

**Patronage and Inefficient Public Administration:
Croatia's Weakness to Enforce Its Political
Financing Law Since Independence**

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Abstract

Political financing in Croatia has had continuous, regressive transparency and regulation implementation issues damaging electoral campaigns, previous research states. This thesis focuses on the political financing law's weak enforcement to monitor party corruption as a missing research gap. Legal review, data analysis, and desk research were methodologically used. The thesis is accompanied by the civic political financing model theory, serving as an 'ideal' model for a political financing system based on three pre-achieved conditions: party system correspondence, collegiality, systemic voice and accountability evaluation, and a counterbalance to inherent party system pathologies.

The research examines two areas that the law inadequately regulates: patronage and public administration. Patronage plays a big role in establishing privileged relations with non-governmental actors, whose strategies mainstream parties are likely to utilize. Although its role formally exists, public administration fails to effectively practice the legal mechanism set by the law, implying inefficiency, but also potential collusion. The research discusses the presence of party corruption in Croatia and the population's ignorance of its presence. This unfortunately legitimizes corruption in Croatian politics, undermining its democracy.

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Abbreviations List

CFR	Campaign Financing Report
CPI	Corruption Perception Index
DORH	State Attorney of Republic of Croatia
DP	Homeland Movement
EPPO	European Public Prosecution Office
EU	European Union
€	Euro (current Croatian currency)
GONG	Croatian NGO monitoring democracy
HDZ	Croatian Democratic Union
HRK	Croatian <i>kuna</i> (former Croatian currency)
IDEA	International institute for Democracy ad Electoral Assistance
MP	Member of the Parliament
ODIHR	OSCE's Office for Democratic Institutions and Human Rights
OGP	Open Government Partnership
OSCE	Organization for Security and Co-operation in Europe
PS	Party Statute
SAO	State Audit Office
SDP	Social Democratic Party of Croatia
SEC	State Electoral Commission
TI	Transparency International

Introduction

The Republic of Croatia has had regular, free elections since 1991. However, they have not been always considered fair as Croatia faces challenges in enforcing its political financing law, leading to concerns about party corruption and the undermining of democracy. Despite efforts to modernize and strengthen the political financing law, issues such as patronage and weak public administration have hindered effective enforcement and have contributed to a decline in public trust in political institutions and electoral processes, also debated in the Croatian Parliament, *Sabor*. Other issues that were brought up by independent observers refer to transparency of “reporting donations, real costs of advertising on social networks, and the money flow that is difficult to follow” (GONG, May 24, 2021).

In 2020, OSCE’s Office for Democratic Institutions and Human Rights (ODIHR) acknowledged Croatia’s adoption of a new Law on Financing Political Activities, Election Campaigns, and Referenda (thereafter Law) as a step forward in terms of transparency. The Law introduced a requirement to electronically submit donations and campaign expenditures reports, their publication on the State Electoral Commission (SEC) website, and the obligation to conclude contracts of donations exceeding 5,000 HRK. Concerns remain about the using private assets and the transparency of loans taken to finance the election campaign as the Law does not regulate these aspects (OGP, 2020).

The Law is based on the underlying theory of a civic political financing model. It serves as an ideal goal for Croatia’s political financing system, with certain conditions required to reach that stage: correspondence to the party system, evaluation in terms of collegiality, systemic voice and accountability, and a counterbalance to the inherent pathologies of a party system. This will be adapted to the Croatian context: its political financing will be traced back to national and local elections through electoral results and finances. Two hypotheses will be tested:

whether the mainstream parties exploit the legal loopholes for illegal practices and whether the lack of enforcement is intentional.

The presence of patronage and weak public administration will be analyzed as the main causes of political corruption. This will be done through a legislative review and desk research of data reports and newspaper articles related to patronage and public administration. The thesis expands the existing research by bringing in more recent data on electoral irregularities, as well as public perceptions on the issue.

Chapter 1 - Theoretical Framework: Law and its Regulation

1.1 The Civic Political Financing Model: A Move Towards the Future

Mateo Bonotti and Zim Nwokora (2023) discuss the civic political financing model as an “ideal model for party financing systems”, a final goal still to be reached even by the most advanced democracies (OECD iLibrary, 2024). They suggest that the civic model should satisfy the conditions of party financing evaluated across three dimensions of partisanship. First, a political financing system should correspond to the inherent party system in which it operates. The mechanism should ensure that all political actors and parties are financed and represented equally. Sadik Haxhiu and Arben Sahiti (2018, pp.104) state that the actual funding should be proportional to differentiate between the parties that are in the parliament and those that are not. Second, collegiality and systemic accountability should be implemented for an improved political financing system. It is important to have meaningful discussions between the party members and their voting pool to suggest new campaign ideas. Finally, the political financing reform should counterbalance the pathologies inherent to different party systems. It is important to assess the political financing mechanism’s performance and discover weaknesses tied to the country’s party system (Bonotti and Nwokora, 2023, pp.2). That way, those weaknesses would be rooted out, allowing the political financing system to function simultaneously with the party system.

The current model of political financing in countries like Croatia lacks the voters’ trust in party financing, making it still look speculative. This has been pointed out well by Daniel Smilov (2007, pp.8) who gives priority to democracy over anti-corruption concerns but emphasizes that improving party funding mechanism is essential to promoting the voters’ interests in post-

communist countries. Zdravko Petak (2001, pp.19) stated that the mechanism of uneven and unfair finance distribution in Croatia had become a public policy problem before its reform. However, without enforcing the Law as the basis of transparent political financing, the quality of electoral campaigns and annual financing would deteriorate. Fernando Casal Bertoa (2014) confirmed the relationship of perceived corruption and the weak regulation of political financing but stated that it exists in a more complex manner than suggested by the prior literature. The regulation of political financing decreases party corruption perception. Casal Bertoa (2014, pp.356) claims that even “when regulations on party funding are being imposed, the party officials would show animosity towards new measures and would try to avoid them”. Such abstinence from adapting to new regulations results in more malfeasance, even with the non-state actors that are supposed to abstain from greater political involvement. This will be later described in Croatia’s context.

This thesis aims to extend Casal Bertoa’s suggested relationship by concentrating on the necessary conditions stated by Bonotti and Nwokora as they focus more on the intra-party structure that should adapt to the law. This would get closer to the goal of the civic political financing model that is based on mutual tolerance and transparency.

1.2 Croatia’s Political Financing Law and Its Legal Loopholes

Croatia’s political financing system has a similar background to the other post-communist, transitional democracies. This means that the law still has some notable elements that were present back in the Socialist Federative Republic of Yugoslavia (SFRY) in a one-party system. The excessive funding of dominant political parties, which emerged from the former communist regimes in Europe, must be classified as a democratic concern (Smilov, 2007, pp.9). This practice has been supported by the law which makes the parties dependent on state funding (Petak, 2003, pp.73). Instead of supporting the party funding for the common good and

promotion of public interests, the law creates a concentrated political system, resulting in parties' management by the state (Petr Kopecky, 2006, pp.257). If continued, this practice would keep undermining the pluralism that most parliamentary democracies tend to promote today (Nicole Bolleyer & Siim Trumm, 2014, pp.787).

Croatia is officially classified as a multi-party democracy. However, the practice of uneven political financing suggests a rather dominant party system practice. The two largest parties, the conservative Croatian Democratic Union (HDZ) and the Social Democratic Party of Croatia (SDP), usually come out as the “winners” when it comes to political financing. Their large and well-established party organization across the whole country has helped their consolidation on the Croatian political scene. The election financing law, originally founded in the 1990s, helps such large parties through the principle “who has more resources will gain more votes” (Josip Kregar et al., 2007, pp.63). This practice has become a decisive factor when it comes to electoral campaigns and post-electoral results.

Although there have been some positive changes since the new, consolidated law was enacted in 2019, little has been done to improve the political financing mechanism of Croatia's multi-party system. Dario Čepo (2020, pp.149) stresses the institutional subordination by the incumbent party as the main reason for holding back the change. This is another systemic problem in Croatian politics: institutional cadres are usually filled with party-connected individuals. This practice goes back to the party organization based on the former Communist League of Croatia on which basis SDP was founded, but HDZ also attracted members (Goran Čular, 2004, pp.31). As a result, particular interests play a role here, which prompts the party-connected individuals to work in public institutions while not favoring public interests.

Croatia currently ranks 57th on Transparency International's (TI, 2023) ranking list of perceived corruption showing stagnation. This shows the widespread and rooted presence of corruption,

also caused by weakly regulated political financing, among other problems. This chapter will emphasize what elements are missing in Croatia's political financing law and what must be amended to get closer to the civic model of political financing theorized by Bonnotti and Nwokora.

The current Law on Financing Political Activities, Electoral Campaigns, And Referenda (hereafter Law) was enacted in 2019. The predecessor laws were in place since 1993, modernized in 2006 and 2011, and consolidated into one law in 2019 (zakon.hr, 2020). However, the main political financing mechanism has been unchanged since 2006.

The 1993 Law on Political Parties focused on the intra-party structure and organization of all the parties that were present in *Sabor*. However, since Croatia had a semi-presidential system in the 1990s, the growing number of political parties and a 2000 constitutional change to a parliamentary democracy, implied that reforms were needed to decentralize the party system (povijest.hr, November 9th, 2023). Gradually, after 2000, a series of regulations in the field of political financing were announced. Those regulated the annual and campaign financing of political parties, independent candidates, candidates for the President of the Republic, candidates for *Sabor*'s party representatives, as well as campaign financing for local mayors, county governors (Croatian: *župani*), and local councils' members. As they were all written separately, some regulations lack clarification. Nonetheless, they were all eventually combined into the 2019 Law that exists today.

The current version of the Law aims to emphasize several things: transparency, a balance between public and private funding, recording of all funds on special campaign budgets, annual party finances and incomes, a ban of foreign financing, as well as oversight and audit (IDEA, 2023).

Article 2 (zakon.hr, 2020) distinguishes between public and private funding. It states that “all political subjects are being primarily financed either from donations (voluntary contributions), state budget or from budgets of local self-governance units (counties, cities, and municipalities). Furthermore, the article states that financial resources can come from private assets as well. The Law has considered the criticism of the uncontrolled financing from donations. This has been regulated by setting the upper limit for individual donations (by legal and physical persons) to political parties or independent lists and candidates. According to Article 11, limiting the donations “prevents the political parties and independent lists and candidates from being dependent on donors”. It is supposed to block any excessive donations that might significantly prove advantageous to certain political subjects.

However, the Law does not regulate private assets’ financing limits. This is a serious risk, as this could result in a private asset financing overflow, proving advantageous to larger parties. To improve this by referring to the civic political financing model, the third condition of counterbalancing the inherent system pathology would be required here (Bonnotti and Nwokora, 2023, pp.14). Since not regulating private financing from assets gives opportunities for an increase in unregulated patronage, investigating its origin and assessing this financing would prevent possible patronage. Inserting a provision such as “that private financing from assets is given an upper limit to also make political subjects independent from financiers, and a requirement for further assessment to check the legality of obtained assets” would clarify such financing usage and limit the potential *patrons’* influence in excessively financing certain political subjects.

The Law still does not regulate financing from loan proceeds. The EU’s report on political financing in its member states made a similar statement on Croatia: “Taking loans for election campaign financing are still not being regulated, as well as the fact that the current Law must be reviewed again to officially merge the previous existing laws, thus eliminating any

remaining legal inconsistencies between different election laws” (Quentin Reed et al., June 2021, pp.79).

The Law defines the sanctions for potential wrongdoings. Articles 40, 41, and 43-49 state the administrative sanctions, loss of income resources, and misdemeanor directives (IUS-INFO, March 4, 2011). However, the Law says that local councils could punish the individual who illegally used the local self-government budget for a campaign (or did not publish the income list). This led to decreased practice of penalizing electoral malfeasances, especially at the local level, given that political subjects usually come from the same parties that are represented in a local council.

At the local level, mainstream parties such as HDZ have absolute control over many municipalities and cities, where local financing malfeasances more frequently occur. Such cases remain hidden and are perhaps discovered later, but with no swift response from the SEC. It is the SEC’s responsibility to monitor election campaign financing, while SAO audits political party financial reports annually. The digitalization of the election campaign financing reports as required by the 2019 Law makes finance flows monitoring easier which the SEC should take advantage of for faster wrongdoings detection. Access to such reports by independent observers is also made easier, although the format should be more user-friendly for academic research (GONG, March 9, 2020). This improvement is related to the second and third conditions of Bonnotti and Nwokora’s civic political financing model: having a strong institution to detect and sanction electoral malfeasances would help counter such deceptions inherently present in electoral campaigns.

1.3 Hypotheses and Methodology

Given the analysis of the Law and the described background context, this thesis will attempt to answer three emerging hypotheses. The first two relate to patronage and public administration

as reasons simultaneously undermining the Law's enforcement, while the third one is connected to them as an adverse impact of the unenforced Law arising from these reasons.

Hypothesis 1: Unregulated private asset financing increases the influence of patronage in Croatian electoral campaigns and is commonly exploited by mainstream parties to constantly outcompete smaller parties.

This hypothesis focuses on the legal weakness related to financing from assets and loans. Allowing for patronage, private financing from assets is usually done by large company owners connected to government officials. This hypothesis will be investigated by looking at which business-oriented individuals have close ties to public officials as published in investigative newspaper articles, and by analyzing the campaign financing reports (CFR). Party statutes (PS) will be analyzed to determine whether parties' policies on party funding leave room for patronage in their electoral campaign financing. Chapter 2.2 will hopefully demonstrate the involvement of patronage in electoral campaigns, and that mainstream parties utilize this strategy to financially strengthen their campaign.

Hypothesis 2: The assessment of electoral malfeasance by local electoral commissions implies an intentional undermining of the central body responsible for monitoring election financing, the SEC.

This hypothesis will concentrate on the problem of setting the electoral malfeasance regulators at the local level. As written in the Law, it is implied that local electoral commissions (consisting of local party members), should be responsible for penalizing any reported electoral malfeasances. However, this is mostly ignored, as malfeasance committers and local commission members come usually from the same parties. To answer this hypothesis, journalist investigations will be used to discover how much is this practice present at the local level. Statistics will provide any information on the detection and prosecution of such cases in

Chapter 2.1. Chapter 2.3 will discuss the public administration's intentionally inefficient structure to not respond to electoral malfeasances.

Hypothesis 3: Generally, most of the population does not support excessive political financing of electoral campaigns, as it promotes corruption of party officials and their supporters. Therefore, the public advocates for legal framework strengthening.

This hypothesis aims to delve into a more general pattern present in Croatian electoral campaigns: the relationship between perceived corruption and unregulated, excessive political financing. The pattern is implied by the existing Law loopholes that allow for parties and elected individuals' unregulated financing. This hypothesis will be answered by expanding on Casal Bertoa's similar hypothesis (2014) about this relationship, referring to statistical data on Corruption Perception Index (CPI) from TI, surveys on public trust in institutions, and additional journalist investigations of actual corruption scandals connected to electoral campaigns in chapters 2.1 and 2.4. Through these three aspects, it is expected that a hypothesis that people do not favor corruption involvement in electoral campaigns will be confirmed.

Chapter 2 – Reasons for Croatia’s Unenforced Political Financing Law

2.1 Tracing the Political Financing at the National and Local Level

This section analyzes parties’ electoral results in Croatia with their corresponding campaign costs for several national and local elections. These statistics will be corroborated by the notable affairs that were discovered by journalists about the financing of electoral campaigns. Both procedures will be done at the national and local level to trace the path of financing.

Petak (2001, pp.31) compared the results of the 2000 Croatian parliamentary elections (Appendix 1). Several smaller parties got to the Parliament alongside two major parties, HDZ and SDP. These are Croatian Party of Rights (HSP), Croatian Peasants’ Party (HSS), Liberal Party (LS), and Croatian Social-Liberal Party (HSLs). While it is surprising that a few smaller parties were able to get their MPs elected, HDZ and SDP still came out as the winners. They had the highest party incomes. HDZ had about 25.837 HRK, while SDP had about 13.455 HRK, almost half of the HDZ election budget. Other parties’ budgets had nowhere near close the budgets to compete with them. The essential assumption made was that most of HDZ and SDP’s finances came from party budget and property-related income (for SDP it amounted up to 55%). In 2003, parties’ real budgets were not known as there was no separate election financing recording in place. Petak (2001, pp.31) notes that HDZ’s recorded income for the election campaign does not add up to their total party budget. This indicates that HDZ and possibly SDP had extensive additional financial support in their electoral campaign.

With regulations slowly strengthening, in 2007, it was discovered that some parties did not properly practice their party and campaign budget recording. Referring to the table by Gorana Misić (2018, pp.83), it could be seen that HDZ and HSS were the parties at the national level

who deliberately avoided this practice (Appendix 2). Both parties gathered more than 50% of income from unknown sources during the 2007 parliamentary elections (HDZ ~ 50%, HSS ~ 61%), or about 15 million HRK for each party. Later, it was discovered that HDZ's Prime Minister at the time, Ivo Sanader, obtained about €10 million from state-owned firms and institutions for its party's and personal budget in a deal with the *Fimi Media* marketing agency. In return, institution managers were promised extensive state subsidies and support, which is a clear case of patronage. However, SDP and HNS's unknown income also seemed suspicious: 20% of their party income that was not discovered could have been property-related income, also present in 2003 elections. This legal weakness should have been prevented, as it further deteriorated the trust in the electoral campaign.

After the new Law was proclaimed in 2011 and consolidated in 2019, it eventually produced a slightly different political outcome in the 2020 parliamentary elections. Some older, smaller parties disappeared while new ones emerged. The newer parties that secured their MPs in *Sabor* were the two right-wing parties: The Bridge (Most), The Homeland Movement (DP), and a left-wing, progressive party We Can! (Možemo!). Although all three parties claimed that their rising popular support influenced their successful electoral outcome, DP had a significantly larger campaign budget (SEC CFR, September 17, 2020). For a party that was founded in March 2020, four months before the July elections, this was unanticipated. This is mostly reflected in their campaign budget spent on social media, amounting up to 3 million HRK—the third largest budget after HDZ and SDP. What was also surprising is that lots of private financing came from assets that belong to 'other forms of campaign promotion'. This amounted to about 508.000 HRK.

While there is no evidence of unrecorded income and costs, one of the reasons DP had a successful electoral outcome was because of financing enabled by its chair, Mario Radić. He is a notable businessman who has a 20% share in the Croatian company *Pevex* that he co-

manages with another businessman, Pavao Vujnovac, who is also the owner of a natural gas company PPD that cooperates closely with the Russian company Gazprom. As a loyal *patron* and friend of Radić, journalists suspect that he financed DP's campaign (index.hr, July 21, 2021). Radić reported to have donated a sum of €11.590 from his budget to get elected again to *Sabor* in 2024 (GONG, May 20, 2024).

However, the HDZ-SDP duopoly still managed to organize the strongest electoral campaigns in 2020 with most finances (SEC CFR, August 4, 2020). HDZ outcompeted SDP in terms of donations (4.100.000 versus 700.000 HRK), out of which most came from physical money donations (2.900.000 HRK). This indicates HDZ's supremacy over SDP in their campaign organization. In the 2024 parliamentary elections, HDZ defeated SDP with an even larger budget of €2.150.000 compared to SDP's €1.640.000 budget (GONG, May 20, 2024).

A suspected irregularity in the 2024 parliamentary elections relates to foreign financing, which is forbidden by the Law. The opposition found online HDZ adverts that were probably financed by the Polish Right and Justice (PiS) party, named as the advert owners (jutarnji.hr, April 3, 2024). This was denied by HDZ, who accused Google of a mistake. The case is still being investigated by SEC. If it is proven that PiS financed HDZ's campaign, this would be a serious breach of the Law and the HDZ's party statute (PS) that strongly prohibits illegal foreign financing (HDZ PS, 2017, pp.28).

The most known case of electoral malfeasances at the local level is of the former mayor of Zagreb, Milan Bandić. As SDP's former member, and later a leader of his party BM365 (supported by HDZ), he was able to gain financial support from local businessman Tomislav Horvatinčić (known for illegal construction approved by Bandić) (index.hr, February 28, 2021) and Petar Pripuz (contracted by the city of Zagreb for recycling bulky and metal waste) that has not been reported (Telegram, November 23, 2023). Although the prosecution started,

Bandić was never sentenced for the committed malfeasances before he passed away in 2021. On top of that, his party owes for several campaign promotions since 2021 and has been in arrears of around €280.000 (Tportal, May 15, 2024). This demonstrates the institutional weakness of swiftly processing such cases.

Another case is the illegal financing offer made to the mayor of the city of Oroslavje, Viktor Šimunić (jutarnji.hr, May 30, 2021). During the campaign for the 2021 local elections, HDZ officials approached him to go against SDP as an independent candidate, with secret financing by HDZ. In return, he was asked what position he would want to take in the new local government. Realizing he was being bribed, Mr. Šimunić recorded this meeting and sent it to all broadcasting channels. Media erupted with criticism towards HDZ, but the party was never punished for the attempt to commit electoral malfeasance. The SEC condemned the attempt at electoral fraud, but State Attorney Office (DORH) never prosecuted this case. This shows yet another situation where public administration inefficiently reacted to electoral malfeasance that was supposed to be regulated.

In terms of penalties, DORH's report (2023, pp. 91-92) shows an improvement in detecting and prosecuting electoral malfeasances. In 2023, there were 765 newly received cases, up from 313 cases received in 2022. In 2023, 580 decisions were made, of which 311 cases were closed with material sanctions. This is an increase from 2022, when 413 decisions were made of which 228 cases were closed with material sanctions.

2.2 Role of Patronage and its Effect on Government-Business

Relations

Patronage is defined as a private donation from a predominantly wealthy individual as support to an organization. Kopecky (2016, pp.421) highlights that 'in highly patronaged countries,

having loyal patrons serve for political control, party officials in return reward those patrons in exchange for votes and services. Therefore, in a political system where even smaller parties succumb to patronage, it is difficult to implement a political financing mechanism that regularly checks the finance flows if other political actors join forces with wealthy individuals to avoid recording excessive private financing.

Petak et al. (2015, pp.107) and Michael Pinto-Duschinsky (2002, pp.71) discuss the relationship between private and public funding and relate patronage to individual, financially powerful investors. Similarly, Bolleyer & Evelyn Bytze (2014, pp.520) found that private funding related to patronage is more commonly practiced among right-wing parties. They do not favor taxing their MPs through membership fees and donations to fill in the party coffers, while center-left parties may impose donations from MPs' salaries to the party. Right-wing parties, on the contrary, tend to prefer having a few, but quantitatively large private donations that are coming from private company managers.

There is an anticipated pattern that all mainstream parties are inclined more toward private funding connected to patronage. One reason is that this is prompted by their centralized structure which brings them stability and wide political influence (Thomas Poguntke et al., 2016, pp.670). On the other side, smaller parties are 'trapped' in public funding. Their relatively short existence, and their decentralized party structure, may restrict them from gathering larger financial resources. But the problem is that of finding fair, accountable partners and private investors who would be willing to donate for the public rather than particular goals, a statement mentioned also by GONG (OGP, 2020). This would not only strengthen the promotion of other political parties but would also even out the odds with the mainstream parties. That way, voters who support certain smaller parties would also be empowered.

In the Croatian context, patronage is related to private funding for political parties that would return the support once appointed in the Government. Even though patronage has been occasionally mentioned in newspapers as a factor influencing elections, not a lot of research has been done on it. This subchapter will try to investigate whether Croatian Law follows the pattern of appointing politically loyal patrons who offer financial support to right-wing parties to answer the first hypothesis.

Čular (2004, pp. 31) openly criticizes the poorly regulated political process and financing that undermines the fair democratic participation of parties. One might think that the difference in party structure helps mainstream parties stand out as stronger compared to the smaller ones. Given that parties like HDZ have quantitatively larger private company donations, now visible after 2024 parliamentary elections (GONG, May 20, 2024), this increases the likelihood of patronage being associated with the mainstream parties. The fact that some excessive private fundings were not recorded signals the intentional hiding of the money trail. A similar assumption was made by Robert Podolnjak (2022, pp.22), who analyzed the *Fimi Media* electoral malfeasance affair committed by former Prime Minister Ivo Sanader. Gathering illegal financing resources damaged its party (HDZ) reputation. It also deteriorated the general quality of the electoral campaign, as other parties and their voters felt powerless.

Although there is a presupposition that smaller parties are keener relying on donations, the case of DP and its involvement with wealthy businessman counters this argument. This case shows that despite being in the opposition, even smaller parties could be extensively financed by individuals who see an opportunity for themselves. Rallying around nationalist/populist narratives, together with strong financial support from a notable businessman, DP has consolidated itself as the third-strongest political party in Croatia. It is interesting that this also contradicts their PS statement which claims that their party is solely based on voters' donations (DP PS, 2021, pp.21).

Another example involves a popular newspaper, Evening News (*Večernji List*). A private meeting in 2017 of this newspaper's main editor with an HDZ official, Josipa Rimac, was organized to ensure *Večernji List* wins the contract for an EU-funded promotional campaign. The deal was worth 3 million HRK, above the other two offers. HDZ received printed media support, for which they enormously spent in the 2020 parliamentary elections (Telegram, April 9, 2024). This case is still being prosecuted but only after EPPO opened the investigation based on the media reports.

This is an example of networking, another pathology stressed by Bonnotti and Nwokora. Relying on personal relations and practicing private funding on that basis leads to nepotism, thus undermining the political financing mechanism (Bonnotti and Nwokora, 2023, pp.13). Instead of strengthening the party financially to recruit new members willing to debate the party issues and its campaign improvements, party officials rather surround themselves with certain interest groups that are only interested in financial profits. This breaks systemic voice and collegiality as civic political financing's second condition. Using patronage as a financing strategy is now visible in the mainstream and smaller parties, which partially proves the first hypothesis.

2.3 Role of Public Administration in Law's Practice: Intentional Weakness?

The role of the public administration is essential when it comes to enforcing regulation. Decision-making processes are relatively slow in Croatia, and bureaucracy and judiciary are assessed as inefficient. While there was some improvement since 2012 on the government effectiveness indicator of the World Bank (Appendix 3), the country worsened its performance, while it stagnated on the rule of law since 2017.

It is important to note that Croatia is like many post-communist transitional democracies in this regard. Smilov (2007, pp.8) summarizes this, stating that many methods used in the previous institutional structure were adapted to or fully incorporated into the new democratic institutional system. This results in poorly regulated practices of laws, as well as their foundations, which become a democratic concern. Consequently, political, and institutional trust is perceived as low by the public.

Andrija Henjak (2018, pp.80) pointed out that this low trust increases political abstinence by voters, resulting in lower voter turnout. Hence, smaller, and newer parties would lose their political support, given their weaker party structure and organization that holds the voters' support. Furthermore, such parties would lose in donations as they lose voters, while mainstream parties would always have a concentrated voting pool that will support them in campaigns. Given voters are asymmetrically informed about electoral campaigns of all parties, their attention is being grabbed by the mainstream and better-funded parties. Or they still might vote for smaller parties that they perceive as anti-elitist, which is a rather populist way of thinking.

However, this approach is a bit generalized, as the trust issue in public administration itself has not been mentioned. Inefficient public administration that does not enforce laws decreases people's trust in such institutions. This opens the floor for wrongful processes such as illegal fund flows. To develop this, this subchapter extends on the hypothesis by Piero Ignazi and Chiara Fiorelli (2021, pp.203) of diminished state generosity and irregulation towards party funding that led to such practices and voters' distancing from political parties. Their work acknowledges that limiting the party budgets has allowed larger parties' MPs to seek excessive private support. The public administration fails to monitor such transfers, thus unable to regulate the fairness of campaign financing.

Another reason for inefficient public administration is the selection of its cadre. Public employment is not structured to promote fostering new ideas and suggestions for improving the regulation system but is rather politicized and selected by leading party leadership. As stated by Podolnjak (2022, pp.28), there are three models of regulating political financing: Nordic, Central-European, and Anglo-Saxon (Appendix 4). Croatia's regulation model is mostly like the Central-European. This model includes limits on donations, limiting electoral campaign budgets, as well as state and financing of all political subjects. Another assumption, made by Ingrid Van Biezen & Kopecky (2007, pp.245) is that parties have become increasingly distanced from the voter base. The reason behind this is that they tend to rely more often on state funding which brings competition to the private funding and donations from their voter pools.

However, Croatia, according to Podolnjak (2022, pp.42), fails to meet the most important criterion for this model: comprehensive regulation. Going back to the discovered flaw in the Law, that of local councils regulating electoral malfeasances, Croatia cannot have fair electoral campaigns if they are being monitored by political figures. The same goes for local electoral commissions, which also consist of political party members or supporters (Faktograf.hr, April 15, 2024). There have been cases of electoral manipulation and vote bribery at the local level, some of which were recorded by journalists. This shows the intention of political parties to control electoral campaigns and elections themselves through public administration, the second provable hypothesis.

Before discussing this issue further, it is important to address a question: "Why should a party that is in power be regulated?" In other words, why should one regulate himself and his party if they are in power and are aiming to win yet another election? There are also other reasons, and they include greater political control, financial and top-down institutional stability (Kopecky, 2016, pp.428).

Although Croatia officially has a multi-party system aiming to promote pluralism, it still predominantly revolves around one ideological dimension. In this situation, it is Christian conservatism that plays the most significant role in individuals' choices when financing parties and voting for them in elections. Henjak (2018, pp.82) corroborates this by stating that the increased likelihood to support and finance conservative political parties is determined by their narrative towards history, religion, and traditions. This support has accelerated since the appearance of DP, which uses populism to drive extensive support for right-wing parties. So, due to a more conservative societal structure that seems partially immune to new, pluralistic political shifts, newer parties in Croatian politics are being underrepresented. Most support will still go towards parties such as HDZ and SDP. They try to keep the *status quo*, thus minimizing the political competition, something that also helps in acquiring most campaign finance resources rather than having them dispersed across multiple parties. This helps in securing public institutions under their party-affiliated umbrella as well.

This demonstrates intentions to keep financing (and not regulating) such political parties in power, despite the argument of Croatia's traditionally conservative societal structure. The described case of Zagreb's former mayor shows this clearly. A politician who was cooperating with both SDP and HDZ to strengthen his political control neglected other candidates who offered a new perspective of governing the capital city. Electoral campaigns turned to discussions of making financing deals that would promote the interests of particular stakeholders involved, something that public administration failed to prevent.

In the case of Mayor Šimunić, it is concerning that the electoral commission did not swiftly react when the situation itself happened. Of course, investigating the malfeasance case takes time. This allows mainstream parties to strengthen their local presence either alone or through local candidates. To prevent this scenario, independent monitoring councils should be formed and strengthened as suggested in Chapter 1.2. Those councils would not just strengthen

electoral observations, but also the recording of local parties' budgets and investigating any potential commitments of illegal financing (GONG, May 24, 2021). This would exclude local councils consisting of party officials and improve the collegiality of Croatia's political financing model. Ultimately, it would combat the intention of not controlling the regulation of political financing, the hypothesis that the named cases in this subchapter acknowledge.

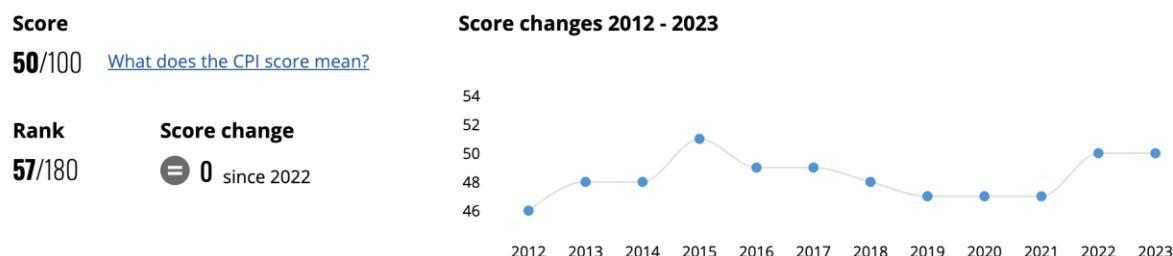
2.4 Adverse Impact of Unfinished Reform: Party Corruption

By analyzing the obtained statistical and journalistic evidence, it has been proven that unregulated patronage and unprofessional public administration indeed hinder the enforcement of Croatia's political financing system. What is left to discuss is the most unfortunate consequence arising from the unfinished reform: its impact on the corruption of political parties, and their voting bases. Given the two flaws that were highlighted in the Law, one could assume that it increases the chances of spreading party corruption.

Despite some of the essential regulatory changes to the Law, such as the recording of campaign budgets, annual party budgets, and private donations, party officials are still able to maneuver the Law to perform corrupt practices. This also affects their voters and sympathizers (contractors) who become involved in the gathering of illegal finances and are being rewarded (bribed) in return for securing their interests (Misic, 2018, pp.81). The Law does not explicitly prohibit vote buying as a regulation on spending (IDEA, 2023). This gives floor to the bribery practiced by political parties, thus controlling the voters because of the disparity between the written law and its enforcement (Ada Iuliana Popescu, 2015, pp. 575). This is also reflected in the public opinion as reported by the EU's 2023 report (Appendix 5). More than 40% of the Croatian population agrees with that, while 91% think that corruption is widely present. Other data indicates bribery is more prevalent among political parties both at the local and national level and in the judiciary, which fails to process cases involving political subjects (Appendix

6). The TI data reflects that there has been no change in CPI since 2022 (Figure 1). However, more importantly, there has been no significant change in the CPI score since 2012.

Figure 1: Croatia's CPI score changes 2012-2023



Source: Transparency International (TI), 2024

Smilov (2007, pp.1) tends to diminish the severity of party corruption in electoral campaigns. In his opinion, party corruption is spread across the whole world and is constantly present in every electoral campaign, especially in Eastern Europe. It is the inequality of political financing and irregularity of party budgets that classify as democratic concerns, which can make democracy more primitive. Duschinsky (2002, pp.71) and Casal Bertoa (2014, pp.368) address the main drawback that hinders progress against corruption: it is the disrespect of the law, and if that does not change from the start, then one cannot expect to have any law reform soon. Hence, that could cause a backsliding of financing transparency, which GONG extensively writes about (May 24, 2021). Petak (2010, pp.104) argued that the continuation of practicing party corruption would eventually be legitimized in electoral campaigns, making it paradoxically ethical. Additionally, this would affect Croatia's society in a way that financing political parties for personal gains would become part of the population mindset.

Čepo (2020, pp.152) also emphasizes that the main reason for corruption is not due to individual cases, but to intentional diminution of public institutions by the current generation of political elites. Through purposeful marginalization and capture of institutional cadres, ruling politicians promote the dysfunction of those institutions. This is reflected in the citizens'

mistrust of just institutional functioning (GONG, December 9, 2020). So, broader factors such as institutional undermining should be considered over individual incidents when rooting out party corruption.

Even with the excessive media coverage of corruption scandals and sole criticism of the incumbent party, this strategy fails to change things around. Despite having an independent press detecting such stories, existing media like *Večernji List* makes illegal financing deals with Government officials, which depicts the networked system in practice (GONG, December 9, 2020). So, instead of constantly criticizing the Government for ignoring corruption spread, encouraging institutional transformation would promote the appointment of a new professional cadre. According to the EU Barometer, about 50% of Croatian respondents advocate for equal representation of political parties in the media coverage, as well as for knowing who finances political parties and independent candidates (Appendix 7). Institutional transformation may prompt the parties to gradually change their internal structures to adapt to the new financing regulations and mechanisms. However, this must also be accompanied by strengthened prosecution and judiciary to deliver justice. Ultimately, this would change the population mentality from ignoring corruption to voting against parties that practice it, thus making electoral campaigns and financing fairer and closer to the civic political financing model.

Conclusion

The thesis has focused on detecting the legal loopholes and the causes of the weak enforcement of Croatian political financing law. Party officials exploit loopholes such as unregulated financing from private assets and loans, which opens the door to unregulated patronage. The study referenced some patronage-related electoral campaign irregularities, highlighting how private donations from wealthy individuals have been used to influence political control and reward party officials in exchange for votes and services. This led to a situation where even smaller parties succumbed to patronage, which pathological impact erodes the trust in the electoral process.

The thesis also stresses the failure of public administration captured by political cadre to effectively monitor campaign irregularities and party-related corruption incidents. The control and enforcement of political financing legal framework is particularly weak at the local level, where mainstream parties hold the local election councils. Although judiciary increased sanctions against electoral malfeasance committers as of 2023, slow responses by SEC fail to hold political subjects accountable. Furthermore, delayed justice makes sanctions futile and less politically costly, which strengthens mainstream parties' political control over state institutions. This is also reflected in public opinion surveys, which underline institutional appeasement towards political parties committing electoral malfeasances.

While some quantitative data was found on parties' campaign budgets, no clear proof was found to trace back the finances. This made the paper more qualitative and descriptive. Nonetheless, desk research of newspaper articles and public opinion surveys on corruption in electoral campaigns helped bring more evidence. The choice of domestic and foreign academic papers helped compose the relationship between unenforced Law and party corruption in a more sophisticated way. For extended research, the focus could turn to the illegal use of EU

funds for party incomes and electoral campaigns, and how those strategies negatively affect election results and public trust. Another consideration could be devoted to unregulated electronic political advertisements and foreign funding. This would require investigations of Croatia's media structure and possibly unfolding patronage in that sector as well.

Despite prosecuting certain political subjects for corruption in electoral campaigns, Croatia needs to increase efforts towards building a more transparent and fair electoral system, aligning with the principles of the civic political financing model. This would require strengthening regulatory bodies, such as the SEC, and enhancing electoral malfeasance monitoring at the local level. Promoting new professional cadre within public administration can help improve the Law's enforcement and combat party corruption, thus delegitimizing its practice in campaign financing.

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Appendices

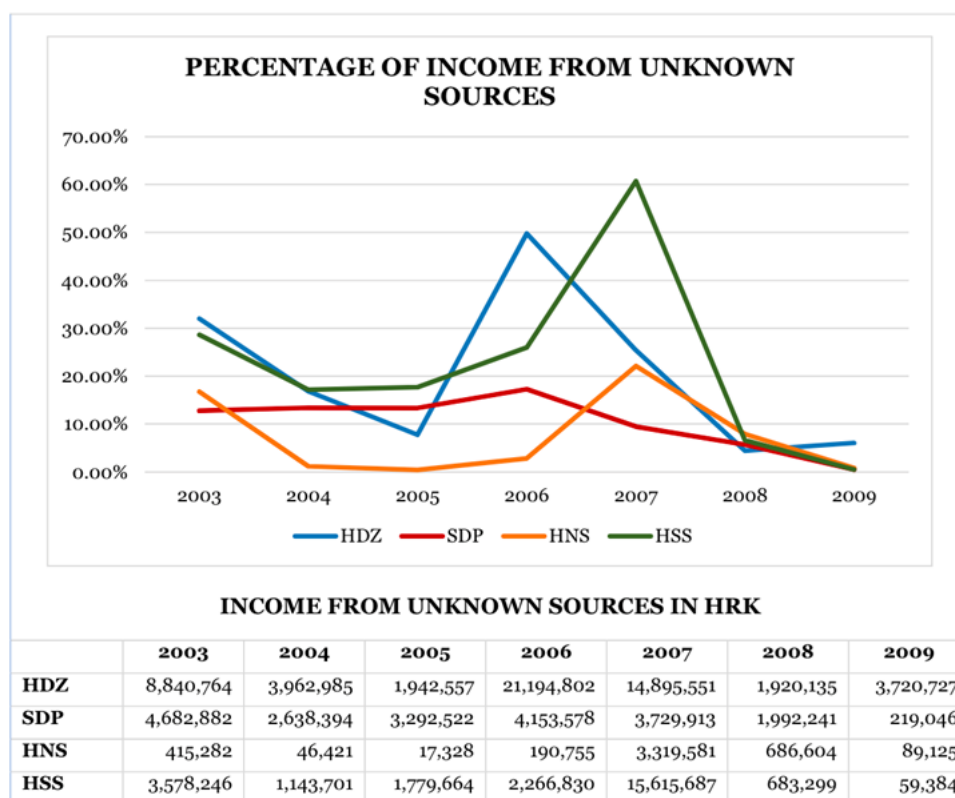
Appendix 1: Structure of income of political parties in Croatia in 1999 (in thousands kunas)

Type of income	Parties				
	HDZ	HSP	HSS	LS	SDP
1. Subsidies	21,213	1,628	3,900	1,198	5,753
2. Membership fees and remuneration	-	-	172	336	373
3. Income from providing services	-	-	96	-	-
4. Other	2,770	63	617	73	7,329
Total earnings	25,387	1,691	4,785	1,607	13,455

Source: Sabor Committee for Constitution, Statutes and political system

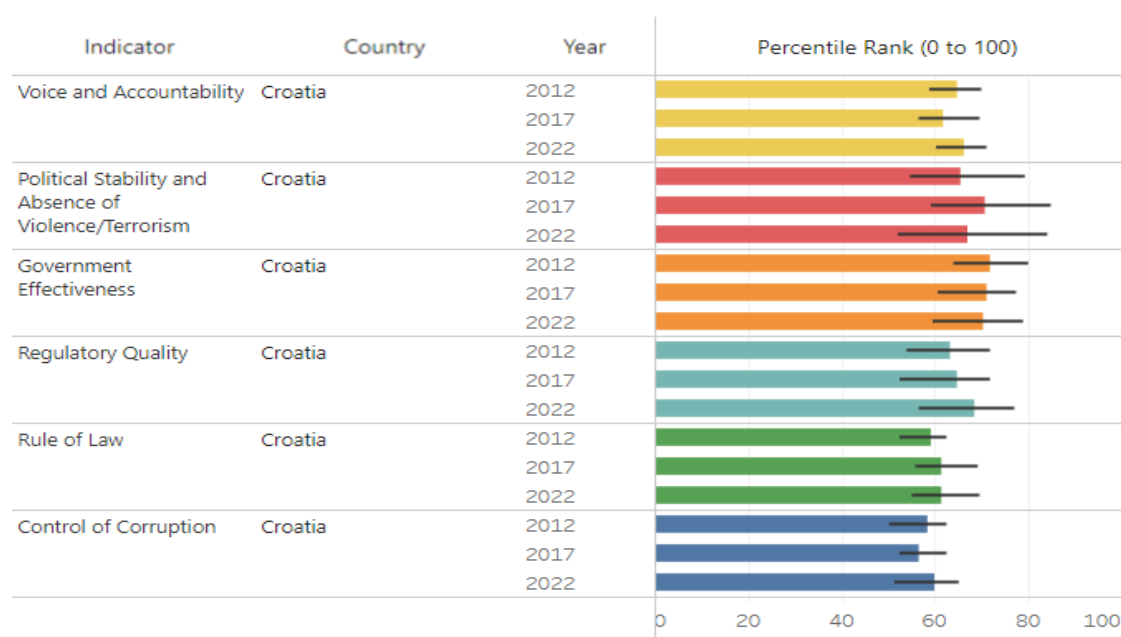
Note: The sum total of the itemized earnings does not add up to the sum total of the earnings of the HDZ's party budget.

Appendix 2: Overview of the income from unknown sources of selected political parties in Croatia (2003 to 2009)



Source: GONG, 2010

Appendix 3: Croatia: World Governance Indicators, interactive data access



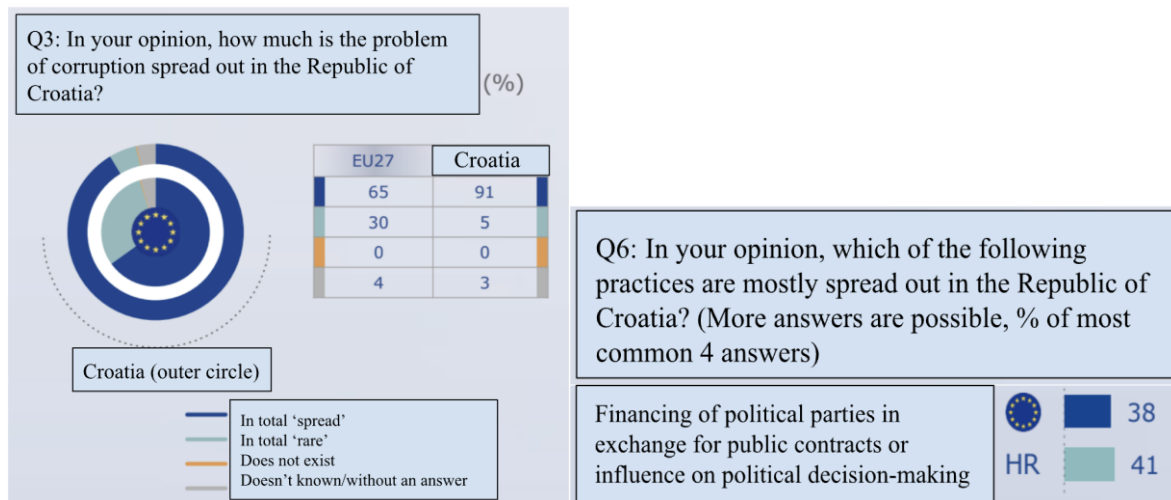
Source: Interactive Data Access: Worldwide Governance Indicators, World Bank, October 31, 2023, <https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access>

Appendix 4: Translated table from Podolnjak (2022) on different political financing models

	Nordic	Central-European	Anglo-Saxon
Archetype case	Sweden	France	New Zealand
Other examples	Norway, Denmark, Finland, Iceland, Austria	Belgium, Italy, Portugal, Spain, Germany	Australia, Canada, United Kingdom
Nature of the system	Based on mutual trust	Comprehensive regulation	Superficial (<i>light-touch</i>) regulation
Primary source of political parties' income	State funding	State funding	Voluntary donations
Access to donations	No limits on donations, little forbidden donations, rare obligations of recording	Limits on donations with many different types of forbidden donations	Revelation of donations above a certain threshold, but with no limits on donations
Access to campaign costs	No limits on campaign costs	Limits on campaign costs	Costs are generally limited
Typical level of party membership (% of voter pool)	5-10%	2-4%	1-2%

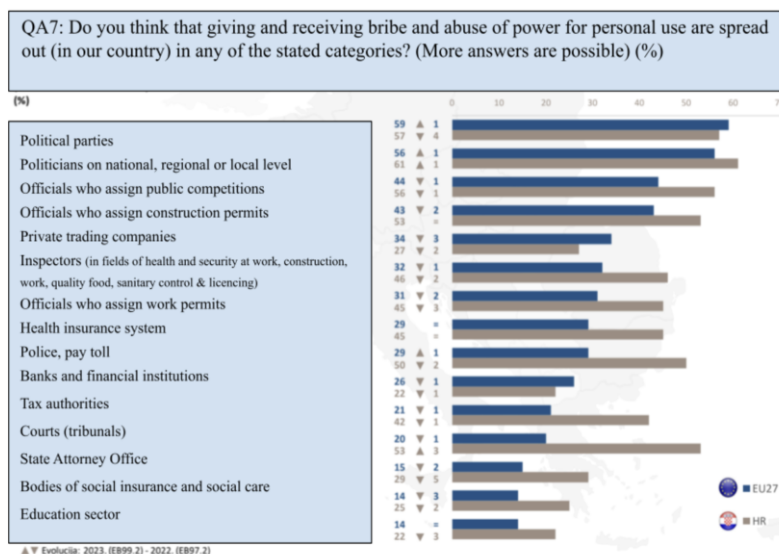
Source: Wilks-Heeg, S., *Funding UK Political Parties: A Democratic Dilemma*, Political Insight, April 2011, page 24

Appendix 5: Eurobarometer survey questions on Croats' general corruption perception and its practice (HR stands for Croatia)



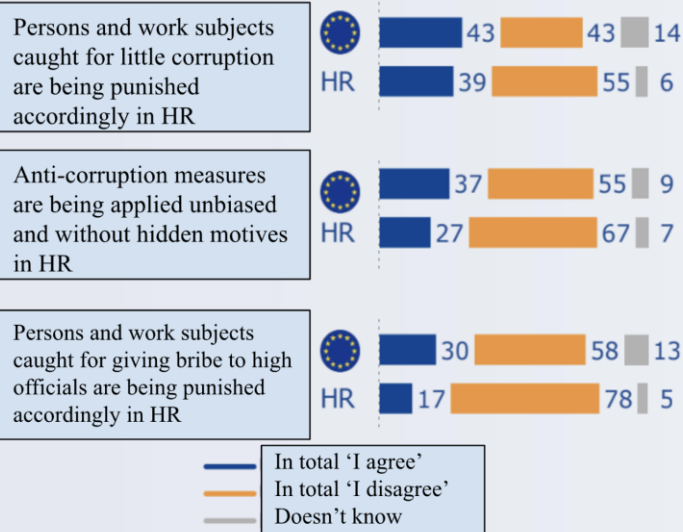
Source: *Flash Eurobarometer 524: Business attitudes towards corruption*, European Commission, April 2023

Appendix 6: Eurobarometers survey questions on Croats' corruption perception in different working sectors (HR stands for Croatia)



Source: *Special Eurobarometer 534: Citizens' attitudes on corruption in EU*, European Commission, May 2023

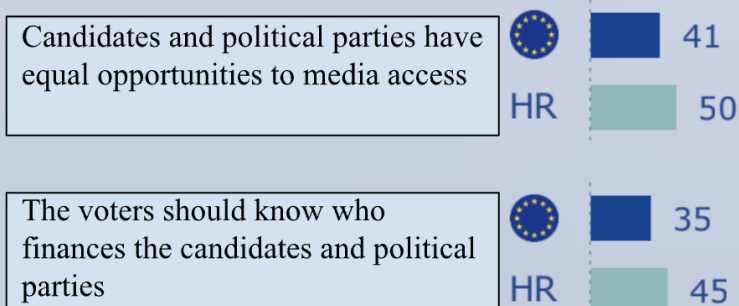
Q7: Do you agree (or not) with the following statements? (%)



Source: *Flash Eurobarometer 524: Business attitudes towards corruption*, European Commission, April 2023

Appendix 7: Eurobarometer question on Croats' perception of democracy and essential improvements (HR stands for Croatia)

Q5: In your opinion, which are the most important elements that define free and fair electoral campaign? (%)



Source: *Flash Eurobarometer 522: Democracy*, European Commission, March 2023