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Expert Opinion
On the Law on Financing of Political Parties of the
Republic of Serbia

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The views expressed in this technical report are solely those of the expert and do not necessarily reflect official positions of the Council of Europe

1 GENERAL INTRODUCTION¹

Freedom of political association is one of the fundamental freedoms protected by different international legal instruments since political parties are a fundamental element of the democratic system. They are an essential tool of the political will of citizens and as such their financing is one of the most important elements for the proper functioning of true and honest democracies all over the world. Because of their important role in the determination of a country's political, economical and legal development, political parties and candidates for elected offices are targets of different influential groups. They (parties and candidates) are to a varying degree susceptible to such influence, especially the influence induced by financial gain.

The functioning of political parties and their election campaigns are becoming increasingly expensive, therefore financial donations are much sought after. If the activities of political parties and candidates are based on private sources only, disproportionate influence will be given to the wealthy part of population. On the other hand, exclusive public financing of political activities can distort the real qualities of the political parties and candidates. So different interests are being merged and followed in the regulations in the field of financing of political parties but they all have something in common: the need for transparency. There is no greater need in the area than the need for transparency in the collecting, registering and spending of the collected funds.

All developed and some developing democracies have adopted legal rules on the financing of political parties and election campaigns. The basic principles are known and the main purposes fixed. However, legal and - even more so- practical implementation of the basic standards remain different from country to country. It was just two years ago that the Committee of Ministers of the Council of Europe adopted its first set of stronger recommendations in this field². Despite the fact that recommendations are not legally binding norms, the Committee of Ministers has instructed the "Group of States against Corruption - GRECO" to monitor the implementation of these recommendations thus turning them into a standard, the implementation of which can be assured through the evaluation and compliance procedure of GRECO.

But the crucial reason for proper regulation of financing of political parties and electoral campaigns must not be international pressure - the need for fair, honest and transparent financing is the decisive precondition of fair, honest and transparent functioning of political

¹ This Expertise Opinion has been prepared by Mr. Drago Kos, Chairman of the Commission for the Prevention of Corruption in the Republic of Slovenia; and Chairman of Group of States against Corruption (GRECO) at the Council of Europe.

systems. This is especially important in the emerging democracies such as Serbia – vital mistakes at the beginning can influence the whole political development in the country and its future in general. It is encouraging to see that only some years after crucial changes in the country a law establishing basic rules in this area was adopted. But no law itself has ever changed anything – it is its implementation which makes the difference.

The expertise of the law is written in such a way were analysis/comments to each article are made upon. In those cases where there are no comments the expert does not have any comment, suggestion or remark.

2 CHAPTER I - INTRODUCTORY PROVISION

2.1 ARTICLE 1

There is no definition of a political party in this law. This article refers to “registered political parties” without defining the terms “registered” and “political party”. As these terms are probably defined in other laws it would be useful to make a reference to these laws in an introductory article such as this one. If there are no definitions, they will have to be included in the Serbian legislation as soon as possible. There are already some model definitions³ which could be used on this respect.

3 CHAPTER II – SOURCES AND USE OF FUNDS

3.1 ARTICLE 2

In the definition of purposes for which the funds obtained with this Law may be used it would be advisable to add a new, third bullet-point as follows:

3) *political activities of elected representatives.*

This is a requirement set by Article 8 of the “Recommendation Rec (2003)⁴ on common rules against corruption in the funding of political parties and electoral campaigns” and it would bring more or less just a formal change to the text of the Law: according to the bullet-point No. 1, the funds obtained in accordance with this Law may be used for regular work of the political party. Since political activities of elected representatives are not part of their regular job (for

² Recommendation Rec (2003)⁴ on common rules against corruption in the funding of political parties and electoral campaigns, adopted on 8 April 2003

³ According to the Council of Europe Commission for Democracy through Law (Venice Commission) a political party is “an association of citizens of which the aim is to accede to power by the representation of candidates to free and democratic elections”.

which they were elected) but they are part of their activities within the political party they are members of, it is obvious that the funding of regular work of political party also covers the funding of political activities of their elected members. The proposed change in the text does not bring any substantial changes but it will increase the clarity of the Law and will help to avoid any misunderstanding/misinterpretation in the future.

3.2 ARTICLE 4

In Para. 1, public financing is provided only to a political party whose candidates have been elected. This is a solution that is used only in six European countries⁴. In all other countries, in order to ensure equality of opportunity for different political options, public financing is extended to political parties representing a significant part of the electoral body and presenting candidates for election. This is also one of the guidelines of the Venice Commission⁵. The level of financing for these parties and the threshold for them to be entitled to public finances (normally around 1% of the votes) are usually set by the legislation well in advance. So Serbia might wish to consider the possibility of extending public financing to political parties that manage to obtain a certain percentage of votes in the election.

The percentages set for public financing differ very much from country to country. The decision of the Republic of Serbia to set the limit at 0.15 % of its budget is a decision for a very big portion of the budget to be devoted to activities of political parties⁶. There must be certain reasons for that, one of them⁷ being the wish to give an additional boost to the parliamentary political system with more political parties involved as opposed to the previous political system with only one party on the scene. If we add the additional financing at the territorial autonomy unit level and at the local self-government unit level – 0.1% in both cases – it is clear that public finances in the Republic of Serbia are being spent to a very high degree on political activities. If nothing else, this fact might give rise to some very unpleasant questions from the media and general public in Serbia.

Underlining once again that this is an autonomous decision of the Republic of Serbia, there are no doubts that the limits set in the existing law will have to be considered again and again by the Serbian legislator in order to maintain the balance between the economic and political development of the country.

⁴ Estonia, Finland, Georgia, The Netherlands, San Marino and Spain

⁵ Venice Commission: Guidelines for financing of political parties, Strasbourg, 6 December 2000

⁶ In the Republic of Slovenia the limit is set at 0.017%, in the FYROM at 0.08%.

⁷ This is an opinion of the expert

3.3 ARTICLE 5

Para. 1

In this Law there are no rules on the way of establishing the height of the membership dues in the statutes of political parties. Because of this fact and because of the fact that membership dues are an exemption from the general limit set in Para. 6, it could happen that the rules of the statutes for the collection of membership dues required from different members of the political parties were formed also in a way to exceed the limit set in Para 6. If there are no general rules in other laws, it would be advisable to add something in this paragraph. A very simple solution would be a requirement that membership dues have to be the same for all political party members.

Para. 2

It is not clear if the term “gift” covers all forms of money, too. This is usually the case in this type of legislation but if in Serbia this might cause a problem, it would be advisable to add an explanatory sentence in order to make it perfectly clear that the term encompasses money in all forms, too. In general, practice in a lot of countries has shown that many problems connected with the giving of gifts to political parties are mainly due to an inadequate definition of the term “gift”.

It is not clear under which category are covered issues related to loans to political parties. Since loans are sometimes a very important source of funding they have to be addressed/regulated somewhere.

Para. 5

In this paragraph limits are set for contributions by natural and legal persons in Serbia. Article 19 introduces sanctions for cases when the limits are exceeded but there is nothing in the Law that says what happens to the contributions that exceed the limits. Technically this means that political parties can get contributions well over the established limits, pay the fine in accordance with Article 19 and keep the contribution. Surely this was not the intention of the legislator and this may need to be addressed and improved in the nearest future. The model for the solution is given in Para. 7, which deals with the income originating from property owned by a political party that exceeds 20% of the overall income of a political party – it has to be given to charity organisations.

Para. 8

This paragraph is a surprising one – according to its text rich parties can get even richer and poor parties will have to remain poor. The amount of political party funds from private sources is directly related to the funds received from the public sources. There is no reasonable

explanation for that. This also means that a political party with a small number of deputies cannot collect larger sums of money from private sources for their activities in the next pre-election and election period. The situation becomes even more difficult for those political parties which do not receive any funding from the budget – according to the last sentence of this paragraph they can have most attractive programme and most promising candidates but they are simply forbidden to collect more than 5% of the 0.15% (that makes around 0.0075%) of the Serbian budget. In this way it is obvious that small parliamentary and especially non-parliamentary political parties do not have equal chances in the elections. Therefore, we can not talk about objective, fair and reasonable criteria for the financing of political parties as set in Article 1 of the Council of Europe' Recommendation. The *Venice Commission* has asked (in Para. 6) for the limitation of each contribution but there is no international standard asking for a general limitation of private funding and especially not linking it to the level of funding from the public sources. Therefore this limitation is suggested to be changed.

In addition, there is nothing in this paragraph on the funds which would exceed the limit – see also comments on Para. 5.

3.4 ARTICLE 6

Para. 1

In general this Article is a very good one. Only some questions arise concerning different prohibited sources of funding that are mentioned:

- since it is (according to international standards) prohibited to accept assistance from foreign persons, the question is whether this term also covers international organisations (either public or private);
- it would be useful if a description of a “*capital share*” were added in order not to allow different interpretations – the description lack the mentioning of at least money, tangible property, bonds, investments, etc.;
- limitation of prohibition of funding for companies which perform public services on the basis of a contract only for the duration of such contract might give rise to serious problems – on the basis of agreements between the political parties (in power) and owners of the companies this time-limit might be easily obstructed by withholding the already agreed contributions or even with payments in advance, before concluding a contract on performance of public services. There is only one way to solve the problem and that is to prohibit the funding of such companies for the duration of the contract and for a certain period after it and adding the duty to report to the *Commission* donations from these companies which have been taking place during a certain period before the conclusion of the contract;

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- if the text “*with due but unsettled payments to public revenue*” in lines 8 and 9 of the first paragraph refers to “*importers, exporters, merchandisers and manufacturers of excise goods and legal persons*” only, there are no comments. But if it refers to “*legal persons*” only then an important question arises: why would importers, exporters, merchandisers and manufacturers of excise goods be forbidden to finance political parties? There is no reason for such exclusion.

Para. 2

In order to maintain full transparency it would be very useful to add an obligation here for a political party to report to the *Commission* on the transfer of forbidden funds to the budget in a certain time-limit.

3.5 ARTICLE 8

It would be advisable to first add a general definition of an election campaign and then to complete the list of possible election campaign expenses with a more specific description (i.e. by adding costs of organisation of pre-election meetings and by making it clear, for example, that a term “posters” covers printing, publicising and delivering expenses of posters,..). The wording “*similar related activities*” is a vague one, and could be understood/interpreted too broadly or too narrowly.

3.6 ARTICLE 10

Para. 3

In the English version this paragraph is not entirely comprehensible. First it refers to “Article 1 (but perhaps it refers to Para. 1) of this Article” and secondly, how can (technically) the paid funds pursuant to the provision of Para. 1 exceed the amount of funds spent for the election campaign if they are formed on the basis of general limitations given in Article 9?

3.7 ARTICLE 11

In Para. 4 reference is made only to two paragraphs of Article 5: Nos. 2 and 3. It is absolutely necessary to add also Para. 4 of Article 5.

3.8 ARTICLE 12

Para. 4

There are no provisions explaining what should happen with the collected funds which exceed the limits given in Para. 3 of Article 11.

It is also a big question why the funds which exceed the limit given in Article 11, Par. 2, should be transferred into the permanent account of the political party. In this way it is quite easy to imagine possible misuses of electoral campaign financing for the sake of regular party financing and through breaching limits given in Article 5.

It would be advisable to add something in this Article on when the special account mentioned in Para. 1 has to be opened and closed. Especially the closure of such an account is an important issue since it forces the nominators to include all electoral campaign expenses in it in a certain period, even following the elections. The absence of specific terms on the closure would prevent any control of the real expenditure of the election campaigns since it would enable the nominators to spread the contributions and costs over an indefinite period of time - even over the time-limit for the reporting given in Article 14, Para. 1.

3.9 ARTICLE 14

Para. 2

It is quite usual in a number of countries that the form of the report is adopted by a law. If the Republic of Serbia is considering the idea of specifying the form by the Minister of Finance then is better, However, it would be useful to add something in the law on the issue related to the time when (in relation to the election campaign) this form has to be approved and published by the Minister of Finance.

The drafting of the report form should take into account requirements of Article 10⁸ of the Council of Europe Recommendations on common rules (...).

3.10 ARTICLE 16

Para. 2

The obligation for the annual external audit of a political party's finances has to be a mandatory one. That means that the word "*may*" has to be replaced by "*shall*". This is also a demand contained in Article 13 of the Council of Europe Recommendations on common rules (...). It would also make sense to list the competent bodies instead of just mentioning them at the end of the paragraph.

Para. 4

What is the meaning of the term “*certified auditor*” in Serbian law? If this term refers to an external independent auditor, then the accuracy of annual statements will be ensured. If the certificate can be issued by an internal (member or even an official of a political party, who can also be certified) auditor, then there is no real insurance that the annual statements will reflect all required data.

3.11 ARTICLE 18

Para. 1

It is not clear what charges the president of the *Commission* shall file, and to which authorities. The answers to these questions are of utmost importance for the implementation of the law. Is this left to the president’s discretionary powers or is it stated somewhere else in the legislation? It would be absolutely essential to include this information in this law – according to other countries’ experience it is not the text of the legislation on financing of political parties that ensures its lawfulness, transparency and openness – it is its effective implementation and that can be achieved only on the basis of clear regulations concerning the duties of the supervisory authority.

Para. 2

Why are only political parties mentioned in this paragraph? See, also comments to Article 19. Offences stipulated under this law include offences during the electoral campaign so not only political parties should be mentioned in this paragraph but also the nominators will have to be added.

4 CHAPTER III – PENAL PROVISIONS

4.1 ARTICLE 19

Since the list of offences listed in this paragraph includes also the offences which can be committed during the electoral campaign (breach of Articles 5, 11, 12, 14) not only political parties shall be fined but also the nominators of registered lists or of candidates. Thus, the introductory statement will have to be changed, adding the nominators. Otherwise there are no effective sanctions for violations committed during the electoral campaign since not only political parties will act as nominators. Therefore, the conditions⁹ of Article 16 of the Council of Europe Recommendations on common rules(...) are not met by the existing text.

⁸ Particular records should be kept of all expenditure, direct and indirect, of electoral campaigns in respect of each political party, each list of candidates and each candidate.

⁹ Sanctions have to be effective, dissuasive and proportionate.

4.2 ARTICLE 20

What is the purpose of creating a special offence of exceeding the amounts allowed for the electoral campaigns – that could easily be included in Article 19? The text is also not very clear: the fine is set in accordance with an unspecified sum – what does “double the amount of the sum in question” mean? Which sum – the sum set by the law or the sum which exceeds the amount set by the law?

Concerning the subject of the offence – see remarks made on Article 19.

The fine is not the only possible sanction for the violations committed during an electoral campaign - according to the “Guidelines for Financing of Political Parties” of the Council of Europe Commission for Democracy through Law (*Venice Commission*) sanctions for the irregularities in the financing of an electoral campaign could encompass :

- the loss of total or partial reimbursement of the public contribution,
- the payment of a fine,
- the annulment of the office of the elected candidates.

The Republic of Serbia might wish to consider the possibility of including additional sanctions (in addition to fines) for the irregularities during the electoral campaigns.

5 CHAPTER IV – TRANSITIONAL AND FINAL PROVISIONS

5.1 ARTICLE 22

Para. 1

Who should political parties report to if the *Commission* is not established in the given period of time? Who will keep records on the financing of political parties and electoral campaign activities? The establishment of the *Commission* is the most important element for the implementation of this law. Without the effectively established and functioning of the *Commission* it will be difficult to see any change or proper implementation of this piece of legislation.

6 CONCLUSION

Basically, the “Law on financing of political parties” of the Republic of Serbia is a good piece of legislation. Nevertheless, three main deficiencies have to be mentioned once again:

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- unequal position of political parties (see comments to Article 5);
- weak enforcement system (see comments to articles 12,16,18,19,20);
- the non-existing Commission.

Improving the above mentioned (main) deficiencies is an essential requirement for the improvement of the general value of the political parties and electoral financing in the Republic of Serbia. Therefore, the Serbian authorities are urged to consider the idea of reviewing/amending/improving the law, also in order to introduce as soon as possible the *Commission* or any other institution responsible for the monitoring of financing of political parties and financing of electoral campaigns. The text of the law itself will not bring any changes and the establishment itself. The rules have to be followed by their implementation in practice. This can be ensured only through an efficiently functioning institution, which will set the standards and monitor their implementation. The establishment of such institution is important also because through its functioning other possible deficiencies of the system will be identified and then further improvements could be introduced. Until then, the financing of political parties and electoral campaigns in Serbia will be far away from the theoretical goals set by this current law.

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7 ANNEX: LAW ON FINANCING OF POLITICAL PARTIES¹⁰

LAW ON FINANCING OF POLITICAL PARTIES

/"Official Gazette of the Republic of Serbia" No. 72/2002, 18 July 2003/

I. INTRODUCTORY PROVISION

Article 1

This Law governs financing, records and method of financial control of registered political parties (hereinafter "political parties"), nominators of registered election lists and nominators of candidates for president of the Republic of Serbia, municipality presidents and town mayors.

II. SOURCES AND USE OF FUNDS

1. Use of Funds

Article 2

Funds obtained in accordance with this Law may be used for financing of costs related to:

- 1) regular work of the political party;
- 2) election campaign for election of president of the Republic, deputies, mayor, municipal president and councillors.

2. Types of Funds

Article 3

Funds for financing of activities specified in Article 2 hereof may be obtained from public and private sources, in accordance with this Law.

Public sources in terms of this Law are funds from the Republic Budget, territorial autonomy unit budget and local self-government unit budget, appropriated for financing of regular functioning of a political party and election campaign costs.

Private sources in terms of this Law are: membership dues, contributions from legal entities and natural persons, income from promotional activities of a political party, income from property of a political party and legacies.

3. Financing of Regular Work of a Political Party

Article 4

¹⁰ This is not a Council of Europe Translation.

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Public source funds appropriated for regular work of a political party whose candidates have been elected deputies and/or councillors are set at the level of 0.15% of the Republic of Serbia budget (reduced for the transfers to other levels of government and social security and medical insurance funds), at 0.1% of the territorial autonomy unit's budget (reduced for the transfers from other levels of government) and/or 0.1% of the local self-government unit's budget (reduced for the transfers from other levels of government).

Funds specified in paragraph 1 of this Article in the amount of 30% shall be allocated in equal amounts to political parties with deputies or councillors, whilst the remaining funds (70%) shall be allocated in proportion to the number of deputies and/or councillors. The Ministry responsible for finance and/or the relevant administrative body of a territorial autonomy unit, and/or local self-government unit body, shall transfer every month the proportionate part of the funds specified in paragraph 1 of this Article to political parties, before the 10th day of the month for the preceding month.

Article 5

Membership dues specified in Article 3, paragraph 3 hereof imply the amount regularly paid by party members, in accordance with the provisions set out in the Statute of a political party. Payment exceeding this amount is deemed a contribution.

Legal entities and natural persons may give contributions to a political party. In terms of this Law, a contribution implies all gifts presented to a political party, free services or providing services to a political party under conditions deviating from market conditions.

The authorised officer of a political party is required to issue a receipt for the received contribution. The shareholders' assembly and managing bodies of the legal entity shall be informed of the contribution to a political party.

A legal entity or natural person providing services or selling a product to a political party shall make out an invoice to the political party, regardless of who shall be liable for payment for the services or product, and/or regardless of whether the services were provided or product given free of charge.

The total amount of contribution specified in paragraph 2 of this Article, if the contribution is given by a natural person, may not exceed in a single calendar year ten average monthly salaries in the Republic of Serbia in the year preceding the year when the contribution is given, according to official data of a statistics authority, and/or one hundred average salaries if the contribution is given by a legal entity.

Income from political party's promotional activities is the income from sale of publications, symbols and other tokens of the political party.

A political party may acquire property in the territory of the Republic of Serbia. Annual income of a political party from property owned by such party may not exceed 20% of the amount of the overall income of a political party. A political party shall, within thirty days after submitting of the annual statement of accounts in accordance with Article 16 hereof, give as charity, to one or more organisations engaged in charity work, any amount of income exceeding the above mentioned 20%.

The amount of funds from private sources, except funds from membership dues, collected by a political party in a single calendar year for its regular work, may not exceed 100% of the funds received by a political party from the Republic of Serbia Budget. The amount of funds from private sources, except funds from membership dues, that a political party not

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entitled to funding from the Republic of Serbia Budget may collect, shall not exceed in a single calendar year 5% of all funds specified in Article 4, paragraph 1 hereof.

Article 6

It is prohibited to accept material and financial assistance from: foreign states, foreign legal entities and natural persons; anonymous givers; public institutions and public enterprises, institutions and companies with government capital share regardless of size of share; private companies performing public services pursuant to contract with government bodies and public offices, for the duration of such contract; enterprises and other organisations exercising public authority; trade unions; humanitarian organisations; religious communities; organisers of games of chance; importers, exporters, merchandisers and manufacturers of excise goods and legal entities with due but unsettled payments to public revenue.

A political party shall transfer the money or pecuniary value of other property acquired in manner contrary to this Law and other regulations, in favour of the Republic of Serbia Budget account within ten days of receipt thereof.

Article 7

It is prohibited to exert pressure of any kind on legal entities and natural persons during collection of donations for a political party.

It is prohibited to promise or hold out the prospect of any privilege or personal gain to a donor of a political party.

4. Financing of Election Campaign Costs

Article 8

For the purpose of this Law election campaign costs shall relate to activities during an election campaign, and/or: posters, advertisements, radio and television and other media shows, commercials, publications and similar related activities during the period from calling of elections until election day.

Article 9

Budget appropriations to cover election campaign costs specified in Article 8 of this Law are provided in the year of regular elections in the amount of 0.1% of the Republic of Serbia budget (reduced for the transfers to other levels of government and social security and medical insurance funds), 0.05% of the territorial autonomy unit's budget (reduced for the transfers from other levels of government) and/or 0.05% of the local self-government unit's budget (reduced for the transfers from other levels of government) for the year for which the budget is passed.

In event of early elections the competent bodies are required to provide funds stipulated under paragraph 1 of this Article for election campaign costs.

Article 10

Funds specified under Article 9 of this Law in the amount of 20% thereof shall be allocated in equal portions to nominators of registered election lists and/or nominators of candidates within seven days of election list registration and/or confirmation of list of candidates, whilst the residual amount of the funds (80%) shall be allocated to nominators of

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electoral lists that have won seats in proportion to number of seats won, and/or nominator of a candidate who has won a seat, within ten days of proclaiming of election results.

The ministry responsible for finance and/or the competent body of regional government and local self-government unit shall allocate funds in the manner specified in paragraph 1 of this Article pursuant to information received from the Republic Election Commission and/or the election commission of a territorial autonomy and local self-government unit.

If the funds paid pursuant to provision of Article 1 of this Article exceed the amount of funds spent for the election campaign up to election day, the difference shall be returned to the budget of the Republic of Serbia, and/or territorial autonomy unit and local self-government unit, within ten days from the day of payment.

Article 11

The nominator of a registered electoral list and/or the nominator of a candidate may raise funds also from private sources to finance costs of electoral campaign, in accordance with this Law.

The amount of funds collected from private sources by a nominator of a registered electoral list and/or the nominator of a candidate to finance election campaign costs may not exceed 20% of the funds set out under Article 9 hereof.

A donation by a single natural person towards election campaign costs may not exceed 0.5% of the amount set out in paragraph 2 of this Article, and the donation by a single legal entity may not exceed 2% of that amount.

Provisions of Article 5, paragraphs 2 and 3 hereof, shall accordingly apply to collection of funds from private sources for financing of election campaign costs.

Article 12

For the purpose of raising election campaign funds, the nominator of a registered electoral list and/or the nominator of a candidate shall open a special bank account that may not be used for other purposes.

All funds intended for the costs of electoral campaign shall be paid into the account specified in paragraph 1 of this Article and all payments of election campaign costs shall be made from this account.

The funds received in cash shall be deposited in the account specified in paragraph 1 of this Article within three days of the receipt.

Should the funds obtained from private sources exceed the amount specified in Article 11, paragraph 2 hereof, the surplus of funds shall be transferred into the permanent account of the political party.

Article 13

The nominator of a registered electoral list and/or the nominator of a candidate shall appoint two persons who will be responsible for lawful raising and assigned spending of funds and for reporting.

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The signatures of the persons specified in paragraph 1 of this Article shall be deposited with the bank where the account specified in Article 12, paragraph 1 hereof, is opened.

Article 14

The nominator of a registered electoral list and/or the nominator of a candidate shall, within ten days of the election day, submit to the Republic Electoral Commission (hereinafter "the Commission") a detailed report on the origin, amount and structure of the funds raised and spent on electoral campaign.

The form of the report referred to in paragraph 1 of this Article shall be specified by the minister responsible for finance.

The Commission shall check the data contained in the report referred to in paragraph 1 of this Article within 90 days of receipt of the report. The Commission may engage certified auditors to perform specific tasks of this audit.

The report is published in the "Official Gazette of the Republic of Serbia" at the expense of the political party or nominator.

5. Political Party Accounts, Mandatory Accounting Records and Financial Control

Article 15

A political party shall have an account, and its organizational entities may have sub accounts to which funds are remitted in accordance with this Law.

The Statute of a political party or a special decree passed on basis of the Statute shall set out relations between organizational entities of a political party in respect of remittance of funds.

Article 16

A political party shall keep accounting records of all income and expenditure. The accounting records shall be kept according to the origin, amount and structure of income and expenditure in compliance with the accounting regulations.

The credit and debit bookkeeping records of a political party are subject to annual audit in accordance with the accounting regulations, and may be subject to control by competent bodies.

A political party is required to keep special records of contributions received and of its property. The minister responsible for finance shall specify the content of these records.

A political party is required to submit to the Commission the annual statement, and certificate of a certified auditor, as well as a report of all contributions exceeding 6,000 dinars and a report on property. The minister responsible for finance shall specify the content of these reports.

The annual statement and reports referred to in paragraph 5 of this Article are published at the cost of a political party in the "Official Gazette of the Republic of Serbia."

Article 17

The Statute of a political party shall regulate the internal audit of financial operations and the right of party members to be informed of income and expenditures of the party.

The Statute must set out the officer responsible for financial operations, reporting and bookkeeping of the political party, and authorized for contacts with the Commission.

The reporting entity shall inform the Commission of appointment of a responsible officer specified in paragraph 2 of this Article within three days of his/her appointment, and in the event of any change in status of such person, within three days of such change.

The responsible officer shall sign all reports and is responsible for all records relating to reports and, following a request from the Commission, the responsible officer may submit the reports for inspection. Political parties shall keep their reports for a minimum of six years after submission.

The Commission shall make all reports available to the public and shall take appropriate steps to ensure access of all citizens to information contained in the reports. Every citizen of the Republic of Serbia is entitled to inspect the reports filed with the Commission and to receive a copy of such reports or parts thereof, at his/her expense.

Article 18

In the event of determining irregularities related to collection, use or recording of funds in terms of this Law, the president of the Commission shall file charges with competent authorities.

If a political party is effectively penalized for an offence stipulated under this Law, it shall forfeit the right to public funds for the following calendar year.

The Commission passes the decision specified in paragraph 2 of this Article. The decision shall be published in the "Official Gazette of the Republic of Serbia".

III PENAL PROVISIONS

Article 19

A political party shall be fined from 200,000 to 1,000,000 dinars if:

- 1) raises funds contrary to the provisions of Articles 5, 6, 7 and 11 hereof;
- 2) fails to open an account in accordance with provisions of Article 12 hereof, does not remit funds to the account or effects payment contrary to provisions of Article 12, paragraph 2 hereof;
- 3) keeps accounting records contrary to the provisions of Article 16 hereof;
- 4) fails to submit the reports in accordance with provisions of Articles 14, 16 and 17 hereof.

For violations specified in paragraph 1 of this Article the responsible officers shall be fined from 10,000 to 50,000 dinars.

Article 20

A political party spending funds in an electoral campaign exceeding the amount set out in this Law shall be fined double the amount of the sum in question.

For violations specified in paragraph 1 of this Article the responsible officers specified in Articles 13 and 17 hereof shall be fined from 10,000 to 50,000 dinars.

IV TRANSITIONAL AND FINAL PROVISIONS

Article 21

Political parties shall harmonise their Statutes with the provisions of this Law within six months of entering into force of this Law.

Article 22

Political parties are required to submit to the Commission within six months of entering into force of this Law a report on their property, expressed by type, size and origin.

The report shall be published in the "Official Gazette of the Republic of Serbia" at the expense of the political party.

Article 23

The minister responsible for finance shall specify the contents of the reports referred to in Article 14, paragraph 2 and in Article 16, paragraph 5 hereof, as well as the contents of the records referred to in Article 16, paragraph hereof, within 90 days of entering into force of this Law.

Article 24

On the day this Law enters into force, the Law on Financing Political Parties ("Official Gazette of the Republic of Serbia" No. 32/97), Article 13a of the Law on Presidential Elections ("Official Gazette of the Republic of Serbia" No. 1/90, 79/92 and 73/2002), Article 51, paragraph 2 of the Law on Local Elections ("Official Gazette of the Republic of Serbia" No. 33/2002, 37/ 2002 and 42/2002) and Article 103 of the Law on Election of Members of Parliament ("Official Gazette of the Republic of Serbia" No. 35/2000 and 69/2002) shall cease to be valid.

On the day this Law enters into force, the Law on Financing Political Parties ("Official Gazette of FRY" No. 73/2000) shall cease to be valid, except for the provisions of Articles 13 and 14 of that Law.

Article 25

This Law shall become effective on the eighth day following its publishing in the "Official Gazette of the Republic of Serbia", and shall apply as of 1 January 2004.