total number of voters turning out for such elections.

Costs recoverable under paragraph (1) of this Article shall be paid from the central budget of the Republic of Croatia, whereas those recoverable under paragraph (2) of this Article shall be paid from local or regional budgets.

Article 19

The level of costs recoverable under Article 18 of this Act shall be determined by a decision of the Government of the Republic of Croatia made not later than 7 days after the date of the publication of the decision to call elections. The aforementioned decision of the Government shall be published in the official journal of the Republic of Croatia, *Narodne novine*.

The decision specified in paragraph (1) of this Article regarding the level of recoverable election campaign costs related to elections for municipal chief officials and city mayors, county prefects, the Mayor of the City of Zagreb, and members of the representative bodies of local and regional governmental units shall also apply to early elections and by-elections.

Article 20

The recoverable costs of election campaigns for candidates and independent slates shall be paid to special accounts of such candidates and independent slate heads, opened for the purposes of financing their election campaign costs.

The recoverable costs of election campaigns for political parties shall be paid to special accounts of such political parties, opened for the purposes of financing their election campaign costs.

The funds required to recover election campaign costs related to the election of deputies to the Croatian Parliament shall be allocated to political parties, independent slates and candidates for national minority deputies in proportion to the number of seats won in the Croatian Parliament.

The funds required to recover election campaign costs related to elections for members of the representative bodies of local and regional governmental units shall be allocated to political parties and independent slates in proportion to the number of seats won by each political party and independent slate in any such representative body.

The funds required to recover election campaign costs related to elections for the President of the Republic of Croatia and elections for municipality and city mayors, county prefects and the Mayor of the City of Zagreb shall be allocated in proportion to votes received.

The funds required to recover election campaign costs paid to special accounts of independent slate heads or candidates for county prefects, city mayors or municipality mayors shall be distributed among candidates listed on independent slates or, as appropriate, among candidates for county prefects, city mayors or municipal chief officials and those for their deputies in accordance with their mutual agreement. If no such agreement has been reached, they shall be distributed in equal portions.

Article 21

Any costs recoverable under Article 18(1) and (2) of this Act shall be disbursed within 60 days after the date of the announcement of final official elections results.

V. BAN ON FINANCING AND PREFERENTIAL TREATMENT

Article 22

There shall be no financing of political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slates and candidates by:

- foreign states, foreign political parties and foreign legal persons;
- governmental bodies, public enterprises, legal persons vested with public authority, companies and other legal persons in which the Republic of Croatia or any local and regional governmental unit has any interest or shares, as well as public and other institutions owned by the Republic of Croatia or any local and regional governmental unit;
- labour unions or employer associations;
- associations, trusts and foundations represented by central government officials, or local or regional officials;
- religious communities, humanitarian and other non-profit associations and organizations;
- natural and legal persons subject to any enforcement proceedings related to their outstanding debts due to the budget or their employees.

No donations shall be made by unidentified (anonymous) sources. Donations by unidentified (anonymous) sources shall be deemed to include donations made by donors whose details are unknown at the time of their payment or those made by donors who cannot be positively identified without additional action (e.g. donations via SMS services, telephone answering machines, etc.).

No donations, neither in cash nor in kind, shall be made through third parties (intermediaries).

Any donation paid to the account of a political party, independent deputy, national minority deputy, independent member of the representative body of a local and regional governmental unit, independent slate head or candidate from any of the ineligible sources under paragraphs (1), (2) and (3) of this Article shall forthwith be reported by such political party, independent deputy, national minority deputy, independent member of the representative body of a local and regional governmental unit, independent slate head or candidate to the State Audit Office and the National Elections Commission or, in case of any donation paid to finance their election campaigns, to the National Elections Commission, and shall transfer any such funds paid thereto to the central budget not later than not later than 8 days after the date when they received such payment.

By way of derogation from paragraph (1)(i) of this Article, the ban on financing political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional self-government unites, independent slates and candidates (by foreign states, foreign political parties and foreign legal persons whose core business consists of education in the development and promotion of democratic principles) shall not apply to the financing of education programmes.

Article 23

When collecting donations to finance their activities, political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slates and candidates shall not exert any political or

other pressure on natural and legal persons.

When collecting donations to finance their activities, political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slates and candidates shall not promise any political or other counter-favours, privileges or personal benefits whatsoever to natural and legal persons.

VI. ANNUAL DISCLOSURE OF INFORMATION ON DONATIONS AND ELECTION CAMPAIGN COSTS, AND DONATIONS TO POLITICAL PARTIES, INDEPENDENT DEPUTIES, NATIONAL MINORITY DEPUTIES AND INDEPENDENT MEMBERS OF THE REPRESENTATIVE BODIES OF LOCAL AND REGIONAL GOVERNMENTAL UNITS

Article 24

Political parties and independent slate heads and candidates receiving any funds paid to their special accounts to finance their election campaigns shall, within the periods specified in paragraph (5) of this Article, submit reports on donations received to finance their election campaigns and reports on their election campaign costs (expenses), including information updated to the day of the submission thereof, to relevant electoral commissions.

The reports specified in paragraph (1) of this Article shall be submitted by using a form stipulated in an ordinance to be passed by the Minister of Finance.

A report on donations shall contain information specifying each donor (personal or corporate name and address), the date when any donation was paid or when any product or service was provided free of charge, the amount of any donation paid or the market value of any donated product or service, specified on an invoice which is not subject to payment, and the type of each donation.

A report on election campaign costs (expenses) shall contain information specifying the purpose of any cost, the name and address of any recipient, the date of any payment, the amount paid or, in case of donations by way of products or services, the market value of any such product or service, specified on an invoice which is not subject to payment.

Political parties, independent slate heads and candidates shall deliver the reports specified in paragraph (1) of this Article to the competent election commission not later than 7 days prior to the election day (preliminary reports) and not later than 15 days following the date of the announcement of final official election results (final reports).

Political parties, independent slate heads and candidates shall publicly disclose the reports specified in paragraph (5) of this Article on their websites or in the daily press (in case of local elections, in the local daily press) not later than 48 hours following the expiry of the period specified in paragraph (5) of this Article.

Disclosure on websites under paragraph (6) of this Article shall be deemed to constitute disclosure available thereon at least 30 days.

Article 25

In the event specified Article 15(1) of this Act, where a political party pays any funds to the special account of a candidate nominated thereby in order to finance his/her election campaign, the report on donations received by such candidate, as specified in Article 24(1) of this Act, shall

also contain information on donations received by such political party, specified in accordance with Article 24(3) of this Act.

Annual disclosure of information on donations

Article 26

Reports on donations made to political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units with a view to supporting their political activities during the course of the year, including information specifying all details specified in paragraph 24(3) of this Act, shall be subject to regular public disclosure by such political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, who shall make such disclosures by posting them on their websites every six months for the previous six-month period, but not later than 15 days following the expiry of any such six-month period.

Disclosure on websites under paragraph (1) of this Article shall be deemed to constitute disclosure available thereon at least 30 days.

VII. OVERSIGHT OF THE FINANCIAL OPERATIONS OF POLITICAL PARTIES, INDEPENDENT DEPUTIES, NATIONAL MINORITY DEPUTIES, INDEPENDENT MEMBERS OF THE REPRESENTATIVE BODIES OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS, INDEPENDENT SLATES AND CANDIDATES, AND THE AUDIT OF FINANCIAL STATEMENTS

Oversight and audit authorities

Article 27

The National Elections Commission shall oversee the annual financial operations and annual financial statements of political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units, and shall perform any such other tasks as may fall within its jurisdiction.

The National Elections Commission shall, in cooperation with relevant election commissions, oversee compliance with the provisions of this Act with regard to election campaigns, financial accounts pertaining to the financing of election campaigns, the collection of donations, election campaign costs, reporting on the financing of election campaigns and other activities related to the financing of election campaigns by political parties, independent slates and candidates.

The National Elections Commission shall oversee the financing of election campaigns from the date of opening special accounts for the financing of election campaigns to the completion of transactions on such accounts.

The State Audit Office shall perform audits of the annual financial operations and annual financial statements of political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units, and shall perform any such other tasks as may fall within its jurisdiction.

The State Audit Office shall perform audits under this Act as stipulated in the law governing the work of the State Audit Office and International Standards on Auditing.

When exercising its control function, the National Elections Commission may request any information as may be required thereby from the State Audit Office.

In performing oversight, the National Elections Commission shall exercise control and verification through other relevant authorities and may request such authorities to provide it with any required information and to take any required action. Such authorities shall, within the required period, furnish the National Elections Commission with all information and findings, in compliance with the provisions of this Act.

Audit of annual financial statements and financial operations

Operating records

Article 28

Political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall, before the end of each current year, adopt their annual operating programmes and budgets for the subsequent calendar year.

Independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall, at the beginning of their term of office, also adopt their operating programmes for the period of their term of office.

Article 29

Political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall maintain their operating records as stipulated in the accounting regulations applicable to non-profit organizations.

Financial statements

Article 30

Political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall prepare and submit their financial statements as stipulated in the accounting regulations applicable to non-profit organizations.

Political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall submit their financial statements for the reporting period from 1 January to 31 December (i.e. annual financial statements to the State Audit Office within 60 days from the date of the expiry of any such reporting period.

Along with their financial statements specified in paragraph (2) of this Article and as an integral component thereof, political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall enclose:

- their annual operating programmes and budgets specified in Article 28(1) of this Act, with independent deputies, national minority deputies and independent members of the representative

bodies of local and regional governmental units also enclosing their operating programmes for the period of their term of office, as specified in Article 28(2) of this Act; and

- their reports on donations received during the course of the year, containing information specifying each natural or legal person that has made any such donation (personal or corporate name and address), the date when any donation was paid or when any product or service was provided free of charge, the amount of any donation paid or the market value of any donated product or service, specified on an invoice which is not subject to payment, and the type of each donation.

When submitted by political parties, reports on donations received, as specified in paragraph (3)(ii) of this Article, shall also contain information on any donations paid by such political parties to the special accounts of their candidates during their election campaigns, as well as information on any donations paid to the accounts of entities that are, either directly or indirectly, associated with such political parties or are under their control.

Performance of audits

Article 31

The financial statements and financial operations of political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall be audited each calendar year for the preceding year.

The State Audit Office shall not be obliged to audit the financial operations of political parties, independent deputies, national minority deputies and independent members of local and regional governmental units that are, under the accounting regulations applicable to non-profit organizations, not required to prepare financial statements, but may audit them in accordance with its operating plan and programme.

When so requested by the State Audit Office, political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units specified in paragraph (2) of this Article shall submit thereto all of the required documentation.

Audit reports

Article 32

Audit reports on the annual financial statements and operations of political parties that are, under the provisions of this Act, entitled to financing from the central or, as appropriate, local or regional budget, as well as those of independent deputies in the Croatian Parliament, national minority deputies and independent members of the representative bodies of local and regional governmental units, shall be submitted by the State Audit Office to the Croatian Parliament before the end of each current year for the preceding year.

Audit reports on the annual financial statements of political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall be posted on the website of the State Audit Office.

Oversight of election campaign financing

Operating records

Article 33

Independent slate heads and candidates that are obliged to open special accounts for the purposes of financing their election campaigns shall, as of the date of opening such accounts, keep cash journals and revenue and expense journals by applying single-entry bookkeeping and cash basis accounting, in compliance with the accounting regulations applicable to nonprofit organizations.

Election campaign financing statements

Article 34

Political parties and independent slate heads and candidates receiving payments to their special accounts for the purposes of financing their election campaigns shall prepare election campaign financing statements containing information on any revenues received to finance their election campaigns, any sources of such financing, and any expenses incurred to finance their election campaigns, and shall submit them to the National Elections Commission within 30 days from the election day.

Reports on donations received and election campaign costs shall constitute integral parts of election campaign financing statements specified in paragraph (1) of this Article.

Where a political party pays any funds to the special account of a candidate nominated thereby in order to finance his/her election campaign, the report on donations received by such candidate, as specified in paragraph (2) of this Article, shall also contain information on any voluntary contributions received by such political party for the purposes of financing his/her election campaign. The form of election campaign financing statements shall be established in an ordinance to be issued by the Minister of Finance.

Article 35

If so requested by the National Elections Commission, political parties, independent slate heads and candidates shall, along with their election campaign financing statements, submit thereto all of the required documentation.

Implementation of oversight

Article 36

During the course of their election campaigns, political parties, independent slate heads and candidates shall keep and regularly update their records of all donations received and election campaign costs incurred, and shall, if so requested by the National Elections Commission, submit thereto any information required even if their election campaigns are still underway.

Article 37

While implementing control on the basis of documents submitted thereto by political parties, independent slate heads and candidates, the National Elections Commission shall, through

relevant authorities and departments, verify whether the amount of funds spent corresponds to that of funds received, as presented in financial statements, and whether the information contained in such statements is accurate.

Oversight report

Article 38

The National Elections Commission shall disclose its report on control over compliance with the provisions of this Act pertaining to election campaign by posting it on its website within 60 days after the date of announcement of final official election results.

Disclosure on the website as specified in paragraph (1) of this Article shall be deemed to constitute disclosure available thereon at least 30 days.

Disclosure of financial statements

Article 39

The annual financial statements of political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units, as specified in Article 30 of this Act, and the election campaign financing statements of political parties, independent slate heads and candidates, as specified in Article 34 of this Act, shall constitute public documents.

Political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units shall disclose their financial statements by posting them on their websites not later than 1 March of the current year for the preceding year.

Political parties, independent slate heads and candidates shall disclose their election campaign financing statements by posting them on their websites or publishing them in the daily press (in case of local elections, in the local daily press) not later than 15 days following the expiry of the period specified in Article 34(1) of this Act.

Disclosure on websites under paragraphs (2) and (3) of this Article shall be deemed to constitute disclosure available thereon at least 90 days.

VIII. ADMINISTRATIVE SANCTIONS

Article 40

Notwithstanding their liability for any offence specified hereunder, the following administrative sanctions may be imposed on political parties, independent slate heads and candidates in administrative proceedings for the breach of any provisions of this Act pertaining to the maximum amount of election campaign costs and the disclosure of information on donations and election campaign costs and election campaign financing statements:

- 1) full forfeiture of the right to recover election campaign costs;

- 2) partial forfeiture of the right to recover election campaign costs; and
- 3) suspension of the payment of recoverable election campaign costs.

The administrative sanction of full forfeiture of the right to recover election campaign costs shall be imposed on political parties, independent slate heads and candidates in cases where:

– they use their election campaign funds for ineligible purposes, i.e. contrary to Article 16(1) and (2) of this Act, or where they use funds from the central or, as appropriate, local or regional budget or the premises, official vehicles or equipment of governmental bodies or local and regional governmental units contrary to the ban set forth in Article 16(3) and (4) of this Act.

The administrative sanction of partial forfeiture of the right to recover election campaign costs shall be imposed on political parties, independent slate heads and candidates in cases where:

- they exceed the maximum total amount of election campaign costs, as specified in Article 17(1) of this Act;
- they fail to return the total amount of donations received exceeding the eligible amount of election campaign cost to their payers, as specified in Article 17(3) of this Act.

In the event specified in paragraph (3) of this Article, the sanction of partial forfeiture of the right to recover election campaign costs shall consist of a reduction in the amount of recoverable election campaign costs by any such amount by which the eligible amount of election campaign costs has been exceeded. If the excessive amount of election campaign costs is higher than the amount of recoverable election campaign costs, then the sanction of full forfeiture of the right to recover election campaign costs shall be imposed.

The administrative sanction of suspension of the payment of recoverable election campaign costs shall be imposed on political parties, independent slate heads and candidates in cases where:

- they fail to submit their reports on donations and elections campaign costs to relevant electoral commission or to disclose them publicly within the periods specified and as stipulated in Articles 24 and 25 of this Act;
- they fail to submit their election campaign financing statements, including the required enclosures, to the National Elections Commission within the period specified and as stipulated in Article 34 of this Act;
- they fail to publicly disclose their financial statements as stipulated by Article 39(3) of this Act.

The payment of recoverable election campaign costs shall be suspended as stipulated in paragraph (5) of this Article until the obligation in question is duly fulfilled.

Decisions on any full or partial forfeiture of the right to recover election campaign costs under paragraphs (2), (3) and (4) of this Article and any suspension of the payment of recoverable election campaign costs under paragraph (5) of this Article shall be made by the National Elections Commission.

Decisions made by the National Elections Commission to impose administrative sanctions

may not be appealed, but may be subject to the initiation of administrative lawsuits.

Decisions made by the National Elections Commission under paragraph (7) of this Article shall be published in *Narodne novine*.

Article 41

Notwithstanding their liability for any offence specified hereunder, if political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional self-government fail to submit their annual financial statements, including the required enclosures, to the State Audit Office within the period specified and stipulated in Article 30 of this Act, the payment of funds for their regular annual financing from the central or, as appropriate, local or regional budget shall be suspended.

The payment of funds for regular annual financing from the central or, as appropriate, local or regional budget shall also be suspended for political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units failing to disclose information on donations received during the course of the year, as stipulated in Article 26 of this Act.

The suspension of payments under paragraph (1) of this Article shall remain in force until the submission of annual financial statements to the State Audit Office, whereas that under paragraph (2) of this Article shall remain in force until the disclosure of information on donations.

Decisions on any suspension of the payment of funds for regular annual financing from the central budget shall be made by the Committee on the Constitution, Standing Orders and Political System of the Croatian Parliament, at the proposal of the State Audit Office or the National Elections Commission.

Decisions on any suspension of the payment of funds for regular annual financing from local or regional budgets shall be made by the representative bodies of local and regional governmental units, at the proposal of the State Audit Office or the National Elections Commission.

Article 42

Notwithstanding their liability for any offence specified hereunder, political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units failing to publicly disclose their annual financial statement within the period specified and stipulated in Article 39(2) of this Act shall forfeit their right to regular annual financing from the central or, as appropriate, local or regional budget for a period of three months.

Decisions on any forfeiture of the right to regular annual financing from the central budget for a period of three months, as stipulated in paragraph (1) of this Article, shall be made by the Committee on the Constitution, Standing Orders and Political System of the Croatian Parliament, at the proposal of the State Audit Office.

Decisions on any forfeiture of the right to regular annual financing from local or regional budgets for a period of three months, as stipulated in paragraph (1) of this Article, shall be made by the representative bodies of local and regional governmental units.

IX. PENALTIES

Article 43

A fine shall be imposed on:

- political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional self-governments units using funds contrary to Article 2(4) and (5) of this Act;
- independent deputies, national minority deputies and independent members of the representative bodies of local and regional self-governments units failing to open accounts for the regular financing of their activities in compliance with Article 7(3) of this Act;
- independent deputies, national minority deputies and independent members of the representative bodies of local and regional self-governments units who, after the expiry of their term of office and unless they have been re-elected, fail to return any unspent funds, the pecuniary amount equal to the market value of any assets, or any assets within the period specified and stipulated in Article 8 of this Act;
- political parties failing to maintain records of and issue receipts for membership fees and voluntary contributions received, as well as independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate leaders and candidates failing to keep records of and issue receipts for voluntary contributions received in compliance with the provision of Article 10(5) of this Act;
- political parties, independent slate heads and candidates failing to publicly disclose the amount of, and any discount granted thereto on, the price of media advertising for the purposes of their election campaigns in compliance with Article 12(2) of this Act;
- candidates for the President of the Republic of Croatia and those for municipal chief officials and city mayors, county prefects and the Mayor of the City of Zagreb who fail to publicly disclose indicative data on the amount and sources of their own funds they intend to use for their election campaigns in compliance with the provision of Article 13 of this Act;
- political parties, independent slate heads and candidates who fail to open special accounts for the purposes of financing their election campaign costs or fail to open such accounts within the required period in compliance with Article 14(3) and (4) of this Act;
- political parties, independent slate heads and candidates using their election campaign funds for ineligible purposes, i.e. contrary to Article 16(1) and (2) of this Act, or using funds from the central or, as appropriate, local or regional budget or the premises, official vehicles or equipment of governmental bodies or local and regional governmental units contrary to the ban set forth in Article 16(3) and (4) of this Act;
- political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads and candidates who, when collecting donations, exert any political or other pressure on, or promise any political or other counter-favours, privileges or personal benefits to, natural and legal persons contrary to Article 23 of this Act;

- political parties and candidates failing to submit their reports on donations and election campaign costs to the relevant election commissions within the required period and containing the required information in compliance with Articles 24 and 25 of this Act, as well as independent slate heads failing to submit their reports on donations and election campaign costs to the relevant election commissions within the required period or to publicly disclose them in compliance with Article 24 of this Act;
- political parties, independent deputies, national minority deputies and independent members of the representative bodies of local and regional governmental units failing to adopt their operating programmes and budgets or to keep their business records in compliance with Articles 28 and 29 of this Act;
- political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units failing to submit their annual financial statements, including the required enclosures, to the State Audit Office within the period specified and stipulated in Article 30 of this Act;
- independent slate heads and candidates failing to maintain their operating records in compliance with Article 33 of this Act;
- political parties, independent slate heads and candidates failing to submit their election campaign financing statements, including the required enclosures, to the National Elections Commission within the period specified and stipulated in Article 34 of this Act;
- political parties, independent slate heads and candidates failing to keep and updated their records of donations received and election campaign costs incurred or, if so requested by the National Elections Commission, to submit thereto any required documentation during the course of their election campaigns, in compliance with Article 36 of this Act;
- political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads and candidates failing to publicly disclose their financial statements within the period specified and stipulated in Article 39 of this Act;

For any offence specified in paragraph (1) of this Article, political parties shall be subject to a fine ranging from HRK 50,000.00 to 500,000.00.

For any offence specified in paragraph (1) of this Article, independent deputies to the Croatian Parliament, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads and candidates shall be subject to a fine ranging from HRK 30,000.00 to 50,000.00.

For any offence specified in paragraph (1) of this Article, a fine ranging from HRK 10,000.00 to 20,000.00 shall also be imposed on persons authorized to act on behalf of or represent political parties as well as persons responsible for their financial operations.

Article 44

A fine shall be imposed upon:

- political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads

and candidates failing to report any amount of donations exceeding the amounts specified in Article (3) and (4) of this Act, and to pay it to the central budget in compliance with Article 11(5) of this Act;

- political parties, independent slate heads and candidates exceeding the maximum total amount of election campaign costs, as stipulated in Article 17(1) of this Act;

- political parties, independent slate heads and candidates failing to return the total amount of received donations exceeding the eligible amount of election campaign costs to their payers, as stipulated in Article 17(3) of this Act;

- political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads failing to report any donation paid from ineligible sources and to transfer such funds paid thereto to the central budget, as stipulated in Article 22(4) of this Act.

For the offences specified in paragraph (1)(i) and (iv) of this Article, political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads and candidates shall be fined in an amount ranging from 8% to 10% of the total amount of donations which a natural or legal person is allowed to make to a political party, independent deputy, national minority deputy, independent member of the representative body of a local and regional governmental unit, independent slate head or candidate within a calendar year, as stipulated in the provisions of Article 11(3) and (4) of this Act.

For the offences specified in paragraph (1)(ii) and (iii) of this Article, political parties, independent deputies, national minority deputies, independent members of the representative bodies of local and regional governmental units, independent slate heads and candidates shall be subject to a fine ranging from 8% to 10% of the maximum total amount of election campaign costs, as stipulated in Article 17 of this Act.

Article 45

A fine shall be imposed upon:

- a natural or legal person failing to issue an invoice for any donation made by way of products or services, or if the value of any donated product or service, as specified on such invoice, does not correspond to its market value, as stipulated in Article 10(3) of this Act.

- a natural or legal person paying any donation to a political party, independent deputy, national minority deputy, independent member of the representative body of a local or regional self government unit, independent slate or candidate contrary to the ban specified in Article 22(1)(vi) of this Act.

For the offence specified in paragraph (1) of this Article, legal persons shall be subject to a fine ranging from HRK 50,000.00 to HRK 100,000.00.

For the offence specified in paragraph (1) of this Article, natural persons shall be subject to a fine ranging from HRK 10,000.00 to HRK 50,000.00.

A fine ranging from HRK 10,000.00 to HRK 20,000.00 shall also be imposed to persons authorized to act on behalf of represent such legal persons.

Article 46

A fine ranging from HRK 100,000.00 to HRK 500,000.00 shall be imposed upon:

– local and regional governmental units failing to secure the funds required for the regular annual financing of political parties and independent members of their representative bodies in their budgets, in compliance with the provision of Article 3(2) of this Act.

Article 47

A fine ranging from HRK 50,000.00 to HRK 100,000.00 shall be imposed upon:

– local and regional governmental units failing to regularly transfer the funds required for the regular annual financing of political parties and independent members of their representative bodies, as specified in Article 7(2) of this Act, and failing to pay out any recoverable election campaign costs within the period specified and as stipulated in Article 21 of this Act.

A fine ranging from HRK 10,000.00 to HRK 50,000.00 shall also be imposed on persons authorized to act on behalf of and represent such local and regional governmental units as well as persons responsible for their financial operations.

Article 48

Any monies collected or spent by political parties, independent slates and independent candidates contrary to the provisions of this Act shall be disappropriated and paid to the central budget.

Article 49

Any charges for the foregoing offences shall be brought by the public prosecutor before the competent court.

The State Audit Office and the National Elections Commission shall, within the limits of their jurisdiction, notify the Public Prosecution Service of any identified breach of this Act and deliver thereto all documents pertaining to the concerned case.

X. REPORTING REQUIREMENTS Article 50

The National Elections Commission shall issue instructions on the implementation of the provisions of this Act with regard to financial reporting on election campaign financing.

XI. TRANSITIONAL AND FINAL PROVISIONS

Article 51

The Minister of Finance shall pass the Ordinance specified in Article 10(6) of this Act not later than 60 days after the entry into force of this Act.

The Ordinance on the Method of Keeping Records of and Issuing Receipts for Membership Fees and Voluntary Contributions (Donations) (as published in *Narodne novine*, no. 26/07 and 148/09) shall remain in force until the adoption of the Ordinance specified in paragraph

(1) of this Article. The Minister of Finance shall pass the Ordinance specified in Articles 24(2) and 34(4) of this Act not later than 60 days after the entry into force of this Act.

Article 52

Upon its entry into force, this Act shall supersede the Act on the Financing of Political Parties, Independent Slates and Candidates (as published in *Narodne novine*, no. 1/07).

Upon its entry into force, this Act shall supersede the Act on the Financing of Election Campaigns for the Election of the President of the Republic of Croatia (as published in *Narodne novine*, no. 105/04).

Upon its entry into force, this Act shall supersede the provisions of Articles 31, 32, 33, 35 and 36 of the Act on the Election of Deputies to the Croatian Parliament (as published in *Narodne novine*, no. 116/99, 109/00, 53/03, 167/03, 44/06, 19/07 and 20/09).

Upon its entry into force, this Act shall supersede the provisions of Article 16 of the Act on the Election of the President of the Republic of Croatia (as published in *Narodne novine*, no. 22/92, 42/92, 71/97, 69/04 and 44/06).

Upon its entry into force, this Act shall supersede the provisions of Articles 27, 28, 29, 30, 31 and 32 of the Act on the Election of Municipal Chief Officials and City Mayors, County Prefects and the Mayor of the City of Zagreb (as published in *Narodne novine*, no. 109/07 and 125/08).

Upon the entry into force of this Act, the provision of Article 21 of the Act on the Election of Members of the Representative Bodies of Local and Regional Governmental Units (as published in *Narodne novine*, no. 33/01, 10/02, 155/02, 45/03, 43/04, 40/05, 44/06 and 109/07) shall cease to apply to the election of members of the representative bodies of local and regional governmental units, but shall remain applicable to elections for national minority councils.

Article 53

This Act shall enter into force on the eighth day following the date of its publication in *Narodne novine*.

Class: 013-01/10-01/01

Zagreb, 11 February 2011

CROATIAN PARLIAMENT

Luka Bebić (*m.p.*) Speaker of
the Croatian Parliament