

The Oversight of Financing of Political Entities

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Preface

In the oversight of the mutual influence of capital and politics, one of the reliable indicators of the development of the anti-corruption awareness of contemporary society and the state is the transparent financing of the regular work of political parties, and of election campaigns. The prerequisite for efficient monitoring of cash flow in politics is the existence of a comprehensive legislative framework that complies with international standards.

Hence, Recommendation (2003)4 of the Committee of Ministers of the Council of Europe from 2003 establishes and specifies democratic and anti-corruption standards in this field. The Recommendation emphasizes the importance of the public and private funding, fair criteria for the distribution of state contributions to parties, strict rules concerning private donations, complete transparency of accounts, and limitations on donations. The Recommendation also points out the importance and necessity of establishing an independent audit authority to control the finances of political actors independently from the economic and political centers of power.

By passing the Law on Financing of Political Parties in 2003, Serbia started the process of establishing the rules for oversight of political party funding, as well as the manner in which to oversee their expenditures. Practice, however, proved that the recently passed Law could not manage to resolve a number of disputable issues. Criticisms by the expert and broader public followed and, with the support of the international organizations, the Law was amended in 2008. A special novelty envisaged by this Law is that the financial oversight of political parties falls under the jurisdiction of an independent state authority – the Anti-Corruption Agency.

The Anti-Corruption Agency was founded in 2009, and as soon as the year after, in 2010 it played an important role in the elaboration of a new draft Law on Financing Political Activities, as well in representing it to the Council of Europe's Group of States against Corruption (GRECO). Ten binding recommendations that GRECO gave to Serbia were fulfilled within 18 months, largely thanks to the Anti-Corruption Agency.

The new Law, enacted in June 2011, gives the Anti-Corruption Agency, as an independent state authority, the right of direct and unhindered access to bookkeeping records and documentation as well as financial statements of political entities, the possibility to engage appropriate experts and institutions. The Law permitted the Agency to obtain from a political entity, within a fixed deadline, all the documents and information necessary for performing the work prescribed by this law. Governmental authorities, banks, as well as legal entities and natural persons that finance the political entities, i.e. those who on their behalf and for their account provided a certain service, are also obliged by the Law, upon request of the Agency, to submit all data needed in order to perform the works prescribed therein.

Criminal liability is prescribed by the Law for illegal giving, i.e. collecting of funds for financing a political entity, with the intention of hiding the sources of financing or amounts of the collected funds. However, since the Anti-Corruption Agency has been entrusted by the Law with the oversight, but not investigative authorities, cooperation is needed with other competent state authorities in order to collect evidence necessary for conducting criminal proceedings.

Failure to submit annual financial statements and reports on electoral campaign costs are defined by the Law as misdemeanors, the commission of which is punishable by fine and, in case of final conviction, deprivation of the right to obtain funds from public sources for the next calendar year.

The first step which the Anti-Corruption Agency took in order to introduce financial transparency in political life was to enact a Book of Rules which determines in more detail when and in what manner the political entities should submit their annual financial statements, reports on electoral campaign costs, and records of donations and assets. In November 2011, less than six months after the Law passed, a second Book of Rules was enacted that regulates the organization, authorizations, rights and obligations, conditions, and manner of selection of monitors for oversight of election campaign costs. Consequently, during the general elections in May 2012, the Anti-Corruption Agency established a network of 165 monitors who were placed in all cities throughout Serbia in order to monitor the activities of the election participants.

In May 2013, the Anti-Corruption Agency presented to the public its first Report on Control of Political Entities related to the financing of the election campaign in 2012. This Report contains financial indicators, comparative data on revenues and expenditures of the political parties, as well as phenomena which indicate violations of the Law. Obstacles the Anti-Corruption Agency faced within the political parties, coalitions, and citizens' groups finance oversight during the elaboration of the Report were recorded.

The Report of the Anti-Corruption Agency on oversight of political entity finance – the annual financial statement for 2012, provides, among other things, better insight into the distribution of the obtained budget funds, financial transactions, assets, donations, membership fees, loans, and costs of 63 parties and 13 citizens' groups that submitted these statements.

Observing the financing of the political entities, the Anti-Corruption Agency, by mid-November 2013, filed a total of 362 motions for initiating misdemeanor proceedings due to violation of the Law on Financing Political Activities. The misdemeanor courts rendered the first convictions, with the largest number of cases due to non-submission of annual financial statements and reports on the costs of electoral campaigns.

The past work of the Agency in this field represents only a beginning in establishing the transparent financing of political parties' regular work and election campaigns. The objective of the Agency's operations is to raise the awareness of all participants in political life about their obligation to give the public access to information on financing of political activities. This also implies further work on the existing normative framework. The Agency thus endeavors with its experience drawn from practice to contribute to finding even better legal solutions, and hence it has taken part in elaborating a draft Law on Amendments to the Law on Financing Political Activities, within a working group formed by the Ministry of Finances.

Tatjana Babić, *Director of the Anti-Corruption Agency*

Oversight and Public Monitoring of Political Parties Finances

The call of money in politics is a phenomenon as old as the human yearning for power and authority. Attempts to emancipate politics from the dictate of money cover almost the same period. Nevertheless, political party finances and the role of money in both democratic regimes and the competitive, multiparty rivalry for support of the voters have long represented a kind of extralegal or grey zone of mutual transfers of economic and political powers and influences, i.e., they have been a well-preserved secret, hidden enviously and kept far from the eyes of the public. It is asserted, with certain exaggeration, that even the formula for making gold was not kept with more caution than the secret of how a party is financed.

The party budgets, their revenues and expenditure, are for this reason one of the paradigmatic examples of political phenomena of which the theoretical articulation and empirical analysis are far below their practical importance.

Oversight and monitoring of financing of political actors have the role to limit, if not prevent in full, first a pre-election sale to large donors, and then the subsequent, post-election corruption.

The longing to prevent the undermining of key democratic values and procedures classifies laws on financing parties into the line of basic anti-corruption laws. Simply put, voters have to know who is the one giving and how much money is given to their political representatives, i.e., to which extent do threats to their independence and autonomy of decision-making exist, and from where they derive.

The power of money, and the basic need for it, as well as an interest to accomplish mutual exchange of services and purchase of influences, are the fundamental reasons to develop numerous techniques of extralegal financing of parties and candidates despite legislation. Payment in cash, “cash in hand” or via “their” non-governmental organizations, the conversion of donations into business arrangements and loans, payment of author’s royalties for made-up services, e.g., issuing of bills for fictitious counseling services to banks and companies, are only some of the examples of manipulative techniques of illegal filling of the parties’ budgets.

On the other hand, the share in the “party freight” such as privileged and “redirected” collections of licenses, approvals and penalties, i.e., the levying of “party bribe” in public companies or “rewarding the deserving” by giving them jobs at public tenders and procurements, are forms of repaying the debt, i.e., favors done in exchange for the received donations.

The party budget is “furbished” by transferring the real party expenditures to the state and its authorities or, for instance, by “entering” the travel and engagement costs of part of the employees to public companies “obtained” in the post-election distribution of the political booty. At the same time, the “pumping out” of the party’s expenditures is accompanied by the “laundry”, i.e., the legalization of part of the parties’ revenues which derive from corruptive operations related, for instance, to “fixing” tenders on public procurements, the privatization process, or “pushing” of certain laws, decisions, and decrees which go in the favor of powerful “sponsors”.

On the other hand, the oversight and monitoring of parties' finances represents, without doubt, a necessary presupposition of democratic legitimacy of the system and trust into political institutions and actors. The complex oversight and monitoring activities of the parties' finances and the monitoring of the parties' political and electoral activities are therefore a subject of mutual accountability of the party and state authorities, and also of the legitimate engagement and aid of expert organizations from the civil sector.

The Recommendations of the International Foundation for Electoral Systems (IFES), of the Group of States against Corruption (GRECO), and of other international organizations, as well as practice from surrounding countries, support establishment of a separate, autonomous body in charge of political finance oversight.

Practice in Serbia

The establishment and practical commencement of operations of the Anti-Corruption Agency, whose competencies include oversight of financing of political activities, as well as the passing the Law on Financing Political Activities in 2011, create a qualitatively new normative and institutional framework for financing, and also for the entire effect of policy actors in Serbia.

The elections at all levels of government organized in 2012 represent a test of the new legal solutions in practice, i.e., the extent to which the cash flow in politics may be put under control. The reactions of the public widely vary from the rarely present, exaggerated, optimism, and expectation that spectacular changes may be reached, by formal oversight mechanisms, within a short period of time, to massively wide-spread skepticism and disbelief that, besides misdemeanor charges for obvious omissions, something more significant will change.

Attention given in public to party patrons, loan indebtedness of political actors or "state marketing" (free or privileged use of public resources) illustrates the depth of the challenge. On the other hand, the Agency, by filing more than 360 misdemeanor charges, challenged the impression of the key policy actors being untouchable and unpunishable. The fact that a working group for the elaboration of a new Law on Financing Political Activities has already been formed favors the assessment that the path towards a more transparent political process, even when talking about its cautiously concealed financial aspect, is finally an open and irretrievable process.

The Annual Financial Statements (AFS) submitted by political entities to the Agency represent a starting point for gaining complete insight into the "state of health" – anatomy and physiology – of the finances of political parties, coalitions, and groups of citizens.

Political entities that have representatives in the representative bodies, and registered political parties, were obliged to submit to the Agency, besides the data related to the regular work in the AFSs and the Report on Donations and Assets for 2012, data included in the Reports on the Election Campaign costs.

A total of 240 political entities, i.e., 91 registered political parties and 149 groups of citizens were obliged to submit their Reports for 2012. This legal obligation was fulfilled by only 76 political entities (31.7%), i.e., 63 political parties (69.2%) and 13 groups of citizens (8.7%).

As the political entities that submitted the AFSs for 2012 were beneficiaries of the public funds from the budget of the Republic of Serbia, AP Vojvodina and local self-government units with as much as 91.2%,

it may nonetheless be concluded that the funds used for financing political entities in 2012 were encompassed in the oversight conducted by the Anti-Corruption Agency.

Based on the fact that the number of formal beneficiaries is three times higher than the number of those who fulfilled their legal obligation, it may be concluded that 30% of the registered parties and more than 90% of the groups of citizens do not possess even the minimum political capacity and organizational resources. Consistent implementation of the existing political and electoral legislation with the appropriate procedural specification could make the political scene “grow more serious” and relieve us from the “political entities” which emerge prior to the elections like mushrooms after a rain shower.

Revenues and Expenditures of Political Entities: Who is who on the financial map

Total revenues and expenditures relate to the revenues and expenditures for regular work, as well as to the revenues and expenditures for the election campaign. Political entities reported total revenues in the amount of RSD 3,661,687,987.88 (somewhat less than EUR 31.8 million according to the exchange rate of RSD 115 for EUR 1) and total expenditures in the amount of RSD 4,654,401,545.82 (more than EUR 40.5 million). Looking at a whole, the political entities presented higher expenditures than revenues by RSD 992,713,557.94 (somewhat more than EUR 8.6 million). Besides revenues, political entities also had access to funds obtained from loans granted by commercial banks, hence the difference between the revenues and expenditures. Cases when expenditures were higher than revenues indicate debts of political entities by virtue of trade in goods and services, i.e., use of loans.

According to the data available to the Anti-Corruption Agency, loans for the election campaign were granted to five political entities, while the Socialist Party of Serbia (SPS) had access to funds based on short-term investments, i.e., overdrafts in the amount of RSD 1,997,444.40.

The Democratic Party (DS) got a loan of RSD 360,000,000.00 at Razvojna Banka Vojvodine for its regular work, and then used it for its election campaign. The Serbian Progressive Party (SNS) got a loan of RSD 54,596,000.00 at Univerzal Banka. G17 Plus was granted two loans from Komercijalna Banka, for a total of RSD 122,426,470.00. The Serbian Radical Party (SRS) was granted a loan by this bank in the amount of RSD 53,000,000.00, while the Liberal Democratic Party (LDP) was approved a loan by AIK Banka in the amount of RSD 21,000,000.00 for regular work.

Where does the money come from: The Revenues Side of the Political Entities Budget

Political entities were obliged to present in their AFSs for 2012 the amount and structure of their revenues.

TYPE OF INCOME	REVENUES
Funds from Public Sources	2,843,647,455.77
Goods and Services	0.00
Donations from natural persons	440,019,574.84
Donations from legal entities and international political associations	219,142,688.54
Membership income – collected	103,248,753.97
Assets Income	26,975,876.47

Other unmentioned income	28,653,638.29
TOTAL	3,661,687,987.88

Table 1: Total Revenue Structure of Political Entities by Type

The lion's share of the revenues, almost four fifths (77.7%), it derives from public sources, which favors the assessment of Serbia being a pluri-party state and a situation in which the parliamentary parties decide by themselves and allocate financial benefits to themselves. However, the issue as to what and how much the citizens gain for the somewhat less than EUR 25 million that political actors cost them in the electoral year remains open,

The donations of natural persons (12%) and legal entities (6%) represent a relevant source, at somewhat less than one fifth of the total revenues, i.e., a total of around EUR 5.7 million, Only every 37th RSD (2.8%), or less than one million EUR, is collected from membership fees by parties and other political actors, although according to the estimates of the analysts, as much as 10 to 13% adult citizens of Serbia are members of some political party.

Public Sources

Within the distributed public funds, five political actors: G17 Plus, DSS, SPS, and first of all SNS and DS, by virtue of the accomplished electoral results, gained almost three fourths of the total funds, i.e., around EUR 18.4 million.

It could be said that besides them and another ten or so relevant regional players, all the other political entities are just organizational or financial dummies.

POLITICAL ENTITY	FUNDS FROM PUBLIC SOURCES
Democratic Party	765,724,129.52
Serbian Progressive Party	687,499,365.25
Socialist Party of Serbia	278,253,388.09
Democratic Party of Serbia	221,465,718.36
G 17 Plus	167,352,526.94
TOTAL	2,120,295,128.16

Table 2: Overview of Political Entities which obtained the most funds from the budget of the Republic of Serbia

Donations by natural persons and legal entities

A donation is an amount which a natural person or legal entity voluntarily gives to a political entity, but it also includes gifts, as well as services provided without compensation or under conditions which deviate from the market. A donation consists of credits, loans, and other services from banks and financial organizations in the Republic of Serbia, if given under terms and conditions which deviate from the market ones, as well as writing-off of debts.

In electoral 2012, non-financial donations related mainly to use of business premises, elaboration of newspaper advertisements, lease of commercial space for billboard advertising, printing of electoral materials, creating video spots, advertising on TV, donations of food, organization of performances, transport by own vehicle, and as office supplies.

In years when elections are held, the legal limits on amounts which natural persons and legal entities may donate to political entities are doubled and total 20 average monthly salaries for natural persons, and 200 average monthly wages for legal entities for election campaigns and for regular work, Hence, for instance the total donations of the natural persons in 2012 could amount at most to RSD 1,519,406.00 (around EUR 13,212.00) or more precisely RSD 759,703.00 (around EUR 6,606.00) for the election campaign and the same amount for the regular work).

Having reviewed the 2012 AFSs, it has been found that no political entity reported a donor (natural person or legal entity) whose donation exceeded the maximum limit on donations.

The total number of natural persons who gave donations to political entities in 2012 is 8,329 (6,109 for the election campaign and 2,220 for regular work), while the number of legal entities donating was 281 (201 for the election campaign and 80 for regular work).

Even when it concerns the donations by natural persons and legal entities, the parties that are the biggest budget beneficiaries along with the League of Social Democrats of Vojvodina (LSV), have the expected largest attractive power.

POLITICAL ENTITY	AMOUNTS OF DONATIONS BY NATURAL PERSONS	NUMBER OF DONATIONS BY NATURAL PERSONS
Democratic Party	127,763,312.68	2,106
Socialist Party of Serbia	124,775,687.62	689
Serbian Progressive Party	66,542,628.09	3,567
League of Social Democrats of Vojvodina	25,262,323.59	328
Democratic Party of Serbia	18,862,114.81	311
TOTAL	363,206,066.79	7,001

Table 3: Overview of Political Entities that obtained the most donations by natural persons

POLITICAL ENTITY	AMOUNTS OF DONATIONS BY LEGAL ENTITIES	NUMBER OF DONATIONS BY LEGAL ENTITIES
G17 Plus	98,492,619.77	36
Democratic Party	59,659,272.12	60
Socialist Party of Serbia	19,470,715.35	69
League of Social Democrats of Vojvodina	15,135,000.00	8
Liberal Democratic Party	8,720,000.00	5
TOTAL	201,477,607.24	178

Table 4: Overview of Political Entities that obtained the most donations by legal entities

Membership fees

Income from membership fees in Serbia does not represent a significant source of financing for political entities, and amounts to only 2.8% of total incomes. Only DS collected more than one million Euros from membership fees.

POLITICAL ENTITY	INCOME FROM MEMBERSHIP FEES
Democratic Party	71,529,400.00
G17 Plus	13,378,526.09
Serbian Radical Party	9,129,400.00
Party of United Pensioners of Serbia	2,341,384.00
League of Social Democrats of Vojvodina	1,509,314.80
TOTAL	97,888,024.89

Table 5: Overview of Political Entities that have most income from membership fees

Asset and Property Income

Asset income is income political entities make from selling movable and immovable property, from lease of immovable property in ownership, and from interest on deposits with banks and other financial organizations in Serbia.

Asset income and other income represent only 1.5% of total revenues, and were reported by only five political parties: the Socialist Party of Serbia, the Christian Democratic Party of Serbia, the League of Social Democrats of Vojvodina, the Social Democratic Party of Serbia, and the Democratic League of Croats.

The assets of a political entity consist of immovable and movable properties. The political party acquires property by buying and selling, inheritance, and legacy. The political party may buy property only with funds raised from private sources. Political parties may be founders of foundations and endowments, and in the AFSs submitted to the Agency only the Democratic Party of Serbia stated in the general data its equity investment in the Slobodan Jovanovic Foundation. During the review procedure it has been found that the DS is the founder of the Fund for Promotion of Democracy Ljuba Davidović, and the Socialist Party of Serbia is the founder of the Fund Svetozar Marković.

The AFSs of the political parties for 2012 proved that the largest value of fixed assets regarding property, installations and equipment, as well as buildings are held by: the Socialist Party of Serbia (RSD 44,468,099.00, around EUR 386,679.10), the Democratic Party (RSD 22,655,422.00, around EUR 197,003.60), the Democratic Party of Serbia (RSD 18,718,266.88, around EUR 16,2767.50), the Serbian Renewal Movement (RSD 13,149,605.00, around EUR 114,344.30) and G 17 Plus (RSD 9,737,757.00, around EUR 84,676.20). Judging by the reports on fixed assets our parties seem to be real paupers. Even the SPS as the successor of the League of Communists of Serbia possesses real estate which does not exceed EUR 400,000.

Costs of Political Entities

Logically and expectedly, the five political entities which have the highest revenues are at the same time the actors that spend the most, i.e., invest in their reelection. The DS, then in power, invested twice as much than its biggest rival, SNS, which subsequently proved to be its successor as ruling party. G17 Plus and LDP have the lowest coefficient of investment efficiency, i.e., they spent the most funds per seat won.

POLITICAL ENTITY	EXPENDITURES
Democratic Party	1,481,186,431.88
Serbian Progressive Party	700,836,766.01
G17 Plus	653,142,214.52
Socialist Party of Serbia	456,480,140.17
Liberal Democratic Party	352,824,121.44
TOTAL	3,644,469,674.02

Table 6: Total Expenditures of five political entities in 2012

TYPES OF EXPENDITURES	AMOUNT OF EXPENDITURE
Overheads and running costs	1,520,509,773.98
Advertising and publication costs	497,751,291.56
Public events costs	561,011,715.72
Salaries costs	313,431,747.64
Professional upgrading and training costs	112,340,018.09
Other unmentioned costs	1,649,356,998.83
TOTAL	4,654,401,545.82

Table 7: Total Expenditure Structure of Political Entities by Type

In the total expenditure structure, overheads and running costs make almost a third of the total expenditures. These costs relate to the rent of business premises, the communal costs (electricity, heating, water, etc.), communication costs (fixed and mobile telephony, internet, direct mail, etc.), and other costs.

Advertising and publication costs make up 10.07% of the total expenditures, while public events costs make up 12.1% of the total expenditures, and represent the costs which primarily related to the election campaign costs in 2012.

In the submitted statements, political entities presented salary costs which encompassed gross salary costs, contributions borne by the employer, author's royalties, and service agreements.

From the total expenditures, this type of costs makes up 6.7%. At the same time, the political entities expressed that salary costs related to 364 employees. It is difficult, however, to believe that such a small number of employees is servicing all the political entities. It seems that this datum is proved by the research finding which shows that parties occupy public companies and social funds and that they transfer their staff to the salary lists of the latter.

In even more than one third of the total expenditures that are recorded as undistributed, two kinds of costs dominate and they relate indirectly to the election campaign.

First of all there are advertising services, SMS messages, video tapes, use of boardrooms, catering services, creation of spots, office supplies, fuel costs, shooting and editing video materials, production and animation, design of web sites, and mobile telephony costs.

On the second place there are the costs related mainly to servicing the liabilities which were incurred due to pre-election indebtedness such as interest costs for loans within the country, finance lease interest expenses, default interest within the country, interests for undue payment of public revenues, or foreign exchange losses.

The extent to which at least the indirect electoral costs hide in the electoral year behind the revenues and expenditures for regular activities is illustrated by the data that in 2012 the revenues presented for regular work were as much as 43.8%, and the expenditures more than one third (35.1%) higher than in the previous, non-electoral 2011 year.

Case study: Financing the Election Campaign in 2012

The election campaign for the parliamentary, presidential, provincial and local elections in 2012 is the first one carried out after passing the new Law on Financing Political Activities. The cash flow analysis in these elections is hence very important for assessing both the established normative and institutional framework, as well as the practical range of established oversight and monitoring mechanisms – their anti-corruption potential.

Money in the Campaign: Revenues of Political Entities

The largest part of the presented revenues from the election campaign was allocated from the budget (around 53% for the parliamentary elections and 84.4% for the presidential elections).

The second most reported aspect of revenues is bank loans, (13.8% for the presidential elections and 29.9% for the parliamentary elections), which opens the issue of from which sources, and within which deadlines, these loans shall be repaid.

At the same time, a very modest share goes to the stated income from donations by legal entities and natural persons - 15% of the revenues for the parliamentary and only 1.3% for the presidential elections.

The amount of RSD 843,228,190.00 (somewhat more than EUR 7.3 million) was secured by the budget for the 2012 parliamentary election campaign. Around one fifth of the revenues divided by an equal amount totaled RSD 168,645,638 (around EUR 1.5 million), calculated in the same way as the election bond.

The same amount of RSD 843,228,190.00 was shared by 12 president candidates. Half of this was shared in the same amount to all the candidates who accepted and gave election bonds (except for Ištvan Pastor and Danica Grujičić). The second half, around EUR 1.9 million, was shared by the participants of the second round of the presidential elections, Tomislav Nikolić and Boris Tadić.

Hence, with sufficient accuracy it can be ascertained how much money the participants in the elections could have received from the budget of the Republic of Serbia while the campaign still lasted. It is a matter of almost ten million RSD for each electoral list and more than RSD 38 million for each presidential candidate.

A rough estimate is that somewhat less than EUR 18 million was given for all the elections and all levels of government to the lists and candidates from public sources. Actually, the total revenues of all the political entities for all election levels amounted to somewhat more than three billion RSD, i.e., RSD 3,109,834,700.00, whereas income from public sources amounted to almost two billion (1,916,251,944.00), i.e., 62%, while expenditures amounted to RSD 3,576,057.00.

After the elections, out of six of the biggest and most successful political players who had their candidates both in the parliamentary and presidential elections, without income from local level public sources, three coalitions received more than one million EUR: SNS (EUR 4.1 million), DS (EUR 4 million) and SPS-PUPS-JS (more than EUR 1.5 million) from “state treasuries”. Two coalitions and the DSS had revenues of between EUR 1,000,000 and EUR 800,000: LDP (around EUR 900,000), URS (EUR 820,000) and DSS (around EUR 940,000).

Private Sources

The official data on private donations, the structure and amount of donations by natural persons and legal entities, as “logistical support” show, however, that stated income from private sources, with the exception of the coalition led by SPS (RSD 118 million) and URS (RSD 57 million), and partly the coalition led by SNS (RSD 46 million), DS (RSD 31 million) and LDP (RSD 20 million), was quite scarce.

Election Campaign Costs

The total value of the stated parliamentary and presidential election campaign costs was around RSD 3.5 billion (around EUR 30 million), i.e., around 5 EUR per voter.

In the reports for the presidential and members of parliament elections campaign costs, the largest part goes to the advertising costs – first of all on TV stations – 59.6% for the parliamentary, and 66% for the presidential elections.

In more than one fourth of the total presidential elections costs which make up “other costs“, the lion’s share (85.4%) was costs for engaging marketing agencies.

Almost all the funds spent on advertising were spent on TV advertising (94%), while print advertising is the only remaining relevant item (4%).

According to preliminary reports from the Anti-Corruption Agency, DS, SNS, and URS spent the most in the election campaign.

The Democrats spent around RSD 821 million for the presidential and parliamentary elections. They covered the election costs by securing 360 million from the loan they took from Razvojna Banka Vojvodine, 460 million from the budget, and the remaining from private donations.

The Serbian Progressive Party spent around RSD 311 million for the parliamentary elections, and a total of RSD 567 million for both campaigns. The largest part of this money was collected from the budget (RSD 472 million), from natural persons (RSD 43 million), and a loan from Univerzal Banka. It is interesting that they have more than 2,200 single donors who each donated RSD 19,000.00.

At the same time, URS and LDP have negative campaign funds, as they spent more money on the campaign than they collected for it, according to their own data. The URS spent around RSD 507 million, mostly for advertising (RSD 448 million) but they did not cover all the costs with the stated revenues (RSD 279 million). This party raised around 122 million from Komercijalna Banka through loans with a grace period.

The LDP had a negative campaigning, too. They spent RSD 291 million and collected RSD 121 million. From Aik Banka LDP took a loan of RSD 21,000,000.00 for regular work.

The Coalition SPS-PUPS-JS, spent around RSD 300 million for both campaigns (it received around 170 million from public sources), out of which it spent around RSD 160 million for advertising, whereas around RSD 40 million went for the presidential campaign of Ivica Dačić.

The DSS got RSD 107 million from the budget of the Republic of Serbia and collected six million more from donations, and spent the same amount mostly on TV spots.

The Radicals spent less money than they collected, as they got nine million RSD from the budget, and collected almost the same amount from natural persons. They had approximately the same amount, around 9.5 million earlier on the account. The Radicals raised a loan of 53 million, but returned an unspent amount of 28 million.

Revenue and Expenditure Ratio

As can be seen from the Table, three political entities had significantly less expenditure than realized revenue: the citizens' group "None of the above" (NOPO) maintained 41%, the Alliance of Vojvodina Hungarians (SVM) 27%, and the Social Democratic Alliance (SDS) 89% of their revenues.

On the other hand, the costs of six political entities exceeded the level of available revenues, whereby in three cases there were extremely huge losses: G17 Plus (-92%), Movement of workers and peasants (-157%) and coalition around LDP as much as double the amount (-192 %).

By comparing the revenues and expenditures we can conclude that the expenditures for all election levels were higher than the revenues by RSD 461,890,698.00, i.e., by 15%, which represents potential debt of the political entities. If loans granted and credits are added to the debts, it may be concluded that the lack of real sources of financing the election campaign in 2012 is RSD 978,913,168.00, i.e., that one third of the total expenditures were not financed from real sources.

Monitoring and Oversight Findings

The Anti-Corruption Agency during the campaign came out with the assessment that the campaign was to a significant extent "cheaper and more decent" than the previous ones. The given assessment is based on three types of arguments.

First, the costs of the field campaign, i.e., the walks of the party and presidential caravans throughout Serbia, were transferred to a large extent to state resources and free of charge use, or use with large discounts of space and equipment, for promotion of election appearances and forums. Besides this, on the basis of the monitors' findings, an important rate of citizens refusing to participate in the "door to door" campaign, as well as refusing to have advertising material put in their mail boxes, was ascertained.

Second, in the 2012 campaign, an important growth of free of charge activities was recorded on the sites of the parties and candidates, as well as in all the more popular social networks, which certainly significantly reduced election campaign costs.

Third, the knowledge of who lies behind the spots, fliers, and billboards (i.e., who pays) with critical messages against rival candidates and lists, contributed to a great extent to ensuring that the negative, critical campaign did not slip easily into a dirty – *ad baculam* and *ad hominem* (by force and against the man) - campaign.

The Republic Broadcasting Agency did not, pursuant to its jurisdiction, directly deal with the financing of the election campaign. However, the General Binding Instruction to Radio and Television Stations (broadcasters) regarding Conduct in Pre-election Campaigns, pursuant to which time for election propaganda is limited to 5 minutes at the most, contributed to a significant decrease in the volume of so-called paid broadcast time in electronic media. Indirectly this contributed to the reduction of total campaign costs. Also thanks to the RRA Instruction, the advertising of other "non-political" entities in connection to the election campaign, i.e., conduct of civil media, party "turned" pre-election campaign was to a great extent prevented.

On the other hand, contrary to previous assessments, the collected data of Transparency Serbia (TS) show that the growth of costs occurred primarily in TV advertising. According to TS researchers, the price only of advertising on larger TV stations, without the calculated discount, was more than EUR 34 million. They point out their belief that even if the discount were 50%, all the money from the budget of the Republic of Serbia earmarked for financing the election campaigns would hardly have been sufficient to settle even this aspect of advertising.

However, it is a fact that parties and the candidates, especially those who win, postpone for several years, or in the end only partially pay the costs of their media advertising.

Of course, the unsettled receivables for the campaign may be one more instrument of pressure of the political structures against the media or trade by their impact in the later allocation of public funds to media.

"State Marketing" or Disputable Use of Public Resources in the Campaign

Monitoring helped develop an impression of wide-spread implementation of the "state electoral marketing" i.e., taking advantage of being in power to acquire more favorable positions in the electoral competition. First of all during the campaign, this time as well, although less than earlier, "Potemkin villages" i.e., roads, bridges and public structures, kept opening.

Through paid texts in newspapers and special newspaper addendums, and more seldom on TV stations, the electorate was addressed by certain public institutions, most frequently local self-governments and public companies. Having in mind that in these texts (costs borne by taxpayers) the work of the current

government, accompanied often with photographs and statements of candidates in the elections, is appraised, it is obviously a matter of using public resources for election campaign purposes.

Finally, in the campaign of some of the lists (especially URS and the coalition led by DS) information on agreements and deals the state concluded during the mandate of the previous government with certain well-known companies, were used.

Since it has not been stated that the mentioned companies opposed such advertising, Transparency Serbia deems that this fact may be interpreted as direct support of these companies to the campaigns of certain candidates, and as non-financial donations to their campaigns.

There are indications about the use of already accustomed public resource misuse mechanisms for partisan purposes, For instance, through the wide-spread practices of *last minute* increased employment in public services, allocations of various forms of aid regarding employment, engagement of staff in public companies and other public institutions in the campaign, or even the (indirect) payment of freight.

Besides the (mis)use of public resources, the biggest problem in performing the elections themselves is the cases of vote-buying, some of which have been documented (e.g., snapshot of one settlement in Novi Sad). The targets of purchase were mainly poorer Roma, and the price was allegedly between 10 and 20 EUR, but there is no evidence about this as the participants mainly do not want to testify.

Violation of Regulations

At the same time, the Agency's data provide the formulation of the following starting presuppositions related to the fulfillment of the legal obligations by the political actors.

Political Entities

Numerous political entities, even a year and a half after the elections, did not submit their election campaign financial statements, even though the Agency published a list of all political entities that did not fulfill this obligation.

A large number of election campaign financial statements of the political entities contain an important number of formal irregularities, such as submitting collective financial statements of certain political entities for elections held on different levels of government.

A large number of political entities left behind them debts based on costs related to the election campaign that had not been settled at the moment of submitting the election campaign financial statements. The process of subsequent settlement of these debts consequently brings forth violations. If the debt from the election campaign is repaid from the regular work account, this process is considered misuse of funds for the regular work needs (Article 24, paragraph 3). If, on the other hand, it is repaid from the election campaign account, the misdemeanor relates to unallowable transaction from an account that should have been closed at the moment of submitting the election campaign financial statement of the political entity.

Certain political entities raised loans providing unsatisfactory credit guarantees, under the terms and conditions deviating from the market ones. Some state-owned banks appear in this process, which logically implies that certain loans have been granted under political pressure from the executive authority and political parties.

An important number of political entities had transactions from their special account for the election campaign even after submitting the election campaign financial statements, which suggests the possibility that there was concealment of cash flows in the period after the election campaign.

A large number of political entities did not even present, through the cost structure in their financial statements, certain public events (meetings, conventions, forums, stands, and similar) that, according to the data of the Agency, were recorded by election campaign field monitors or obtained from the Ministry Interior of the Republic of Serbia.

In the financial statements of certain political entities, the donations of legal entities or natural persons are not presented, while there are bank account statements which refer to these donations. There are also reverse situations in which the donors are stated in the statements of the political entities, but the bank account statements do not have any trace of these donations. Finally, a number of legal entities and natural persons who are donors of political parties are neither presented in the statements of the political entities nor in the political entities' election campaign special account bank statements. All of these situations raise questions about the intent of the donor or donation recipient to hide their financing sources.

A certain number of political entities did not present in their statement and through the cost structure the broadcasting of spots and advertisements in the media (television, radio, press, Internet) which took place and which implied certain financial costs. In certain cases it is a matter of not stating any activity or cost of this kind, while in other cases we have a situation in which the presented costs are significantly lower than those stated in the agreements.

As with media costs, a number of political entities did not present in their statements and through the cost structure the advertising costs for billboards or other similar methods of advertising (scrollers, mini billboards, banderols...). The data concerning discrepancy between the statements of the political entities and what actually happened in reality are obtained pursuant to the reports of the field monitors and based on agreements which the agencies renting advertising space concluded with the political entities.

During the election campaign period, political entities were obliged to publish a list of all donors who gave them donations exceeded the amount of one average salary. This obligation was not or was selectively fulfilled by certain political entities.

Donors

A certain number of donations to political entities came from natural persons that were beneficiaries of social welfare. In such a situation an issue is raised whether it is "moral" that these people, who are beneficiaries of social welfare, finance the political entities. It is possible that the political entities via these "donors", i.e., their member and fan networks, "inserted" money obtained in cash into legal flows.

It has been perceived that there is an important number of donations to political entities given by natural persons whose incomes are lower than or equal to their donations. As with the donors who were beneficiaries of welfare, a doubt is raised related to the process of "pumping in" money via third parties, which most probably derives from the "grey" or "black" zone. Besides, it is possible that in these situations the very natural persons are those who realize their incomes in the "grey" or "black" zone and hence avoid their legal obligations.

A certain number of legal entity donors to political entities have transactions and income which are lower than or close to the donation given to a political entity. This logically raises suspicion about the motives of the benefactors, i.e., in the manner in which they secured funds for donation to a political entity. It is possible that third legal entities, by payments via these legal entities, avoided the provisions of the law defining the limits of the funds that may be given to a political entity by a legal entity.

An important number of legal entities that were donors to political entities did not settle their liabilities based on public debt, and with the very donation they committed misdemeanors. If a responsible person, on behalf of the legal entity donating to a political entity, gave a statement that there were no liabilities by virtue of public debt, then there is no responsibility of the political entity. If the political entity did not demand such a statement, then the responsibility exists on the side of the recipient, the political entity.

In some cases, legal entities that are donors of political entities or have performed some activities for the benefit of the political entities during the election campaign, registered immediately prior to, during, or even after the election campaign, Some of them were erased from the registry soon after the termination of the elections and the submission of financial statements of political entities.

Service Providers

Certain service providers provided their services in the electoral process to various political entities under different terms and conditions. This raises doubt about putting the political entities into an unequal position. Thereby, unallowable connections between the political entities and certain legal entities are also made. It is possible that such behavior has been conditioned on previous or future more favorable treatment of these legal entities in activities related to the public procurements.

State Authorities

By overseeing the manner in which the allocation of financial means from the public funds was made, an important series of omissions has been detected. The provincial, city, and municipal authorities that were in charge of this process did not interpret the legal liabilities uniformly, and there are differences in the manner and sums of money paid to political entities that participated in the elections.

Legal noncompliance and inaccuracy of regulations in practice as basis of violating the law – Associations of Citizens as Political Entities

In the last general elections held in 2012, a form of violating the Law on Local Elections that at the same time also causes difficulties in the implementation of the Law on Financing Political Activities, was observed. It is a growing phenomenon that candidates for the position of councilor are proposed by associations of citizens that are not legally entitled to do so, and that such electoral lists are accepted by the city and municipal election committees.

In the Law on Local Elections (Article 18) the following is stated: “Candidates for councilor may be nominated, separately or jointly, by political parties, coalitions, and other political organizations, as well as groups of citizens whose electoral lists obtain the support of no less than 30 voters per nomination for each candidate on the electoral list.” The possible submitters of the electoral lists are explicitly listed and the provision cannot be interpreted differently than that an association of citizens cannot be a submitter of

the electoral list. From this, it may be clearly seen that this law does not provide the associations (citizens) the status of a political entity.

Financing of Political Entities from the Budgets of Urban Municipalities

Council elections were held in 23 cities in 2012. A political entity with an announced electoral list in the campaign for the election of the urban municipality council is obliged to submit a statement on costs of the election campaign to the Agency.

In certain cases, political entities did not submit statements on costs of the election campaign for the urban municipalities in which the elections were held, referring to the legal provision that urban municipalities, according to the Law on Local Self-Government, do not represent self-government units.

Rights and Liabilities of Groups of citizens

The Law on Financing Political Activities prescribes that groups of citizens as political entities in the election campaign have the same rights as do political entities and coalitions of political parties. Therefore, groups of citizens are also obliged to open earmarked accounts for financing their regular work and election campaigns, as well as to submit AFSs to the Anti-Corruption Agency, if they have representatives in the representative bodies, and to submit statement on the election campaign costs in which they participated. The Law directs that political entities, hence the groups of citizens as well, appoint a person responsible for financial operations, submission of statements, keeping of books, and contact with the Agency, in their Incorporation Agreement.

Having in mind the fact that a citizens' group does not have the status of legal entity, the Anti-Corruption Agency, when it confirms violation of Law by this political entity, may only petition the competent court to initiate a misdemeanor proceeding against the responsible person. The specificity of the citizens' group is reflected in the fact that most of these organizations are formed *ad hoc* immediately prior to the holding of elections in which they participate. When submitting the electoral list of the citizens' group, pursuant to the Law on Local Elections and the Law on the Election of Members of the Parliament, the group is not obliged to submit any document to the election committee which would have the nature of a founding act i.e., agreement on incorporation of a citizens' group, which would, among other things, contain data on the responsible person within the citizens' group. Hence, the citizens' group may have an announced list of candidates pursuant to the law and participate in the election campaign in local elections and elections for the members of the parliament, although it did not act pursuant to the provisions of the Law on Financing Political Activities. The consequence of this situation is that the Agency, when establishing that a certain citizens' group acted contrary to the provisions of the Law, cannot obtain data on the responsible person within the citizens' group, nor can it petition to initiate a misdemeanor proceeding in a competent court.

The problem could be avoided by entering supplements in the electoral laws by which it would be demanded from groups of citizens to submit, along with the candidates list, a founding act which would, besides the appointment of an authorized person for submitting the electoral list, necessarily also contain the appointment of persons pursuant to Article 31 of the Law on Financing Political Activities.

Noncompliance of Data from the AFS with Data from the Business Registers Agency

A large number of political entities reported different data in the AFSs, compared to the regular annual financial statements registered with the Serbian Business Registers Agency. Deviations relate to the display of income, expenditure, and business results. In certain cases these deviations are for significant amounts.

Failure to State Business Accounts

Financial operations of political entities are carried out via dinar and foreign currency accounts which the political entities keep with business banks in the Republic of Serbia. The number of these accounts per political entity ranges from one account to over 350 accounts. The political entities were obliged to list all the business accounts in the ASFs. However, it has been observed that in the AFSs for 2012, some political entities did not list the business accounts, which often resulted in not reporting the incomes and expenditures incurred based on regular work or election campaign.

Cash Payment

In the audit procedure, it has been observed that political entities performed the settlement of costs by cash payment i.e., by withdrawing cash from business accounts. This manner of settling costs by legal entities in the Republic of Serbia, among which are included political entities, is pursuant to the Law, but creates suspicion about whether expenditures for which the cash was used were pursuant to the Law.

Borrowings of Founders

Certain political entities, as a source of financing, used funds paid to accounts of the political entities in the form of loans from founders. The loans to political entities were given both by natural persons and by legal entities. The possibility of lending funds to political entities is not provided by the Law on Financing Political Activities, except loans from banks and other financial organizations in the Republic of Serbia.

Grey zone of activities of the policy actors – Equity Stake

Pursuant to the Law on Financing Political Activities, acquisition of shares or stock in a legal entity is prohibited. During oversight by the Agency, however, it ascertained that the Socialist Party of Serbia had equity investment in six legal entities.

Professional upgrading and training, international cooperation, and work with membership

Article 19, paragraph 2 of the Law on Financing Political Activities provides the obligation of the political entities to use not less than 5% of the funds received from public sources for regular work at annual level for professional upgrading and training, international cooperation, and work with membership.

This group of activities includes various kinds of training and seminars that provide acquisition of practical knowledge in the fields in which the political entity works.

From the total number of political entities and groups of citizens that had the mentioned obligation, as many as 50 political entities did not fulfill their legal obligation, i.e., did not use at least 5% for the intended purpose.

Certain political entities used the deducted funds for this purpose for purposes not provided by the Law, as for instance for costs for the Official Gazette, organized visits to cities, purchase of key chains, or printing of books and publications.

Humanitarian and other activities of political entities contrary to the Law

The Law allows financing only of those activities which support functioning of a political entity and propagation of a political idea. Collecting humanitarian aid, as well as medical checkups of citizens, organized by political entities do not in any way present propagation of a political idea, much less contribute to the functioning of a political entity. The political parties are not organizations for providing help, medical services, and checkups of any kind.

An exception to this is organizing voluntary blood donation. In the sense of the provisions of the Law, voluntary blood giving does not represent a misdemeanor of the political entity if funds were not spent for this purpose.

Upcoming Activities and Measures in the Oversight Procedure

The activities of the Agency in the upcoming period may be grouped into three big problem units. The first one consists, naturally, of further engagement on overseeing the financing of political activities. Within this framework, the following have special anti-corruption potential and importance:

Work on further petitioning for initiation of misdemeanor proceedings against political entities and responsible persons within the political entities who participated in the election campaigns in 2012, due to violation of provisions of the Law on Financing Political Activities pursuant to the prescribed period of limitations for initiation of misdemeanor and criminal proceedings. The Anti-Corruption Agency sent 340 petitions to the Misdemeanor Court in Belgrade (as locally having jurisdiction) by 01 November 2013.

Further action in case of violation of laws established during the audit of the annual financial statements of political entities for 2012. The Agency sent 22 petitions to the Misdemeanor Court in Belgrade (as locally having jurisdiction) by 01 November 2013.

Work on auditing the costs of the election campaigns performed for the local elections held in 2013, monitoring changes in the accounts regarding the unsettled liabilities of the political entities.

The second key prospective role is participation in work on amendments to the Law on Financing Political Activities, and accompanying by-laws. The third necessary accompanying educative and preventive role is organization of training of political entities and representatives of the state authorities, media and organizations of the civil society interested in participating in monitoring cash flow in politics.

Finally, by publishing this Report, the Agency also expresses its belief that the completion of the audit and oversight, as well as the publication of the obtained findings represent a basic precondition for raising the capacities of authorities in charge of overseeing the elections, and also for fulfilling the right of the citizens to know who and under what terms and conditions money is given to those who compete for their support. At the same time, this is also a first step which helps form a solid basis for broad public discussion about the behavior of election actors, and sustainability of existing legal solutions.

Ph D Prof, Zoran Stojiljković, *Member of Board of the Anti-Corruption Agency*

Report of Political Entity Financing Oversight Annual Financial Statement for the Year of 2012

1. DATA USED IN THE PROCESS OF ANALYSIS AND REVIEW OF THE FINANCIAL STATEMENTS

1.1 DATA OBTAINED BY A POLITICAL ENTITY

1.1.1. Annual Financial Statement

The form I-1, used to compose the AFS, consists of four parts, specifically: I – general data, II – political entity revenues, III – political entity expenditures, IV – political entity assets, capital and liabilities. Using the form I-1, a political entity presents its income and expenditures related to a specific business year, encompassing both financing of its regular work and of any election campaign run in the same calendar year.

1.1.2. Report on Election Campaign Costs

A political party participating in an election campaign is obliged, in accordance with the provision of Article 29, paragraph 1 of the Law, to submit to the Agency a report on election campaign costs within 30 days from the date of publication of final election results. The report on election campaign costs is submitted on the I-2 form that is regulated by the Rules and is its integral part.

Data from the Reports on election campaign costs for 2012 elections were used to compare the data political entities presented in their annual financial statements for the year of 2012.

1.1.3. Other Data Obtained from a Political Entity

In the review process, the Agency sent to political entities requests for submission of additional data related to financing political activities:

Request for supplementing annual financial statement, requesting that political entities correct formal irregularities in their statements (wrong name of political entity, wrong data in the form, failure to present the name of service provider, failure to use a stamp, failure to sign, failure to present the data related to a 2012 election campaign, failure to submit a photocopy of a regular financial statement – balance sheet,

income statement, statistical annex, – failure to submit the opinion of an auditor certified in accordance with the accounting and audit regulations).

Request to political entities to submit the data – cost specification in the part of the I-1 report – expenditures related to other costs for regular work and election campaign, and Request to political entities to submit additional data – confirmations, i.e., statements by all legal entity donors of donations to political entities in 2012, specifically: statements or confirmation of a competent authority that all liabilities on the basis of public revenues have been settled; statement that they are not engaged and have not been engaged in any general interest activities based on a contract in the past two years; data on every ownership structure, as well as a statement that they have not exceeded the maximum value of annual donations. At the same time, data related to analytical review of debts with the cutoff date December 31, 2012 for goods and services suppliers were requested, as well as analytical review of liabilities per loans on December 31, 2012.

1.4 DATA BY STATE AUTHORITIES AND LOCAL SELF-GOVERNMENT UNITS

1.4.1 Data by State Authorities

In the view process of AFSs and Reports on Election Campaign Costs, the Agency requested and used the adequate data by the Ministry of Justice and Public Administration, Ministry of Finance, Tax Administration, Public Procurement Office, Ministry of Labor and Social Policy, National Employment Agency, Republic Pensions and Disability Insurance Fund, Ministry of the Interior, electoral commissions, Republic Broadcasting Agency, Republic Geodetic Authority and Central Securities Depository and Clearing House. All above mentioned state authorities submitted, i.e., allowed the utilization of the requested data, except that the data by the Public Procurement Office and National Employment Agency are in the process of preparation.

1.4.2 Data by Local Self-Government Units

The Agency requested from the Autonomous Province Assembly and local self-government units data on the total amount of funds allocated from the budgets of towns and municipalities for 2012, specifically: funds spent for financing regular work of political entities with representatives in town assemblies and municipal assemblies; amounts of transferred funds for 2012, spent for financing regular work of specific political parties with representatives in town and municipal assemblies, as well as account numbers these funds were transferred to and names of banks where these accounts of political entities are administered; amount of funds transferred for 2012 allocated and paid to nominators of proclaimed electoral lists for the purpose of financing 2012 election campaign, as well as account numbers these funds were transferred to and names of banks these accounts of political entities were administered by.

Out of the total number of 165 local self-government units and town municipalities, only one municipality, the Municipality of Bujanovac has not submitted the requested data.

1.5 DATA BY COMMERCIAL BANKS

The Agency also addressed to the commercial banks a request to submit data on transfers by current RSD accounts and foreign currency accounts of political entities in 2012, as well as on the balance of liabilities of political entities, specifically by loans on December 31, 2012. All commercial banks responded to the Agency's requests, except that in some cases not all data on transferred per all accounts have been

submitted. The fact that not all banks submitted the requested data in the requested form makes the processing of these data difficult.

1.6 DATA BY OTHER LEGAL ENTITIES

Throughout the election campaign oversight period, all legal entities that provided their services to political entities were requested to submit their data, and in one case data related to financing regular work were requested (marketing agencies, billboard suppliers, transportation companies, and media – electronic and printed). The following transportation companies failed to submit the requested data related to financing election campaign of political entities: Lasta A.D., Beograd, Lui Travel Beograd and Transportation Company Kragujevac. The following billboard suppliers failed to submit the requested data: billboard supplier from Kragujevac, City Vision, nor did the following media: RT Vojvodina – Panonija from Novi Sad, TV Pet from Niš, TV Jefimija from Kruševac, Radio TDI Novi Beograd, Radio JAT from Belgrade, Radio BIS from Kragujevac.

In the cases related to financing regular work, the Agency received all requested data and information.

2. SCOPE OF REVIEW

A total of 240 political entities (i.e., 91 registered political parties and 149 groups of citizens), was supposed to submit Annual Financial Statements for 2012. A total of 76 political entities did submit their AFSs (63 political parties and 13 groups of citizens).

Annex two gives an overview of political entities that failed to submit their AFS to the Agency. Out of the total number of political entities that were obliged to submit their AFSs, 31.6 % of political entities complied with this obligation (69.2 % political parties and 8.6 % groups of citizens).

At the same time, political entities that submitted their AFSs were beneficiaries of the public funds of the RS, AP of Vojvodina, and local self-government units with 91.2 %, so it could be assumed that a significant portion of funds used for political finance in 2012 were encompassed by this review.

Total number of political entities obliged to submit their AFSs for 2012	240
Total number of political entities that submitted their AFSs for 2012	76
Total number of political entities that failed to submit their AFSs	164
Total number of political parties obliged to submit their AFSs	91
Total number of political parties that submitted their AFSs	63
Total number of political parties that failed to submit their AFSs	28
Total number of groups of citizens obliged to submit their AFSs	149
Total number of groups of citizens that submitted their AFSs	13
Total number of groups of citizens that failed to submit their AFSs	136

All political entities that won seats in the National Assembly of the Republic of Serbia submitted their annual financial statements, except for the People's Peasant Party and the Roma Party, both of which won their seats in the Assembly of the AP of Vojvodina and assemblies of the local self-government units.

It has been observed that certain political parties that failed to submit their annual financial statements for 2012, also failed to do so in 2011 (17 political parties), specifically: Alliance of Vojvodina Romanians, Bunjevac Party of Vojvodina, Democratic Left of Roma, Democratic Movement of Serbia Romanians, Democratic Alliance of Bulgarians, Gorani Citizens' Initiative, People's Peasants Party, People's Movement of Sandžak, Reformists of Vojvodina, Roma Party, Roma Party Unity, Sandžak Alternative, Serbian Democratic Party, Party for Sandžak, United Party of Roma, and Green Ecological Party.

3. FINANCIAL INDICATORS

3.1 TOTAL REVENUES AND EXPENDITURES

The total revenues and expenditures presented in the annual financial statements refer to the revenues and expenditures for regular work and revenues and expenditures for election campaigns. Political entities presented their total revenues and expenditures in the amount of RSD 3,661,687,987.88 and total expenditures in the amount of RSD 4,654,401,545.82.

Political entities, observed as a whole, presented higher expenditures than revenues by a total of RSD 992,713,557.94. Observed individually, 46 political entities presented higher revenues than expenditures in the total amount of RSD 111,595,557.78, while 20 political entities presented higher expenditures than revenues in the total amount of RSD 1,104,309,115.72.

Four political entities presented balanced business results for 2012.

Three political parties and one group of citizens failed to present in their statements both revenues and expenditures in 2012 (Sandžak Raška Party, Serbian Monarchist Party "Serbian Unity", Party of the Russian Serbia, and Groups of citizens Dveri).

Annex three gives an overview of the total revenues and expenditures by political entities.

Besides the revenues presented in the I-1 form in 2012, political entities had other resources from loans granted by commercial banks, thus the discrepancy between the revenues and expenditures, in the cases where expenditures exceeded revenues, indicates the debts of the political entities based on the goods and services trade, i.e., use of loans. According to the data the Agency has access to, the following political entities used loans for their election campaigns: Coalition led by Democratic Party (RSD 360,000,000.00 – the amount of the loan Democratic Party took for its regular work, and then used for its election campaign); Coalition led by Serbian Progressive Party (RSD 54,596,000.00); Coalition led by United Regions of Serbia (RSD 102,426,470.00), Serbian Radical Party (RSD 53,000,000.00), while the Liberal Democratic Party took a loan for regular work (RSD 21,000,000.00). Likewise, the Socialist Party of Serbia had access to funds based on short-term investments – permitted overdraft in the amount of RSD1,997,444.40.

POLITICAL ENTITY	EXPENDITURES
Democratic Party	1,481,186,431.88
Serbian Progressive Party	700,836,766.01
G 17 Plus	653,142,214.52
Socialist Party of Serbia	456,480,140.17
Liberal Democratic Party	352,824,121.44

POLITICAL ENTITY	EXPENDITURES
TOTAL	3,644,469,674.02

Table 2: Overview of five political entities by criteria of the highest expenditures

3.1.1.Total Revenues by Types

Political entities were obliged to present their revenues by type in their annual financial statements, specifically: funds from public sources, services and assets (Article 6 of the Law), natural persons' donations to the political entity, donations by legal entities and international political associations to the political entity, income from membership fees, income from the assets, and total other income (in accordance with the accounting and audit regulations) in 2012 which is not contained in Tables 1 to 6 of the I-1 form.

TYPE OF INCOME	POLITICAL PARTIES	GROUPS OF CITIZENS	POLITICAL ENTITY
Funds from public sources	2,841,202,003.19	2,445,452.58	2,843,647,455.77
Services and goods (Article 6 of the Law)	0.00	0.00	0.00
Donations by natural persons	439,716,756.35	302,818.49	440,019,574.84
Donations by legal entities and international political associations	219,142,688.54	0.00	219,142,688.54
Income from membership fees–collected	103,224,253.97	24,500.00	103,248,753.97
Income from assets	26,975,792.03	84.44	26,975,876.47
Other not mentioned income	28,653,508.31	129.98	28,653,638.29
TOTAL	3.658.915.002,39	2.772.985,49	3.661.687.987,88

Table 3: Overview of the total revenues of political entities by type

Annex four gives an overview of the total revenues by type presented by political entities.

TYPE OF INCOME	POLITICAL ENTITY	PERCENTAGE
Funds from public sources	2,843,647,455.77	77.7 %
Services and goods (Article 6 of the Law)	0.00	0.0 %
Donations by natural persons	440,019,574.84	12.0 %
Donations by legal entities and international political associations	219,142,688.54	6.0 %
Income from membership fees – collected	103,248,753.97	2.8 %
Income from assets	26,975,876.47	0.7 %
Other not mentioned income	28,653,638.29	0.8 %
TOTAL	3,661,687,987.88	100.0

Table 4: Structure of total revenues of political entities by type in percent

Annex five gives an overview of the total income of political entities in %.

During the review, it has been found that certain local self-government units transferred lower amounts of funds to the accounts of political entities than planned by the decision on budget. In addition, discrepancies between the amounts a political entity presented in its annual financial statement on the basis of received public funds, transactions on the bank account of a political entity on that basis, and the funds the local self-government unit presented as the amount of funds it transferred to a political entity. These discrepancies might be the result of wrongly presented amounts, payments by the budget of a local self-government which were not transferred to the account of a political entity but directly to a goods or service provider, other intention of a political entity not to present the revenues. Within the structure of the overall revenues, the income from the budget is represented in the most significant amount (77.7%).

POLITICAL ENTITY	FUNDS FROM PUBLIC SOURCES
Democratic Party	765,724,129.52
Serbian Progressive Party	687,499,365.25
Socialist Party of Serbia	278,253,388.09
Democratic Party of Serbia	221,465,718.36
G 17 Plus	167,352,526.94
TOTAL	2,120,295,128.16

Table 5: Overview of five political entities that received the highest portion of public funds from budget

Services and goods from public sources (Article 6 of the Law) include all services and goods provided to a political entity by state, provincial, and local self-government authorities, as well as organizations founded by the Republic of Serbia, a Province, or local self-government units. Those are services and goods the provision of which is regulated by special regulations, and which are provided or given to political entities for their regular work or election campaigns. Not a single political entity presented income on this basis.

Donations by natural persons and legal entities (financial and non-financial) had a share of 18 % in the total revenues of the political entities, which represents the second income source by amount, and primarily due to donations gathered during the election campaign.

POLITICAL ENTITY	DONATIONS BY NATURAL PERSONS	NUMBER OF DONATIONS BY NATURAL PERSONS
Democratic Party	127,763,312.68	2106
Socialist Party of Serbia	124,775,687.62	689
Serbian Progressive Party	66,542,628.09	3567
League of Social-Democrats of Vojvodina	25,262,323.59	328
Democratic Party of Serbia	18,862,114.81	311
TOTAL	363,206,066.79	7001

Table 6: Overview of five political entities which received the most donations by natural persons

POLITICAL ENTITY	DONATIONS BY LEGAL ENTITIES	NUMBER OF DONATIONS BA LEGAL ENTITIES
G 17 Plus	98,492,619.77	36
Democratic Party	59,659,272.12	60
Socialist Party of Serbia	19,470,715.35	69
League of Social-Democrats of Vojvodina	15,135,000.00	8
Liberal Democratic Party	8,720,000.00	5
TOTAL	201,477,607.24	178

Table 7: Overview of five political entities which received the most donations by legal entities

Donations from membership fees do not represent a significant source of income for political entities and its share is 2.8%.

POLITICAL ENTITY	MEMBERSHIP FEE - COLLECTED
Democratic Party	71,529,400.00
G 17 Plus	13,378,526.09
Serbian Radical Party	9,129,400.00
Party of United Pensioners of Serbia	2,341,384.00
League of Social-Democrats of Vojvodina	1,509,314.80
TOTAL	97,888,024.89

Table 8: Overview of five political entities which generated highest income from membership fees

Income from assets and other income represents 1.5 % of the total revenues, provided that only five political parties presented their income from their assets (Socialist Party of Serbia, Christian Democratic Party of Serbia, League of Social-Democrats of Vojvodina, Social Democratic Party of Serbia, and Democratic Alliance of Croats).

Table 9: Overview of five political entities which generated highest income from their assets

POLITICAL ENTITY	INCOME FROM ASSETS
Socialist Party of Serbia	26.165.822,00
Democratic Alliance of Croats in Vojvodina	445.316,67
Christian Democratic Party of Serbia	271.518,00
Social Democratic Party of Serbia	91.117,99
League of Social-Democrats of Vojvodina	1.912,37
TOTAL	26.975.687,03

3.1.2. Total Expenditures by Type

Political entities are obliged to present, in their annual financial statement, their expenditures by type, specifically: overheads and running costs, promotional material and publication expenses, public event expenses, costs of salaries, expenses for professional development and education, international cooperation and work with membership and total other expenses (in accordance with accounting and audit regulations) in 2012 which are not contained in Tables 1 to 5 of the I-1 form.

TYPE OF EXPENSES	POLITICAL PARTIES	GROUPS OF CITIZENS	POLITICAL ENTITY
Overheads and running costs	1,519,673,255.91	836,518.07	1,520,509,773.98
Promotional material and publication expenses	497,367,536.92	383,754.64	497,751,291.56
Public event expenses	560,602,739.72	408,976.00	561,011,715.72
Costs of salaries	313,431,747.64	0.00	313,431,747.64
Professional development and education expenses	112,340,018.09	0.00	112,340,018.09
Other not mentioned expenses	1,649,302,944.07	54,054.76	1,649,356,998.83
TOTAL	4,652,718,242.35	1,683,303.47	4,654,401,545.82

Table 10: Overview of the total expenditures of political entities by type

Annex six gives an overview of the total expenditures by type presented by political entities.

TYPE OF EXPENSES	POLITICAL ENTITY	PERCENTAGE
Overheads and running costs	1,520,509,773.98	32.7 %
Promotional material and publication expenses	497,751,291.56	10.7 %
Public event expenses	561,011,715.72	12.1 %
Costs of salaries	313,431,747.64	6.7 %
Professional development and education expenses	112,340,018.09	2.4 %
Other not mentioned expenses	1,649,356,998.83	35.4 %
TOTAL	4,654,401,545.82	100.0

Table 11: Structure of the total expenditures of political entities by type in percent

Annex seven gives an overview of the total expenditures of political entities.

Within the structure of the total expenditures, overheads and running costs represent almost one third (32.7 %). These expenses related to the lease of business premises, overheads (electricity, heating, water supply, and so forth), communication costs (land line and mobile telephony, internet, regular mail, and so forth), et.

POLITICAL ENTITY	TOTAL EXPENDITURES	SHARE OF OVERHEADS IN PERCENT
Vojvodina Party	657.190,79	100,0 %
Alliance of BačkaBunjevci	186.000,00	100,0 %
Vlach Democratic Party	123.253,00	100,0 %
Social Democratic Movement/ Party of Serbian Unity	39.847,73	100,0 %
Democratic Party of Macedonians	27.054,00	100,0 %

Table 12: Overview of five political entities with the highest overheads in the total expenditures

Promotional material and publication expenses represent 10.7 % of the total expenditures, while public event expenses 12.1 % of total expenditures, and represent the expenses that primarily relate to 2012 election campaign costs.

POLITICAL ENTITY	PROMOTIONAL MATERIAL AND PUBLICATION EXPENSES	TOTAL EXPENDITURES	PERCENTAGE
Together for Šumadija	7,439,884.00	12,928,926.00	57.5 %

Roma Democratic Party	740,837.30	986,678.38	75.1 %
GCRavanica Ćuprija	174,572.00	319,162.98	54.7 %
GCDveri Ćaĉak	66,355.00	98,355.00	67.5 %
Party of Bulgarians in Serbia	49,400.00	87,815.00	56.3 %

Table 13: Overview of five political entities with the highest share of promotional material and publication expenses in the total expenditures

In the submitted statements, political entities presented their costs of salaries, covering gross wages, contributions paid by employer, authorship fees, and contract service. This type of expense represents 6.7 % of the total expenditures. At the same time, political entities presented that the costs of salaries related to 364 employees. As opposed to 2011, a significant downsizing is observed, specifically for 17 employees, primarily full-time employees.

POLITICAL ENTITY	TOTAL EXPENDITURES	PERCENTAGE
Socialist Party of Serbia	456,480,140.17	57.6 %
Social Democratic Union	12,606,629.00	80.2 %
Democratic Party of Bulgarians	341,622.00	56.4 %
GC Luki	229,576.00	100.0 %
Croat Democratic Union	60,674.00	82.1 %

Table 14: Overview of five political entities with the highest share of public event expenses in the total expenditures

POLITICAL ENTITY	TOTAL EXPENDITURES	PERCENTAGE
Serbian Renewal Movement	20.913.526,57	39,9 %
Social Democratic Party of Serbia	17.129.890,00	34,1 %
Democratic Alliance of Croats in Vojvodina	10.663.532,04	23,7 %
Social Democratic Union	9.124.929,00	37,8 %
Green Serbia	4.051.339,42	48,9 %

Table 15: Overview of five political entities with the highest share in costs of salaries in the total expenditures

Within the structure of expenditures political entities presented in their annual financial statement, costs related to professional development and education, international cooperation, and work with membership represent only 2.4 %.

The highest expenditures political entities presented in their statements relate to total other costs (in accordance with accounting and audit regulations) in 2012 that are not presented in the tables 1 to 5 of the I-1 form, and those expenditures amount to 35.4 %.

The Agency sent a request to all political entities to submit their specification of costs included in the part related to total other costs (in accordance with accounting and audit regulations) in 2012 not presented in the tables 1 to 5 of the I-1 form. According to data received before composing this report, several political entities complied with the request in total or partially submitted the requested data, which have been used to find that they relate to the following expenses:

- Liberal Democratic Party (advertising services, SMS, video tapes, use of conference room, stationery, fuel, shooting and editing video material, production and animation, web page design, mobile telephony);

- Alliance of Vojvodina Hungarians (depreciation costs, transportation costs, exchange differentials, and other different costs for which it is not possible to determine type of costs based on the supplier name);
- Democratic Party of Serbia (depreciation, interest expenses, description of receivables, dispute costs, fines);
- Democratic Party (interest expenses per loan in the country, interest expenses per financial leasing, default interest in the country, interest for untimely payment of public revenues, negative exchange differentials, losses based on write-off of equipment, fines for commercial offences and misdemeanors, expenses for other benefits, subsequently determined expenditures from previous years);
- Serbian Progressive Party submitted out of the total expenses presented in this part, which amount to RSD 593,603,681.00, specification of expenses for the total amount of RSD 11,079,923.76 (electricity, gas, transportation, running maintenance, business premises maintenance, technical support, other leaseholds, ads in the newspapers and magazines, ads on the radio and TV outlets, utility services, posting of promotional messages at public places, publications, other expenses for promotion and propaganda, running technical maintenance, technical preparation, depreciation, audit of financial statement, cleaning of business premises, other non-production services, administrative networks, photocopying services, internet, press and video clipping services, BETA Agency services, representation costs, catering services, payment transaction services, paid contributions – assignment, banking services, fees for forests, construction land, duties, interests per loans, duties –forced collection, other expenses –refund of wrongfully paid funds);

3.1.3. Unsettled Liabilities at the End of 2012 and Comparison with Unsettled Liabilities related to Election Campaign – Loan Balance

The Agency sent 30 requests to political entities asking them to submit data about the balance of unsettled liabilities related to goods and services on December 31, 2012. A total of 17 political parties submitted the requested data, specifically: Together for Šumadija, Socialist Party of Serbia, United pensioners and Social Justice, United Serbia, Movement “Live for Krajina”, Democratic Party, League of Social-Democrats of Vojvodina, Rich Serbia, Bosniak Democratic Union, Democratic Party, New Serbia, Power of Serbia Movement, Democratic Party of Serbia, Serbian Radical Party, Liberal Democratic Party, Alliance of Vojvodina Hungarians and Party for Democratic Action.

The following political entities also submitted their data about unsettled liabilities based on loans: Democratic Party with the balance of unsettled liabilities based on the loans (*Razvojana banka Vojvodina* the amount of RSD 364,785,238.20); Liberal Democratic Party (*AIK banka* the amount of RSD 21,000,000.00). According to the data the Agency received from *Komercijalna banka*, G17 Plus Party had unsettled liability based on the loan on December 31, 2012 in the amount of RSD 19,885,932.48.

3.2. REVENUES AND EXPENDITURES FOR REGULAR WORK IN 2012, COMPARED TO 2011

In the course of 2012, the total expenditures for regular work presented amounted to RSD 1,777,397,857.59, which, compared to 2011, increased by RSD 779,219,679.14 (43.8%).

Expenditures of political entities for their regular work in 2012 as presented totaled RSD 1,525,106,014.40, which, compared to 2011, increased by RSD 536,457,749.18 (35.1%).

POLITICAL ENTITY	REVENUES REGULAR WORK	EXPENDITURES REGULAR WORK	DIFFERENCE
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POLITICAL ENTITY	REVENUES REGULAR WORK	EXPENDITURES REGULAR WORK	DIFFERENCE
Rich Serbia Movement of farmers and businessmen	3,488,026.19	854,629.58	2,633,396.61
Bosniak Democratic Union	5,888,622.12	2,324,253.00	3,564,369.12
Bosniak People's Party	0.00	0.00	0.00
Bosniak Democratic Party of Sandžak	5,689,729.13	5,780,779.13	-91,050.00
Montenegrin Party	10,425,378.00	140,126.00	10,285,252.00
Christian Democratic Party of Serbia	9,554,564.00	9,364,564.00	190,000.00
Democratic Party	1,009,538.00	406,619.00	602,919.00
Democratic Party of Bulgarians	96,064.00	151,863.00	-55,799.00
Democratic Party of Macedonians	71,616.00	27,054.00	44,562.00
Democratic Party	685,119,200.06	562,387,815.88	122,731,384.18
Democratic Party of Serbia	105,813,483.11	85,087,998.69	20,725,484.42
Democratic Party of Vojvodina Hungarians	1,037,396.18	1,083,993.00	-46,596.82
Democratic Union of the Valley	84,000.00	0.00	84,000.00
Croat Democratic Union	60,519.00	60,674.00	-155.00
Democratic Alliance of Vojvodina Hungarians	773,823.89	391,465.67	382,358.22
Democratic Alliance of Croats in Vojvodina	10,646,632.89	10,663,532.04	-16,899.15
G 17 Plus	128,060,224.98	115,021,781.52	13,038,443.46
United Serbia	29,345,979.29	31,711,923.82	-2,365,944.53
Communist Party	557,828.00	0.00	557,828.00
Liberal Democratic Party	56,680,138.07	45,946,869.44	10,733,268.63
League of Social-Democrats of Vojvodina	40,853,931.84	45,680,687.62	-4,826,755.78
People's Party	6,232,528.76	6,613,020.59	-380,491.83
None of the Above	5,485,052.47	559,030.82	4,926,021.65
New Serbia	39,683,996.01	37,374,744.84	2,309,251.17
Party of Bulgarians in Serbia	24,764.00	38,415.00	-13,651.00
Party of United Pensioners of Serbia	41,209,121.00	40,089,498.00	1,119,623.00
Party for Democratic Action	12,471,755.80	9,851,000.00	2,620,755.80
Power of Serbia Movement – BK	16,282,733.11	15,215,149.74	1,067,583.37
Socialist Movement	465,986.15	269,184.67	196,801.48
Movement of Veterans	370,000.00	241,826.00	128,174.00
Movement for the Development of Serbia	316,018.00	385,459.00	-69,441.00
Movement "Live for Krajina"	6,803,381.79	5,978,999.41	824,382.38
Puls of Serbia	436,725.68	318,507.48	118,218.20
Reformists of Sandžak	561,364.00	559,611.00	1,753.00
Reformists Party	264,750.00	257,841.93	6,908.07
Roma Democratic Party	758,526.86	986,678.38	-228,151.52
Русинска Democratic Party	0.00	11,743.00	-11,743.00
Sandžak Democratic Party	9,023,988.80	8,708,120.47	315,868.33
Sandžak People's Party	66,576.11	48,557.00	18,019.11
Sandžak Raška Party	0.00	0.00	0.00
Alliance of Bačka Bunjevci	186,000.00	186,000.00	0.00

POLITICAL ENTITY	REVENUES REGULAR WORK	EXPENDITURES REGULAR WORK	DIFFERENCE
Alliance of Vojvodina Hungarians	28,022,638.00	23,309,193.00	4,713,445.00
Social Democratic Party of Serbia	23,053,501.98	14,987,819.00	8,065,682.98
Social Democratic Union	9,124,929.44	9,124,929.00	0.44
Social Democratic Movement / Party of Serbian Unity	4,574.95	39,847.73	3,727.22
Social Democratic Union	787,986.00	368,833.00	419,153.00
Socialist Party of Serbia	121,549,424.00	118,489,889.17	3,059,534.83
Serbia to the East	219,632.93	137,272.50	82,360.43
Serbian Monarchist Party "Serbian Unity"	0.00	0.00	0.00
Serbian Progressive Party	185,925,302.93	76,293,595.01	109,631,707.92
Serbian Radical Party	114,802,097.32	187,242,456.36	-72,440,359.04
Serbian Renewal Movement	25,236,269.91	19,055,964.57	6,180,305.34
Party of Democratic Action of Sandžak	16,257,974.00	17,916,812.00	-1,658,838.00
Serbian Party of Russians	0.00	0.00	0.00
Party of Vojvodina Slovaks	225,509.28	195,996.13	29,513.15
Association of Pensioners and Social Justice	86,400.00	161,205.00	-74,805.00
United Peasant's Party	598,225.00	645,613.58	-47,388.58
Vlach Democratic Party	135,933.00	123,253.00	12,680.00
Vlach Democratic Party of Serbia	531,365.37	531,365.37	0.00
Vojvodina Party	0.00	657,190.79	-657,190.79
Together for Šumadija	9,312,596.00	6,195,432.00	3,117,164.00
Together for Vojvodina	0.00	1,000.00	-1,000.00
Green Serbia	3,726,466.33	4,051,339.42	-324,873.09
GC Dveri Novi Sad	173,915.82	0.00	173,915.82
GC Dveri Čačak	198,738.00	144,560.70	54,177.30
GC Miomir Zorić Ivanjica	201,524.48	201,524.48	0.00
GC Movement of Farmers and Businessmen- Movement for Loznica	272,972.00	98,355.00	174,617.00
GC Dragan Milić - for village and town Veliko Gradište	72,326.82	84,689.00	-12,362.18
GC Dveri for the life of Serbia Arilje	129,344.90	0.00	129,344.90
GC Dveri Belgrade	86,670.00	0.00	86,670.00
GC Dveri Kraljevo	565,089.62	238,994.34	326,095.28
GC Ravanica Čuprija	0.00	0.00	0.00
GC Dveri Bačka Palanka	60,103.24	28,749.98	31,353.26
GC PhD Slobodan Gvozdenović Valjevo	80,582.98	117.55	80,465.43
GCLuki	16,800.00	0.00	16,800.00
GC Dveri Požega	0.00	0.00	0.00
TOTAL	1,777,397,857.59	1,525,106,014.40	252,291,843.19

Table 16: Overview of revenues and expenditures for regular work

The next overview presents five political entities with the highest expenditures.

POLITICAL ENTITY	EXPENDITURES FOR REGULAR WORK
Democratic Party	562,387,815.88

Serbian Radical Party	187,242,456.36
Socialist Party of Serbia	118,489,889.17
G 17 Plus	115,021,781.52
Democratic Party of Serbia	85,087,998.69
TOTAL	1,068,229,941.62

Table 17: Overview of five political entities with the highest expenditures for their regular work

Annex eight gives an overview of the revenues and expenditures for regular work for both 2011 and 2012 as presented by political entities.

Besides the revenues presented in the I-1 form, political entities had access to funds they got from loans granted by commercial banks, thus the discrepancy between the revenues and expenditures, in the cases when expenditures exceed the revenues, refers to debts of political entities on the basis of trade of goods and services, i.e., use of loans, for regular work: LDP (RSD 21,000,000.00) and DP (RSD 360,000,000.00- is the amount of the loan DP took for its regular work, and then transferred as own funds to the election campaign account and used for its election campaign).

3.2.1. Revenues for Regular Work by Type

Political entities were obliged to present in their annual financial statements their revenues for regular work by type, specifically: funds from public sources, services and assets (Article 6 of the Law), donations by natural persons to political the entity, donations of legal entities and international political associations to the political entity, income from membership fees, income from assets, and total other income (in accordance with the accounting and audit regulations) in 2012 which are not contained in the Tables 1 to 6 of the I-1 form.

INCOME BY TYPES	POLITICAL PARTIES	GROUPS OF CITIZENS	TOTAL
Funds from public sources	1,416,725,865.88	1,699,595.53	1,418,425,461.41
Services and goods (Article 6 of the Law)	0.00	0.00	0.00
Donations by natural persons	138,376,515.39	46,800.00	138,423,315.39
Donations by legal entities and international political associations	61,583,854.15	0.00	61,583,854.15
Income from membership fees – collected	103,224,253.97	24,500.00	103,248,753.97
Income from assets	26,975,792.03	84.44	26,975,876.47
Other not mentioned income	28,653,508.31	87,087.89	28,740,596.20
TOTAL	1,775,539,789.73	1,858,067.86	1,777,397,857.59

Table 18: Overview of the total revenues of political entities for regular work by type

Annex nine gives an overview of revenues by type realized for regular work by political entities for 2012.

INCOME BY TYPE	POLITICAL ENTITY	PERCENTAGE
Funds from public sources	1,418,425,461.41	79.8 %
Services and goods (Article 6 of the Law)	0.00	0.0 %
Donations by natural persons	138,423,315.39	7.8 %

Donations by legal entities and international political associations	61,583,854.15	3.5 %
Income from membership fees – collected	103,248,753.97	5.8 %
Income from assets	26,975,876.47	1.5 %
Other not mentioned income	28,740,596.20	1.6 %
TOTAL	1,777,397,857.59	100.0 %

Table 19: Structure of the total revenues of the political entities for regular work by type in percent

Annex ten gives an overview of revenues political parties realized for their regular work in %. In the overall structure of revenues, the income from the budget for the political entities' regular work represents a significant share, amounting to RSD 1,418,425,461.41 (79.8 %).

Certain political entities (17) financed their all regular work from public sources.

Table 20: Overview of five political entities with the highest portion of funds from public sources for their regular work

POLITICAL ENTITY	FUNDS FROM PUBLIC SOURCES
Democratic Party	523,392,233.95
Serbian Progressive Party	175,746,385.36
Democratic Party of Serbia	101,398,589.29
Serbian Radical Party	98,726,147.65
Socialist Party of Serbia	77,780,046.00
TOTAL	977,043,402.25

Income from goods and services (Article 6 of the Law) was not presented in the statements by political entities.

Total donations of natural persons and legal entities (financial and non-financial donations) represented 11.3 % of the total revenues for regular work.

POLITICAL ENTITY	DONATIONS BY NATURAL PERSONS
Democratic Party	69.703.507,96
Power of Serbia Movement – BK	15.482.800,00
G 17 Plus	10.675.144,00
League of Social-Democrats of Vojvodina	10.065.000,00
Socialist Party of Serbia	9.370.000,00
TOTAL	115.296.451,96

Table 21: Overview of five political entities with the highest income for regular work on the basis of natural persons' donations

POLITICAL ENTITY	DONATIONS BY LEGAL ENTITIES
G 17 Plus	37.800.000,00
Democratic Party	19.882.292,15
Green Serbia	865.942,00
Rich Serbia Movement of Farmers and Businessmen	770.000,00

Power of Serbia Movement – BK	490.000,00
TOTAL	59.808.234,15

Table 22: Overview of five political entities with the highest income for regular work on the basis of legal entities' donations

Income from membership fees does not represent significant income for the regular work of political entities – 5.8%.

Income from assets and other income represents only 3.1% out of the total revenues of the political parties used for their regular work.

3.2.2. Expenditures for Regular Work by Types

Political entities were not obliged to specifically present in their AFS the expenditures by type for their regular work, and for election campaign, as oppose to their revenues. Therefore it is not possible to give any overview for regular work by type of expenditures, but in total amount it is contained in Annex six of this report.

- *Salaries*

In their submitted statements, political entities presented their salary costs, which encompassed gross wages, contributions paid by employer, authorship fees, and service contracts. Out of the total expenditures for regular work, this type of expense amounts to RSD313,431,747.64 (6.73 %).

At the same time, political entities presented salary costs that related to 364 employees. As opposed to 2011, a slight reduction of staff is observed, specifically for 17 full-time staff members.

Comparing the data the Agency had access to, certain political parties did not have any staff in 2011 (40 political parties) or 2012 (37 political parties). Persons (on the basis of service contracts) or specialized agencies were engaged to keep business books and did the administrative work for them.

POLITICAL ENTITY	NUMBER OF EMPLOYEES IN 2012
Democratic Party	139
Socialist Party of Serbia	63
Serbian Radical Party	23
G 17 Plus	20
Democratic Party of Serbia	40

Table 23: Overview of five political entities with the highest number of employees

Annex eleven gives an overview of the employees of political entities in both 2011 and 2012.

- *Professional upgrading and training, acquiring professional skills, international cooperation, and work with membership*

Article 19, paragraph 2 of the Law on Financing Political Activities stipulates that political entities should use funds received from public sources in the amount not less than 5 % of aggregate funds received for regular work at annual level for professional upgrading and training, acquiring practical skills, international cooperation, and work with the membership.

Professional upgrading and training mean training of political entities' staff as well as acquiring new knowledge and skills which would contribute towards development and improvement of political entity work. Therefore, this can encompass different types of trainings, education and seminars, as well as exercises that would imply acquisition of practical knowledge in the area that would improve the work of the political entity.

International cooperation refers to establishment and maintenance of international cooperation and contacts.

Work with membership implies introducing the membership to guidelines, programs, and activities of a party in the areas of economy, social policy, and in general with program goals.

The work with membership, however, cannot encompass any kind of session as a form of gathering with a purpose to make any decision on, amendment to, or proclamation of programs, statute or any other acts of political parties or any other kind of gathering of an entertainment character or content which activities cannot be directly linked with party related activities.

Annex twelve gives an overview of political entities' costs spent for professional upgrading and training, acquiring new skills, international cooperation, and work with membership for 2011.

Annex thirteen gives an overview of political entities' costs spent for professional upgrading and training, acquiring new skills, international cooperation, and work with membership for 2012.

Out of the total number of political parties and groups of citizens that reported on this data, 50 political entities failed to comply with their legal obligation, i.e., to spend no less than 5 %. Certain political entities used the earmarked funds for purposes not envisaged by the Law, such as for costs related to the Official Gazette of the Republic of Serbia, organized visits to towns, purchase of key rings, printing of books and publications, and so forth.

- *Humanitarian and other activities of political entities contrary to Article 19 of the Law*

No political entity has presented in its AFS or in any other statement submitted to the Business Registers Agency (BRA) the expenses for these purposes.

In the course of 2012, the Agency initiated several review and oversight procedures related to establishment of facts concerning the use of funds for regular work of political entities (Article 19 of the Law). It has been found that the Sandžak Democratic Party posted on its web page that the focus of the party was on humanitarian work, and in that respect invited all interested parties that needed assistance or wanted to take part in humanitarian work to contact the party. The humanitarian work was focused on provision of free of charge classes for high school entrance exams for the interested parties, as well as free of charge foreign language and IT courses. On that occasion, the Agency asked the party to submit their answer related to the activities it had undertaken in relation to its humanitarian work and educational activities, as well as that it was obliged to remove for its web page the part of its presentation as soon as possible, and the party complied with that request.

Likewise, political party Green Serbia had a similar example of organizing humanitarian action in the form of installing a counter where fundraising was organized and leaflets distributed on that occasion. The Party complied with the Agency's request in that regards.

In relation to the mentioned activities, it is important to note that from the Law's prospective it is permissible to finance only those activities that secure the functioning of a political entity and propagate political ideas. Functioning means: salary costs and wages for the staff, overheads and other costs related to necessary items for everyday life of apolitical organization, whether it concerns a political party or group of citizens. Through propagation of a political idea, a political entity promotes its ideological positions and political views of the current situation via: public announcement or printing of publications; however, it at the same time empowers its internal political cohesion through: work with its membership, trainings, international cooperation, and so forth. Consequently, from the above mentioned, certain observed activities of political entity may not be deemed permitted in accordance with the Law. Namely, medical check-ups of the citizens organized by political entities can in no way represent a propagation of political idea, let alone contribute towards functioning of a political entity. For organization of these kind of events it is necessary for a political entity ensure professional services of doctors, which represents a cost in accordance with the provisions of the Law, even if professional service has been rendered with no compensation. In addition, political parties are not organizations registered for provision of medical services and checkups of any kind. Political parties use humanitarian activities in the form of assistance to vulnerable groups, such as gathering and giving gifts to the children without parental care, ill population, socially vulnerable families, as well as donations given to educational, health, and any other institution, for their promotional purposes, and post information about these activities on their web pages. Expenses not allowed to political entities, in accordance with the Law, are purchase of gifts or other items that neither serve for the propagation of the political ideas of a political entity nor contribute toward its functioning.

A special form of humanitarian activity is the organization of blood donation. In accordance with the provisions of the Law, blood donation does not represent any violation by a political entity, in the case no funds were spent to that purpose.

3.3. REVENUES AND EXPENDITURES FOR ELECTION CAMPAIGNS – COMPARISON WITH THE REPORTS ON ELECTION CAMPAIGN COSTS

The first report the Agency issued, which encompassed the Report on Election Campaign Costs using the sample of 6political entities for 23 towns for presidential elections, parliamentary and provincial elections, elections at the local level. Not all political entities participating in the elections were encompassed. Through the review of annual financial statements, the scope has been widened.

Revenues for election campaigns for political entities that submitted their AFSs amounted to RSD 1,884,288,130.29, and expenditures amounted to RSD 3,129,295,531.42. Discrepancy between the revenues and expenditures refers to debts on the basis of goods and services, i.e., on the basis of loans.

During the review process it has been found that some political entities had discrepancies between the revenues and expenditures for the same purpose presented in the election campaign costs and in their annual financial statements.

4. ASSETS OF POLITICAL PARTIES

Assets of a political entity comprise all immovable properties and movable assets. A political party acquires its property through purchase and sale, inheritance, and legacy. Political party may only purchase property using funds aggregated from private sources.

Income from assets represents the income a political party is generating from sale of movable assets and immovable property, leasing out its owned property, and interest generated on the basis of shares given to banks and other financial organizations in the Republic of Serbia.

Political parties may be founders of endowments and foundations. Concerning the annual financial statements submitted to the Agency, only the Democratic Party of Serbia presented, in the part related to general data, its share in the capital of the Fund of Slobodan Jovanović. In the process of review it has been found that the Democratic Party is the founder of the Foundation for the improvement of democracy Ljuba Davidović, and that the Socialist Party of Serbia is the founder of the Fund Svetozar Marković.

The annual financial statement contains all data about the assets' balance on January 1 and December 31 for the current year, specifically:

- *Active Capital*
 - Fixed assets (intangible investments; immovable property, installations and equipment; business premises; equipment; investment immovable property; share in capital of endowments; other fixed capital, and advances for fixed capital)
 - Working capital (stocks, paid advances for goods; paid advances for services; short-term receivables; securities; RSD account; foreign currency account, and other operating assets)
 - Off-balance active capital (receivables for election bond and other)

- *Liabilities*
 - Capital
 - Long-term reservations and liabilities (long-term liabilities, long-term loans; other long-term liabilities; short-term financial liabilities; short-term loans; liabilities stemming from business operations; suppliers in the country; suppliers abroad; other short-term liabilities; liabilities on the basis on non-mentioned salaries; authorship fees; and service contracts)
 - Off-balance liabilities (liabilities on the basis of election bonds and other)

In the process of review of 2012 political parties' AFSs, on December 31, 2012, the following parties had the highest value of fixed assets in the part related to immovable property, installations and equipment, as well as construction: Socialist Party of Serbia (RSD 44,468,099.00); Democratic Party (RSD 22,655,422.00); Democratic Party of Serbia (RSD 18,718,266.88); Serbian Renewal Movement (RSD 13,149,605.00) and G 17 Plus (RSD 9,737,757.00).

POLITICAL PARTY	INTANGIBLE INVESTMENTS	IMMOVABLE PROPERTY, INSTALLATIONS AND EQUIPMENT	SHARE IN THE CAPITAL OF ENDOWMENTS	FIXED ASSETS IN PREPARATION AND ADVANCES	OTHER NOT MENTIONED FIXES ASSETS	FIXED ASSETS TOTAL
Socialist Party of Serbia		43,716,736.00			751,363.00	44,468,099.00
Democratic	216,266.32	22,439,155.68				22,655,422.00

Party					
Democratic Party of Serbia	1,201,096.82	17,317,170.06	200,000.00		18,718,266.88
Serbian Renewal Movement		13,149,605.00			13,149,605.00
G 17 Plus				9,737,757.00	9,737,757.00

Table 24. Overview of five political parties with the highest value of their fixed assets

Compared to 2011, political parties presented a reduction or increase in the part related to fixed assets which mainly refer to intangible investments, equipment and other not mentioned fixed assets. Political parties that realized increases are: Democratic Party, which presented a slight increase in the amount of RSD 2,056,767.53; and Democratic Party of Serbia, with an increase in the amount of RSD 4,666,140.58. Parties that presented a reduction in their fixed assets are: Socialist Party of Serbia, in the amount of RSD 1,428,143.00; Serbian Renewal Movement, in the amount of RSD 277,435.00; and G 17 Plus, which presented significant a reduction in the amount of RSD 6,289,330.37.

Democratic Party of Serbia presented its share in endowment capital in the amount of RSD 200,000.00.

Annex fourteen gives an overview of fixed assets by political party.

In the part related to working capital – stocks (books, brochures, leaflets, promotional material, paid advances for services and other), short-term receivables, cash equivalents and cash (securities, RSD and foreign currency accounts, cashier) other non-mentioned operating assets.

In the process of 2012 political parties' AFSs review, on December 31, 2012, the following parties had the highest value of working capital in the part related to stocks, short-term receivables, and other non-mentioned operating capital: Democratic Party (RSD 518,843,093.15); Liberal Democratic Party (RSD 204,602,097.74); Socialist Party of Serbia (RSD 113,607,157.00); Serbian Radical Party (RSD 112,643,673.00), and Serbian Progressive Party (RSD 59,154,736.00).

POLITICAL PARTY	STOCKS	SHORT-TERM RECEIVABLES	CASH AND EQUIVALENTS	OTHER NON-MENTIONED WORKING CAPITAL	TOTAL
Democratic Party	818,853.32	2,803,697.58		490,281,688.22	518,843,093.15
Liberal Democratic Party		4,851,091.77	69,862.95	199,681,143.02	204,602,097.74
Socialist Party of Serbia	7,288,995.00	54,366,903.00	819,403.00	51,131,856.00	113,607,157.00
Serbian Radical Party	19,496,226.00	89,900,178.00	3,247,269.00		112,643,673.00
Serbian Progressive Party		11,900.00	59,142,836.00		59,154,736.00

Table 25. Overview of five political entities with the highest values of working capital

Compared to 2011, political parties presented a reduction or increase in the part related to working capital, which mainly related to short-term receivables, cash and cash equivalent and other working capital, specifically: Democratic Party presented a significant increase in the amount of RSD

437,008,400.57, Liberal Democratic Party presented an increase in the amount of RSD187,944,523.64, Socialist Party of Serbia presented a slight increase in the amount of RSD 6,491,374.00 and Serbian Radical Party presented a slight reduction in the amount of RSD 47,508,339.00.

Annex five gives an overview of working capital by political parties.

In the part related to liabilities – capital and long-term reservations and liabilities, the following political parties presented the highest value: Democratic Party (RSD 528,069,469.00); G 17 Plus (RSD 405,417,215.00); Liberal Democratic Party (RSD 214,510,217.82); Socialist Party of Serbia (RSD 158,075,256.00),and Serbian Radical Party (RSD 128,958,388.00).

POLITICAL PARTY	CAPITAL	SHORT-TERM LIABILITIES	LONG-TERM LIABILITIES	OTHER NON-MENTIONED LIABILITIES	TOTAL
Democratic Party	13,429,045.56	505,031,058.60	9,909,534.78	13,128,875.42	528,069,469.00
G 17 Plus	0.00	344,149,252.00	57,238,184.00	4,029,779.00	405,417,215.00
Liberal Democratic Party	0.00	214,278,882.81	28,437.45	203,897.56	214,511,217.82
Socialist Party of Serbia	0.00	3,856,917.00	2,866,384.00	147,919,877.00	158,075,256.00
Serbian Radical Party	79,717,190.00	46,564,549.00	0.00	2,679,649.00	128,958,388.00

Table 26. Overview of five political entities with the highest liabilities

Compared to 2011, political parties presented significant debts on the basis of short-term and long-term liabilities, as well as other non-mentioned liabilities. Democratic Party presented increased liabilities totaling RSD 438,850,534.76,G 17 Plus presented a significant increase in liabilities totaling RSD 387,380,980.20,Liberal Democratic Party also presented a significant increase in liabilities as compared to 2011 that totaled RSD 189,401,343.00,Socialist Party of Serbia presented a slight increase in liabilities totaling RSD5,063,745.00, while the Serbian Radical Party presented a slight reduction in liabilities totaling RSD 48,604,620.00.

Annex sixteen gives an overview of the capital and long-term reserves and liabilities by political parties.

Certain political entities took used leases (most often for vehicle purchase), as well as loans by current accounts (overdraft).

In accordance with the Law on Financing Political Activities, a political party is not allowed to acquire a share or stocks in any legal entity. In the process of review, the Agency found that the political party - Socialist Party of Serbia had its share in the capital of the following legal entities:

- "Kontakt d.o.o. " Smederevo, company founded on March 25, 1992 for wholesale and retail, services and consulting. The founder: Socialist Party of Serbia with 100 %of shares;

- "Znak d.o.o". Niš, company founded on June 15, 2001, for trade and services. The founder: Socialist Party of Serbia with 100 %of shares. The total of registered and paid money capital was RSD 166,940.55 on August 13, 2001;
- "Promo d.o.o. " –in liquidation in Kikinda, company founded on February 1, 2001, for trade and services.
- The founder: Socialist Party of Serbia – Municipal Committee in Kikinda with 100 %of shares and the total registered and paid money capital in the amount of RSD 168,409.65 on January 1, 2001;
- 4. "Serbia-comerc" d.p. in liquidation, Čuprija, company founded on May 24, 1991, for trade and services.
- The founder: Socialist Party of Serbia Čuprija with 100 %of shares and total registered and paid money capital of RSD 481,095.00 on May 24, 1991 – social capital;
- 5. "Genes-S d.o.o. " Beograd, company founded on June 20, 2003 for internal and external trade.
The founder: Socialist Party of Serbia with 100 % shares, the total registered and paid money capital in the amount of RSD 693,040.30 on July 9, 2003.

Having seen the annual financial statements of the registered entities before the Business Registers Agency that the Socialist Party of Serbia submitted to the Agency for 2010, 2011, and 2012, it has been found that there are no presented data under the item – share in the capital of legal entities.

5. DONATIONS

Donation means a financial amount, besides a membership fee, that any natural person or legal entity may voluntarily give to a political entity, or gift and services provided free of charge or under conditions deviating from the market ones. A donation may also be credits, loans, and other services by banks or other financial organizations in the Republic of Serbia, granted under conditions deviating from the market ones, as well as write-off of debts. Having seen the election campaign costs reports by political entities, it has been observed that natural persons and legal entities appeared as donors of both financial and non-financial donations. Non-financial donations referred to giving business premises for use, designing newspaper advertisements, lease of ad space for billboard posting, printing of election material, design of video spots, transportation with own vehicles, and stationery.

The Law on Financing Political Activities sets the maximum amount of donation by one natural person or legal entity to one or more political entities. It concerns the amount of 20 average monthly salaries for natural persons, or 200 average monthly salaries with no taxes and contributions accrued for legal entities. However, in an election year, these limits may be doubled, such that donations may amount to 20 average salaries for natural person, or 200 average salaries for legal entities for election campaign and the same amount for the regular work.

In accordance with data from the authority competent for statistics in the Republic of Serbia, the average monthly salary for 2011 amounted to RSD 37,985.00, meaning that the maximum value of donation one natural person could have donated to a political entity for its election campaign in 2012 amounted to RSD 759,703.00, or RSD 7,597,034.00 from a legal entity. Total maximum donation of a natural person in 2012 was RSD 1,519,406.00 (RSD 759,703.00 for the election campaign, and RSD 759,703.00 for regular work).

Having reviewed the annual financial statements for 2012, it has been found that no political entity presented a single donor (natural person or legal entity) whose donation exceeded the maximum donation limit.

The number of natural persons who donated to political entities in 2012 totaled 8,329 (for election campaign 6,109 and for regular work 2,220), while the number of legal entities that gave donations in 2012 totaled 281 (for election campaign 201 and for regular work 80).

Annex seventeen gives an overview of the number of natural persons and legal entities that gave donations to political entities.

Out of 76 political entities that submitted their annual financial statements, 19 political parties and 9 groups of citizens did not receive any income from donations by either natural persons or legal entities.

The Agency requested that all political parties submit statements or certificates by competent authority that they had settled all liabilities on the basis of public revenues; statements that they were not engaged or have not been engaged in past two years in any activity of general interest on the basis of contract; data on their ownership structure; as well as a statement that they did not exceed the maximum value of annual donations. In the course of drafting this report, Democratic Party, League of Social-Democrats of Vojvodina, Liberal Democratic Party, and New Serbia submitted the requested data, while Democratic Party of Serbia submitted partial data.

6. FORTHCOMING ACTIVITIES IN THE OVERSIGHT PROCESS

The activities of the Agency in the forthcoming period may be classified in several groups, specifically:

- Activities related to further filing of motions to institute misdemeanor proceedings against political entities and responsible persons in legal entities who took part in 2012 election campaigns, for violation of provisions of the Law on Financing Political Activities in accordance with stipulated time limits for institution of misdemeanor proceedings. By November 1, 2013, the Agency filed before the Belgrade Misdemeanor Court, which has territorial jurisdiction, 340 motions, out of which 339 motions for failure to submit 2012 report on election campaign costs and 1 for misuse of funds;
- Further action in cases of violations of the law found in the political entities' 2012 AFS review process. Up to November 1, 2013, the Agency filed before the Belgrade Misdemeanor Court, which has territorial jurisdiction, 22 motions, out of which 18 motions for failure to submit their Annual Financial Statements and 4 motions for failure to submit opinions by certified auditors;
- Transferring cases with the observed characteristics to the competent authorities for their further consideration;
- Work concerning the election campaign costs oversight conducted due to 2013 elections;
- Monitoring the status of unsettled liabilities of political entities;
- Work concerning amendments to the Law on Financing Political Activities and related by-laws;
- Organization and implementation of trainings dedicated to political entities on amendments to the Law and related by-laws.

7. FACTS INDICATING VIOLATION OF LAWS IN TERMS OF REVENUES AND EXPENDITURES AND ASSET REVIEW

VIOLATIONS OF THE LAW ON FINANCING POLITICAL ACTIVITIES	POLITICAL ENTITY
<p>Article 13,paragraph4</p> <p>Concealing identity of donor or amount of donation is prohibited.</p>	<p>Rich Serbia Movement of farmers and businessmen; Democratic Alliance of Vojvodina Hungarians; Socialist Party of Serbia ; Party of United Pensioners of Serbia</p>
<p>Article 19,paragraph2</p> <p>A political entity is required to use funds received from public sources in the amount not less than 5 % of aggregate funds received for regular work at annual level for professional upgrading and training, acquiring practical skills, international Cooperation, and work with the membership;</p>	<p>Rich Serbia Movement of Farmers and Businessmen; Bosniak Democratic Union; Montenegrin Party; Democratic Party; Democratic Party of Macedonians; Democratic Party of Vojvodina Hungarians; Democratic Union of the Valley; Croat Democratic Union ; G 17 Plus; League of Social-Democrats of Vojvodina ; People’s Party ; None of the Above; New Serbia; Party of United Pensioners; Party for Democratic Action; Party of United Pensioners of Serbia ; Power of Serbia Movement – BK; Movement “Live for Krajina”; Puls of Serbia; Reformists of Sandžak; Roma Democratic Party ; Vlach Democratic Partyof Serbia ; Sandžak Democratic Party; Sandžak People’s Party ; Alliance of Bačka Bunjevci; Socialist Party of Serbia ; Social Democratic Partyof Serbia ; Social Democratic Union ; Party of Vojvodina Slovaks; Social Democratic Union ; Serbia to the East; Serbian Radical Party ; Serbian Renewal Movement ; Party of Democratic Action of Sandžak; Association of Pensioners and Social Justice; United Peasants’ Party; VlachDemocratic Party ; Together for Šumadija ; Green Serbia ; GC Movement of Farmers and Businessmen – Movement for Loznica; GC Dragan Milić - for village and town Veliko Gradište; GC Dveri for the life of Serbia Arilje; GC Dveri Kraljevo; GC Ravanica; GC Dveri Bačla Palaka; GC Slobodan Gvozdenović Valjevo; GC Dveri Čačak ;</p>
<p>Article 19,paragraph1</p> <p>Funds for financing regular work of political entities are used for functioning and propagation of the idea of a political entity and presume work with the electorate and membership, promotional costs, advertising material and publications, public opinion polls, training, international</p>	<p>G 17 Plus; Liberal Democratic Party ; League of Social-Democrats of Vojvodina ; Sandžak Democratic Party; Serbian Progressive Party ; Together for Šumadija ;</p>

<p>cooperation, salaries and emoluments for staff, costs of utilities services, and expenses related to other similar activities.</p>	<p>Vlach Democratic Party of Serbia ; United Serbia ;</p>
<p>Article 28, paragraph 2</p> <p>Political entities referred in paragraph 1 of this article are required to publish, within eight days of submission of the annual financial statement to the Agency, the statement on their web site and forward it for publishing in the “Official Gazette of the Republic of Serbia”; □</p>	<p>Bosniak Democratic Union; Bosniak Democratic Party of Sandžak; Montenegrin Party; Christian Democratic Party of Serbia ; Democratic Party of Bulgarians ; Democratic Party Of Vojvodina Hungarians; Democratic Union of the Valley; Croat Democratic Union ; Communist Party; New Serbia; Party of Bulgarians in Serbia ; Party for Democratic Action; Movement of Veterans; Movement for the Development of Serbia; Movement “Live for Krajina”; Reformists Party; Rusyn Democratic Party ; Sandžak Democratic Party; Sandžak Raška Party; Alliance of Bačka Bunjevci; Serbian Party of Russians; Serbian Monarchist Party “Serbian Union” United Peasants’ Party; Vlach Democratic Party ; Together for Vojvodina – Ruski Krstur; GC Dveri Novi Sad; GC Dveri Čačak ; GC Miomir Zorić Ivanjica; GC Movement of Farmers and Businessmen– Movement for Loznica ; GC Dragan Milić - for village and town Veliko Gradište; GC Dveri for the life of Serbia Arilje; GC Dveri Belgrade; GC Dveri Kraljevo; GC Ravanica; GC Slobodan Gvozdrenović Valjevo; GC Dveri Bačkla Palanka; GC Dveri Požega;</p>
<p>Article 24</p> <p>For the purpose of raising funds for election campaign financing a political entity shall open a separate account that may not be used for other purposes.</p> <p>A political entity not having the account specified in paragraph 1 of this article is required to open such account after calling of elections and before registering own electoral list.</p> <p>All funds intended for financing of election campaign are paid into the account specified in paragraph 1 of this article and all payments of election campaign costs are made from that account.</p> <p>A political entity may use funds raised from private sources for regular work for election campaign financing, with the proviso that such funds are paid into the account specified in paragraph 1 of this article. Opening of the account referred in paragraphs 1 and 2 of this article for a coalition and/or group of citizens is regulated by the agreement on establishing such political entities. □</p>	<p>Bosniak People’s Party;</p>

<p>Article 29</p> <p>A political entity participating in election campaign is required to submit to the Agency a report on election campaign costs within 30 days of the date of publication of final election results.</p> <p>The report on election campaign costs contains information on origin, amount and structure of raised and spent funds from public and private sources</p>	<p>Bosniak People's Party;</p>
<p>Article 28, paragraph 1</p> <p>A political entity with representatives in representative bodies and registered political parties are required to submit to the Agency an annual financial statement, as well as a report on donations and assets, together with the opinion of an auditor certified in accordance with accounting and audit regulations not later than 15 April of the current year for the preceding year.</p>	<p>Bosniak People's Party; Montenegrin Party; Democratic Party Of Vojvodina Hungarians; Democratic Alliance of Albanians; Democratic Union of the Valley; Croat Democratic Union ; Democratic Alliance of Croats in Vojvodina ; Communist Party; Party for Democratic Action; Movement of Veterans; Movement for Democratic Progress; Reformists of Sandžak; Reformists Party; Alliance of Bačka Bunjevci; Social Democratic Party of Serbia ; Serbian Party of Russians; Serbian Monarchist Party "Serbian Union" Together for Vojvodina–Ruski Krstur; GCDveri Novi Sad; GCDveri Čačak ; GC Momir Zaric, Ivanjic; GC Movement of Farmers and Businessmen– Movement for Loznica ; GC Dragan Milić - for village and town Veliko Gradište; GC Dveri for the life of Serbia Arilje; GC Slobodan Gvozdenović Valjevo; GC Dveri Belgrade; GC Dveri Kraljevo; GC Ravanica; GC Dveri Bačka Palanka; GC Lukic komerc; GC Dveri Požega;</p>
<p>Article 15.</p> <p>A political entity is required to pay pecuniary funds acquired contrary to article 12 hereof in favor of the Republic of Serbia budget within 15 days from the date of receiving such funds. If the payee of funds has ceased to exist, a political entity is required to transfer the paid amount to the Republic of Serbia budget within 15 days from the day of receiving of funds.</p> <p>A political party is required to pay membership dues received contrary to article 8 paragraph 3 hereof in favor of the Republic of Serbia budget within 15 days of receiving membership dues.</p> <p>A political entity is required to return to the donor a donation without forwarded documents of the donor stipulated in article 9, paragraph 3, as well as a donation exceeding the amount set forth in article 10 hereof within 15 days from the date of receiving the donation.</p> <p>If funds referred to in paragraph 3 of this article cannot be returned to the account of the payee, the funds are paid into the budget of the Republic of Serbia.</p>	<p>Montenegrin Party; Democratic Party of Vojvodina Hungarians; G 17 Plus; Alliance of Bačka Bunjevci; Party of Vojvodina Slovaks; Association of Pensioners and Social Justice; Democratic Justice;</p>

<p>Article 30</p> <p>A political entity is required to return all funds from public sources not used in the election campaign to the budget of the Republic of Serbia, autonomous province and/or local government by the date of submission of report.</p>	<p>Liberal Democratic Party;</p>
<p>Article 10 paragraph 3 and 4</p> <p>Donations exceeding at annual level one average monthly salary are published.</p> <p>A political entity is required to publish each donation referred in paragraph 3 of this article on its web site within eight days from the date the value of donation has exceeded the amount of one monthly average salary.</p>	<p>Party for Democratic Action; Puls of Serbia; Alliance of Bačka Bunjevci; Party of United Pensioners of Serbia ; Alliance of Vojvodina Hungarians ; Party of Vojvodina Slovaks; Association of Pensioners and Social Justice; Together for Šumadija ; Social Democratic Union ; Serbian Radical Party ;</p>
<p>Article 14</p> <p>A political entity may not realize income from promotional, and/or commercial activity.</p>	<p>Socialist Party of Serbia ;</p>
<p>Article 23</p> <p>Election campaign costs are costs related to political activities during the election campaign.</p> <p>Funds raised from public and private sources for financing election campaign costs may be used only for activities specified in paragraph 1 of this article.</p>	

Table 27. Overview of the Law violations

8. CHARACTERISTICS INDICATING POSSIBLE VIOLATION OF THE LAW IN THE REVENUES AND EXPENDITURE OVERSIGHT

8.1. ASSOCIATIONS OF CITIZENS AS POLITICAL ENTITIES

During the last general election held in 2012, one form of violation of the Law on Local Election was observed (Official Gazette of the Republic of Serbia, nos. 129/2007, 34/2010 –decision of the Constitutional Court of the Republic of Serbian and 54/2011) that at the same time causes difficulties in the implementation of the Law on Financing Political Activities (Official Gazette of the Republic of Serbian, no. 43/2011). It is a growing phenomenon that the candidates for councilor are nominated by associations of citizens which are not entitled to do so, and such electoral lists are accepted by the town and municipal election commissions. Namely, the Law on Local Elections (Article 18) reads as follows: "Political parties and coalitions of registered political parties may nominate candidates for councilor, as maygroups of citizens whose electoral lists are supported by signatures of at least 30 voters for every proposed candidate." Possible nominators of electoral lists are specifically listed, and that provision cannot be interpreted differently but that the association of citizens cannot be a nominator of an electoral list. A group of citizens, as a nominator of electoral list or a nominator of an election candidate is free to select the name for its list. There is no doubt that the name may be similar to the name of a registered association and that the members of that association (as individuals) may be gathered within groups of citizens that submits an electoral list. However, those "groups of citizens" and "associations (of citizens)" represent different legal entities, whose work is regulated by different regulations.

Article 1 of the Law on Financing Political Activities stipulates the following: "This Law shall regulate sources and manner of financing, records and control of financing of activities of political parties, coalitions, and citizens' groups, (hereinafter "political entities")." It can therefore be concluded that this Law does not give the status of political entity to associations (of citizens). In the case an association, by an omission of an electoral commission, is given the status of "a nominator of an electoral list" or "a nominator of a candidate" that does not mean that such association has any rights or obligations stemming from the Law on Financing Political Activities, because the Law explicitly refers to political parties, coalitions, and groups of citizens. Such an association should not be given any funds for election or regular work financing in accordance with the Law on Financing Political Activities (such payment would represent a violation of the Law on Budgetary System), and it does not have any obligation to submit its financial statements in accordance with the mentioned Law, and cannot be a subject of oversight by the Anti-Corruption Agency, unless as any other natural person or legal entity is associated in some way with a political entity (for instance a financier, service provider and so forth).

The Law on Associations (Official Gazette of the RS, nos. 51/2009 and 99/2011 – other laws) regulates foundation and legal status of association, entry and erasure from the register, changes to its status, and so forth. This Law does not contain any provision entitling associations to nominate electoral lists or election candidates. Legal status of an association has been precisely defined by the Law, which cannot be said for the legal status of "groups of citizens" and its status significantly differs. As an example it may be mentioned that an association has a status of a legal entity, and groups of citizens do not. Further on, sources of financing are different: there is no obstacle for associations to raise funds for their own work from foreign persons' donations, while such actions are prohibited to political entities (including groups of citizens as well). Associations may be directly engaged in economy or any other business activity by which one could generate a profit, while groups of citizens may only be financed from membership fees, donations, inheritances, legacies, income from their assets, and loans granted by banks and other financial institutions in the Republic of Serbia. What is more, the Law explicitly prohibits all political entities, and therefore to groups of citizens, to generate income from any commercial activity. The ban on advertising in electronic media outlets outside the election campaign does not apply to associations, while political entities do not have that right either. An association (of citizens) may actually participate in establishment of groups of citizens as a political entity, for instance, in a way that its members would represent the positions and ideas of the association in the work of the political entity and would allow the use of the association's name to the group of citizens and so forth. However, an association must not in any way participate in financing such a political entity, whether financially or through provision of any technical or logistical support. Besides the fact that in practice there is always an equal sign put between associations and groups of citizens, they do not share the same scope of rights.

8.2. FINANCING POLITICAL ENTITIES FROM THE BUDGETS OF TOWN MUNICIPALITIES

The 2012 election campaign for councilors was also run in 23 town municipalities. Election campaigns were organized in town municipalities in Belgrade (17), Niš (5) and Vranje (1). A political entity with a proclaimed electoral list in the election campaign for councilors of town municipalities is obliged to submit to the Agency its report on election campaign costs. Besides registered political parties, all groups of citizen with representatives in town municipalities are also obliged to submit to the Agency their annual financial statements.

In some cases, political entities did not submit their reports on town municipality election campaign costs where the elections were held, making reference to the statutory provision according to which it is obligatory to submit the report on local self-government unit elections, since town municipalities do not represent local self-government units in accordance with the Law on Local Self-Government.

8.3. RIGHTS AND OBLIGATIONS FOR GROUPS OF CITIZENS – PROBLEM RELATED TO NOT-HARMONIZED REGULATIONS

The Law on Financing Political Activities stipulates that groups of citizens as political entities in election campaign enjoy the same rights as political parties and coalitions of political parties. Therefore, groups of citizens may be financed from both public and private sources, as well as take loans from banks and other financial organizations. Equal rights concerning financing political entities imply equal obligations. Therefore, groups of citizens are obliged to keep account books on revenues and expenditures, as well as records on donations, gifts, and services provided free of charge, i.e., under the conditions deviating from the market ones. Likewise, groups of citizens are obliged to open separate accounts for their regular work and election campaigns, and to submit to the Agency their annual financial statements, in case they have representatives in representative bodies, as well as reports on election campaign costs they took part in. The problem the Agency has faced with while acting in accordance with its competences refers to violation of provisions of the Law on Financing Political Activities committed by groups of citizens.

Namely, Article 31 of the Law stipulates that a political party's statute, or the contract establishing¹ a political entity, must provide for appointment of the person responsible for financial affairs, reporting, and keeping of books, who is authorized to contact the Agency. Taking into account all specificities of legal status, which is that groups of citizens do not have legal entity status, when the Agency establishes a violation of the law committed by a political entity, it can only file, before the competent court, a motion to institute a misdemeanor proceeding against a responsible person appointed in accordance with Article 31 of the Law. Specificities of groups of citizens reflect that the highest number of these organizations is established *ad hoc* immediately before the elections they took part in. In accordance with the Law on Local Elections and the Law on Election of Members of the Parliament, when submitting their electoral lists, they are not obliged to submit any document with the character of a founding act, i.e., agreement of establishment of group of citizens, which would, *inter alia*, contain data on responsible person in a group of citizen referred to in Article 31. A group of citizens may have a proclaimed electoral list of its candidates in accordance with the law and take part in election campaign in the local elections and elections for MPs, despite the fact that it failed to comply with the provisions of the Law on Financing Political Activities. The consequence of such a situation is that the Agency, when it establishes that a group of citizens acted contrary to the provision of the Law, cannot get the data on a responsible person in that group of citizens, nor can it file before the competent court a motion to institute misdemeanor proceedings.

It should be mentioned that, as opposed to the Law on Local Elections and Law on Elections of Members of the Parliament, which do not recognize the status of a group of citizens, the Decision on election of members of parliament of the AP of Vojvodina by the Provincial Assembly defines that a group of citizens should be established by a written agreement of no less than 10 voters whose signatures must be certified in the court. When submitting electoral lists by a group of citizens, it is also requested to submit an agreement regulating mutual rights and obligations. Likewise, the Law on Election of President of the Republic requires that a group of citizens submit, along with the nominated candidate, the agreement on its establishment. Nevertheless, neither the Law on Election of President nor Provincial Decision on Election of MPs for APV Assembly requires that a group of citizens appoint a person responsible for representation before competent authorities.

¹ The contract on establishing political entity is named, in the case of groups of citizens, 'Agreement on establishment', but in practice it may have different names, taking into account that not a single law regulates the manner in which citizens associate themselves in a group of citizens.

The problem may be resolved through amendments to these laws by which groups of citizens would be required to submit their founding act along with their electoral list, which would, besides the appointment of an authorized person for submission of an electoral list, contain appointment of a person in accordance with Article 31 of the Law of Financing Political Activities.

8.4. DISCREPANCY BETWEEN THE DATA CONTAINED IN THE ANNUAL FINANCIAL STATEMENTS AND THE DATA CONTAINED IN THE REGULAR ANNUAL FINANCIAL STATEMENTS REGISTERED BEFORE THE BUSINESS REGISTERS AGENCY

A large number of political entities presented different data in their AFSs and the Regular financial Statements they submit to the Business Registers Agency. Discrepancies refer to presented revenues, expenditures, and business results. In some cases, these discrepancies are significant. Not a single opinion by certified auditors that audited annual financial statements of political entities based on their bookkeeping documentations, gives any reasons why these discrepancies occurred.

8.5. FAILURE TO REPORT BUSINESS ACCOUNTS AND TO PRESENT FUNDS FROM PUBLIC SOURCES

Financial operations of political entities are carried out through current RSD accounts and foreign currency accounts administered with commercial banks in the Republic of Serbia. The number of these accounts held by political entities varies from one account up to more than 350 accounts. Political entities were obliged to present their business accounts in their AFSs. However, one phenomenon has been observed and is reflected in the fact that a certain number of political entities did not present their operations accounts in their AFSs for 2012, which often caused failure to present revenues and expenditures on the basis of either regular work or election campaigns.

Failure to presented funds from public sources either for regular work or election campaign is also observed in significant number of cases.

8.6. PRESENTING OF PUBLIC FUNDS

One phenomenon was observed when it comes to the public funds used to finance political entities in 2012, and it often concerns discrepancy of data coming from three sources of data given on the same basis – data presented by a political entity in its AFS differs from data recorded on its business account and data from data local self-government units submitted to the Agency. In these cases the valid data are considered to be those presenting the account of political entity.

In some cases, these discrepancies occurred for the reasons that one local self-government unit transferred, upon an order of a political entity, the funds directly to that political entity's supplier, instead of, as stipulated by the Law, to the account of a political entity.

8.7. SETTLEMENT OF POLITICAL ENTITIES' EXPENDITURES THROUGH CASH PAYMENTS

Another phenomenon has been observed in the review process, and it concerns the fact that political entities settled their costs through cash payments such that they withdrew these funds from their accounts. This type of settlement of expenditures of legal entities in the Republic of Serbia, and therefore political

entities, is not in accordance with the Law, and in addition it raises doubt whether the cash was used to pay the expenses whose purpose was not in line with the Law.

8.8. FOUNDERS' BORROWINGS

Certain political entities used as a financing source funds transferred to their accounts as loans by their founders. Loans to political entities were given by both natural persons and legal entities. The Law on Financing Political Activities does not stipulate the possibility of lending funds to political entities, unless through loans granted by banks and other financial organizations in the Republic of Serbia. In certain cases, loans that are not repaid may raise an issue about how they would be presented - if not repaid, would they then present a financial donation to a political entity and as such be presented in AFS?