

FINANCING OF POLITICAL PARTIES IN MONTENEGRO

Report for year 2006



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FOREWORD

Monitoring of financing political parties is a project that the Monitoring Center CEMI is realizing for almost four years with the support of the Foundation Open Society Institute-Montenegro office.

Efforts that were made started from the activity which concerned the adoption of the law that regulated this area in 2004 and was initiated by CEMI aiming to monitor the quality of this law appliance afterwards. Modification of this law that happened under the consensus of almost all political parties in 2005 influenced our organization to be once again focused on legislative area.

A year of this project realization, that this report comprises, is in its most part dedicated to the creation of the model of the Law on financing of political parties, lobbying for the support to its adoption, as well as regular activities within the area of monitoring of this law appliance. The report includes a year that is quite interesting from the aspect of monitoring of political parties' financing, because it involves referendum, elections on national, city and municipal level as well as elections for mayor and municipal presidents. The question of monitoring referendum campaign financing is treated within a special publication of our organization while elections mentioned represent the subject of this edition.

Within this project free access to information related to political parties' financial reports, public officers' property and income as well as tender documentation of public provisions was made possible trough out a base that is available on our web site. Publication in front of you represents one of the results of project mentioned and has a goal in expert and wide public getting familiar with the situation within the area of financing of political parties in Montenegro as well as CEMI's anti-corruption activities related to it

The publication is consisted of seven parts.

First part presents the Commentary of the Law on financing political parties done by the CEMI's working group. Commentary is given for every article of the law separately and for some legal solutions we have comparative experience presented.

Second part represents the review of political parties financing in 2006 which comprises regular financing, electoral campaign financing for elections held in September 2006 as well as summary. Thia part also includes the re-

view of electoral administration expenses but it also paid attention to the referendum campaign financing.

Within the third part we have recommendation of the Council of Europe on the account of existing legal framework modification in Montenegro.

Fourth part is related to the CEMI's appeal to the Constitutional Court that concerned the provision of the Law on modifications and amendments of the Law on financing political parties adopted in 2005. Here we can find the rationale of the Constitutional Court after the decision was made as well as expert's commentary of the same decision.

Aiming to meet the public with the appearance of a report on funds gathered and spent within the fifth part one can find a report of the Coalition of Democratic Party of Socialists and Social-Democratic Party for parliamentary elections held on September 10th 2006. the word is about the only report submitted for the financing of electoral campaign in these elections. We emphasize that we presented relevant report pages i.e. ones that show electoral campaign incomes and expenses.

Sixth part implies a review of legal regulations, the Law on financing political parties, the Law on modifications and amendments of the law on financing political parties as well as Model of the law on financing political parties. For the last one CEMI gathered 6000 signatures and it will be given to the Parliament of Montenegro for adoption within the period to come.

With the organization profile one can meet within the last and seventh part of the publication.

Zlatko Vujović

Part I

***Commentary of the Proposal of
the Law on financing political
parties***

Commentary of the Proposal of the Law on financing political parties

After the Law on financing political parties has been adopted on the suggestion of CEMI in 2004, the same lived significant changes within the subsequent year that undermined appliance effects and introduced solutions contrary to international standards. Simultaneously with CEMI's work on the new text of the Law on financing political parties, and to the invitation of Administration for anti-corruption, initiated by CEMI, Council of Europe did the analysis of legal framework as well as recommendations on how to improve the area of political parties' financing in Montenegro. Model of the Law on financing political parties, that CEMI proposes, is coordinated with these given recommendations.

Period that anticipated this initiative is characteristic for bad results of legal regulations appliance that are reflected especially within the rejection of parliamentary parties to act according the Law. On the other hand, state organs in charge for the appliance of the law still in force, haven't showed the readiness to use mechanisms standing at their disposal to improve the effects of its appliance.

Having the intention to speed up the process of international standards adoption concerning this area and therefore contribute heightening of effects of legal regulations' appliance, by this new law CEMI proposes the introduction of new as well as the improvement of the existing legal solutions trough out the adoption of the new Law on financing political parties.

Model of the law is consisted of nine chapters. First chapter-Basic provisions treats the questions of (1) subject of definition; (2) public recourses; (3) private recourses; (4) using budget funds; (5) right to budget funds; (6) private sources and (7) Supervision. Secon, third and fourth chapter treat three financing manners provided by this law: (1) Financing of the work of parliamentary parties; (2) Financing of the work of councilors and representatives; (3) Electoral campaign financing. For every manner of financing named within these chapters the text also provides the manner of allocation and allowed usage of funds. Chapter five treats the questions of prohibition: (1) The prohibition of financing and (2) The prohibition of pressure making. Sixth chapter regulates filing and publishing of different forms of report. It defines the question of (1) Filing reports on usage of budget funds for electoral campaign (2) Filing reports on funds spent from private sources

for electoral campaign; (3) Filing of the complete report; (4) Filing of the report of councilors and representatives; (5) Publishing of reports; (6) Filing of report on property; (7) Publishing of names of physical and legal entities. Special, seventh chapter represents Financial dealings of political party that treats the question of (1) Legal regime of political party's regime and (2) Obligations of book keeping and financial control. Eighth chapter, Articles 34, 35, 36, 37, 38, regulates the question of misdemeanor responsibility for violating the Law on financing political parties. Provided fines are more detailed than it is the case of currently valid law, because during the implementation a significant part of regulations was not respected which demanded a more strict penal politic. The last and ninth chapter consists of transitory and final provision that regulates the old law to be out of force and the new one become valid.

In case this model is adopted, Montenegro will coordinate this are with international standards, which will enable significant progress within the field of fight against corruption due to the introduction of efficient measures of control and sanctioning of law violators.

I BASIC PROVISIONS

Subject of definition

Article 1

This Law defines the manner of acquiring and provision of financial means for the work and electoral campaign of political parties and the manner of control of financing and financial dealings of political parties in order to realize legality and transparency of their management.

Political parties can acquire means for their regular work and electoral campaign from public and private sources according to this law.

Subject of definition arranges a part of the question that belongs to the area of political parties' financing. Namely, it regulates the manner of acquiring and provision of financial means for the work and electoral campaign of political parties and the manner of control of financing and financial dealings of political parties. The Law doesn't treat two important questions, which are in some countries implied within the law that regulates the area of political sub-

jects' financing. We talk about the regulation of the status of property of once social and political organizations and rules on media representation.

The question of status of a property that social and political organizations once used, which presently represent the property of two political parties, often was a subject of political arguments between the opposition and government. Unfortunately, a part of norms within the text adopted¹ has been annulled by the decision of the Constitutional Court, so the meaning and the purpose of bringing the legal text that defined this question. Today, it still remains unregulated. The solution is simple and suggested to the parties by the civil sector². Unfortunately, this text hasn't been suggested to the Parliament for adoption. Considering the fact that political parties accepted the concept implying that a special law should regulate this question, nominators remained faithful to the original idea that this question shouldn't be included within the text of this law.

The nominator also thought that this law shouldn't treat the rules of media representation, which in theory imply themselves within the indirect sources of state financing of political parties, because they are the subjects of other rules regulation. We talk about the set of rules, while in one period this area was regulated by a special legal text.

The subject of the law anticipates the regulation and material of parties' financing within electoral campaigns, and its provisions are applied accordingly to the submitters of verified electoral lists, unless this law defines it differently.

The Law on the election of councilors and representatives (2002) provides within the article 4 submitter of the list to be not only a party, but a coalition of political parties and »citizens' groups«. The Law on financing political parties doesn't deal with these separately and defines them as electoral lists submitters, i.e. by acquiring the parliamentary status they have the status that parliamentary parties have, and that status gives certain rights and imposes certain obligations.

1 The Law on property of social and political organizations, published within the Official Gazette of Republic of Montenegro no. 57 dating from Decemer 12th 2000.

2 Within the project supported by USAID/ORT NGO Center for Democratic Transition suggested to the parties a legal text whose author is the former president of Constitutional Court prof. dr Blagota Mitric. The Law provides that this property should become the possession of the state and that the Government should determine which subjects, from a circle defined by the law, can use it.

Public resources

Article 2

Public recourses, as this law defines them, are means that are being assigned from the budget of the Republic as well as budget of municipal unit (further on budget recourses).

Differently from some other legislation that forbid state subventions, authors of this text decided themselves for the principle that dominates within the majority of European ones, which provides the combination of public and private recourses. The lawmaker wanted to make a precise difference between public and private recourses so that he provided recourses that are being assigned from national and municipal organs budget for public elections.

Private recourses

Article 3

Private recourses, as this law defines them, are: membership fees, contributions, incomes from activities, property incomes, legacies, all kind of non-lucrative actions and presents.

Membership fee represents a monetary sum that a party member regularly pays in a way and under the conditions settled by the statute or some other act of the political party.

A contribution represents a temporary or regular payment that physical or legal entities voluntarily give to a political party and in the amount bigger than the amount of the membership fee.

Income from activities is something that political party realizes trough out publishing, propaganda material sale as well as party manifestations organizing.

Property income is something that political party realizes trough out sale or rent of the property that it owns.

Legacy is a gift that can be consisted of money or portable property of artistic, cultural or historical value or real estate that is being given to a political party to her disposal.

Non-lucrative activity is an activity that has a goal in satisfying public interest.

A gift is bond or any other thing that exceeds the value of 50 Euro.

To avoid eventual incoherence and its misuse Article 3 defines in detail all private recourses that are allowed. Apart from taxative inducing the norm also contents definitions of mentioned kinds of private recourses.

Usage of budget recourses

Article 4

Budget recourses can be used for the financing of:

1. Political parties' regular work

2. Representatives work within the Parliament of the Republic of Montenegro (further on: the Parliament), i.e. councilors within the municipal parliament. i.e. city municipality (further on: municipal parliament), and
3. Electoral campaign for the election of councilors, representatives, mayor, municipality president and the president of the Republic of Montenegro.

In relation to the so far solutions this Law introduces a novelty. Namely, instead of financing representatives' and councilors' clubs paragraph 2 of this law provides the financing of the work of a representative i.e. councilor. Beside the provision of necessary finances for the work of representatives, this represents a solution for the question of recourses for the work of representatives in case he decides to abandon the party or when a representative i.e. the councilor is excluded from the party but keeps the mandate. The solution³ from a still valid law is unacceptable⁴.

The solution suggested with this law regulates this question according to the rules of work of European Parliament. The right to financing regular activities will have only those parties that acquired parliamentary status within the last elections and in proportion established in the moment of constitution of the Parliament of the Republic i.e. municipal parliament.

From a position of the author of the law so far solution that implies the financing of regular activities of parties that haven't participated in the election and haven't even been registered in the moment of elections but use the funds on the basis of realized electoral results, can't remain in force.

By introducing direct financing of representatives, funds for the work of representatives are being provided even in case they abandon the party which list they have been elected from, and other funds amounting 0.2% of the budget in adequate proportion would be used by political parties according to the realized electoral results. This way parties that didn't participated in the elections would be deprived of budget subventions, but not representatives that by transferring to those parties brought parliamentary status to the same.

³ Article 22 a1 of the Law on financing political parties (this Article was introduced by amandman modifications from 2005)

⁴ „In case a representative in the Parliament of Republic of Montenegro, i.e. the councilor within a municipal parliament abandons his party or becomes excluded, but keeps the mandate, that representative, i.e. councilor belongs a part of funds paid to the party for his representative mandate. Funds from the paragraph 1 of this article are exempted from the amount of funds that was paid to the party whose member this representative i.e. councilor once belonged«.

Beside this new solution it is provided that budget recourses can be used for the financing of political parties' regular work, as well as financing of the electoral campaign for the election of representatives, councilors, mayor, municipality president and the president of the Republic of Montenegro.

Right to budget recourses

Article 5

Right to budget recourses from the Article 4, point 1) and 2) has/have:

- 1) Political party, coalition or a citizen's group that participated in the elections and won one representative i.e. councilors' mandate (further on: parliamentary party); and
- 2) Representatives i.e. councilors.

Right to budget recourses from the Article 4 point 3) has a submitter of a proclaimed and verified electoral list (further on: electoral list submitter).

Budget recourses for financing electoral campaign for the election of the president of the Republic, mayor and municipality president are provided according a special law.

By following given recommendations the law provides that the right to budget funds for the regular work and functioning have only those political parties, coalitions and citizens' groups (submitters of proclaimed and verified electoral lists) that participated within the previous elections and won representative i.e. councilors mandates.

Problem that occurred, which was arranged by modifications of the Law on financing political parties from 2005, implied that the right to financing of regular activities have parties that didn't participate in the elections, not even existed, in case their member is a representative i.e. councilor. This way stimulated abandonment of parties which lists representatives were being chosen from. Suggested Law introduces the right to acquiring funds for regular financing only if (1) a party, coalition or a group of citizens participated in the elections and (2) won at least one representative i.e. councilors mandate. In case they do not fulfill these two cumulative conditions all other subjects can't acquire the right to funds from this article.

Private recourses

Article 6

For the financing of regular work and coverage of electoral campaign expenses political party i.e. parliamentary party and electoral list submitter can collect funds from private sources and according this law.

This norm implies the possibility for the parties to collect funds from private sources for financing of regular as well as pre electoral activities. Conditions under which these funds are collected and spent are predicted by other norms of this law.

Supervision

Article 7

The higher organ of state administration in charge for financial business does supervision under the practicing of provisions of this law (further on: Ministry).

Differently from the law in force, this text introduces the obligation for the organ of state administration in charge for financial dealings to supervise practicing of this law's provisions. Problems within the appliance of the law in force, as well as proclamation of numerous state organs as amenable, initiated the need for obligation for its appliance supervision to be precise.

II FINANCING OF THE WORK OF PARLIAMEN- TARY PARTIES

Budget funds allocation

Article 8

Budget funds for the financing of parliamentary parties' regular work within the Parliament can't be smaller than 0,2% or higher than 0,3% of total budget recourses for the year that the budget is enacted for.

Budget funds for the financing of parliamentary parties' regular work within the municipal parliaments can't be smaller than 0,5% or higher than 1% of total budget recourses for the year that the budget is enacted for.

Funds from the paragraphs 1 and 2 of this article amounting 15% are allocated in equal amounts to the parliamentary parties in Parliament i.e. municipal parliaments, while the other 85% of funds proportionally to the total number of representative i.e. councilors seats that have in the moment of allocation.

Ministry, i.e. municipal organ in charge for finances (further on: municipal organs), transfers funds from paragraph 1 and 2 of this article to parliamentary parties monthly until fifth day of a month for the previous one.

Modifications of the Law on financing political parties from 2005 annulled the upper limit for budget funds allocated from local and republic

budget for regular financing of political parties. This way left parliaments in charge i.e. municipalities to decide how high this sum will be. Local authorities misused the abrogation of the upper limit by introducing sums counting 2.7% of budget funds in some municipalities.

Budget recourses should be provided in a much smaller size than it was the case so far. For regular financing of political parties in a republic level a frame defined goes from 0.2 to 0.3%, while within the local level that amount varies between 0.5% and 1% of the budget for the year that the same is enacted for.

The Law defines that the funds are allocated in a following manner: 15% is divided in equal parts while the other 85% proportionally to the total number of mandates won. Identical solution is provided by regulations that treat the area of political parties' financing within the level of European parliament and similar solutions have Slovenia (10% to 90%), Croatia (20% to 80%). This solution 15% to 85% is based on voters' will based on which political parties that win mandates in the elections "build" trust and legitimacy.

Financing from private recourses

Article 9

The altitude of funds from private recourses, except funds from the membership fee, that a parliamentary party gathers for its regular work within the flowing calendar year can amount 100% of funds that belong to her from budget recourses.

Political party that has no right to budget recourses can gather funds from private recourses in the amount of 5% of total funds from the Article 8 paragraph 1 of this law, except membership fee.

For regular work financing of political parties physical entity can pay 600 Euro at most, while a legal entity can pay a sum of 1200 Euro at most, within a year.

Political parties can gather funds from private recourses for their regular activities' financing. For parties that use budget funds intended for regular financing of parliamentary parties a limitation has been provided. It implies that the altitude of funds gathered from private recourses can't exceed the amount of 100% of funds from public recourses that belong to it.

For parties that don't have parliamentary status, a possibility of gathering funds for regular activities' financing is provided. It can't exceed the amount of 5% of the amount given from the budget for regular activities'

financing of parties with parliamentary status, defined by the Article 8 paragraph 1. Defined limit is not related to the membership fee.

III FINANCING OF THE WORK OF COUNCILORS AND REPRESENTATIVES

Budget recourses amount

Article 10

For the financing of the work of councilors and representatives funds given from the budget amount 0.1% of total budget funds for the year that the same is enacted for.

Ministry i.e. local municipal organ transfers funds from the paragraph 1 of this Article, in equal amounts, to representatives i.e. councilors monthly, until fifth day of a month for the previous one.

Funds from the paragraph 1 of this law are being paid to representatives i.e. councilors on a special account that can't be used in any other purposes.

Within numerous analysis, not only in Montenegro, but wider in the region, we can notice quality decrease within the work of representative clubs and representatives on a national as well as local level. Significant number of representatives doesn't show attention expected, so their role comes into the fulfillment of the obligation of voting according the directive of a political party. Autonomy and independence in the work of representatives i.e. councilors almost doesn't exist. Objective factor that influences their inactivity lies in inadequate conditions. Representatives don't have adequate space for work or the adequate support of expert stuff. In order to improve such a position their economic independence needs to be strengthened.

Budget assignment of 0.1% is supposed to be introduced and it should be divided in equal amounts to all councilors i.e. representatives. Off course, this increase is followed by the decrease of so far defined assignments within the budget, so the word is not, when seen cumulatively, about the increase of budget assignments that go to the parties and their members.

By the adoption of such a solution the question of financing political parties in case a representative i.e. a councilor leaves a party or becomes excluded but keeps his mandate is solved. Namely, in that case a representative would keep funds that belong to him, but couldn't influence his right to a part of funds of his former party to be transferred to his new one.

It is important to emphasize that representatives are obliged to open a special account in that purpose, which can't be used in other purpose.

Budget funds usage

Article 11

Funds from the article 10 paragraph 1 of this law representatives i.e. councilors can use for engaging experts, public opinion research, tribunes' and political reunions' organizing, to cover travel, settling and administrative expenses as well as expenses of official internet presentation of their activities.

Representatives can use funds at their disposal for activities defined by the article 11 and no other way. These funds representatives could use for their work with voters on the field (travel expenses, tribunes, personal telephone bills, reunion organization expenses, internet presentations...), but as well for the work in Parliament i.e. municipal parliaments (engaging of a personal assistant for preparation of materials for parliaments' session, translator...). A representative is obliged to file a detailed report on funds spent, which must be followed by original bills. Misdemeanor responsibility is also defined in case a representative spends funds without purpose.

This solution works as a stimulus for representatives that work on the field with voters and certainly contributes the representative i.e. councilor to be actively and competently involved into the parliaments session and to be more dedicated to the analysis of materials prepared for the session.

Similar solution is being used in case of representatives in European Parliament. Namely, beside their regular pays they get extra 150 000 € on a yearly level for the needs of representatives' work with voters and improvement of quality of their work in Parliament.

IV ELECTORAL CAMPAIGN FINANCING

Electoral campaign expenses

Article 12

Electoral campaign expenses, as interpreted by this law, are expenses that are related to: pre-electoral reunions, posters, advertising, advertising spots and advertising material, adds, publications, TV-shows, public opinion research, settling expenses and general administration and transport within the period between the day of elections' annunciation and the day of elections' finalization.

Having in mind the recommendation of the representative of Council of Europe widening of the definition of campaign expenses, which exists in the still applying Law on financing political parties has, been suggested. Following the recommendation, the authors of this text imported the solution suggested and pursued the definition used by Electoral Commission of Great Britain. It implies that in filing reports the following categories need to be used: (1) political parties' shows; (2) advertising and propaganda materials; (3) Self-initiated materials directed to voters; (4) Proclamation and other documents of a political party; (5) Market research and agitation; (6) media; (7) transport; (8) reunions and other happenings; (9) settling expenses and general administration.

Budget funds allocation

Article 13

Budget funds for covering electoral campaign expenses from Article 12 of this Law are provided within a year that the budget is being brought for.

Funds from the paragraph 1 of this Article counting 20% are allocated in equal amounts to the electoral lists' submitters within eight days from the day of electoral list verification.

Funds amounting 80% are allocated to the electoral list submitters that won mandates proportionally to the number of mandates won.

Funds from the paragraph 3 of this article are allocated within 15 days from the day when electoral lists' submitters bring their reports on funds gathered and spent to the competent electoral commission along with the reports of Ministry's reviser on his work.

The Law that was adopted on the suggestion of CEMI in 2004, defined that the funds for electoral campaign coverage "amounting 20% are equally allocated to the verified electoral lists' submitters, while the rest of funds is appropriated by the electoral lists submitters that won mandates proportionally to the number of mandates won."

One year later this provision was significantly modified and it favored, with no justified reason, political parties that already have representatives in the Parliament, i.e. local parliaments, whose mandate is running off.⁵ This

5 These modifications provided that 20% are equally allocated to parties with parliamentary status in the moment of elections' annunciation, 10% equally to verified electoral lists' submitters, while the remaining 70% of funds should be appropriated by parties that gained parliamentary status in the parliamentary elections according the number of mandates won.

non-intermediately violates equality of electoral process' participants and various international documents that regulate this specific area.

Before the parliamentary elections in 2006 this norm was abrogated. Within the recommendations of Council of Europe we can also find that the existing solution "should be modified in a manner which implies annulment of a fixed subvention (in the moment 20% of total funds that are being allocated) that is being given only to parties that have representatives' or councilors' mandates. Funds that are not allocated according mandates won should be divided equally to all parties and other electoral lists' carriers. In that sense, the provision that was in force before the modifications and amendments of the Law on financing political parties represented a far attractive solution because it defined that 20% of subventions are to be allocated to all elections' participants equally and 80% according mandates won."⁶ By following this recommendation this law's nominators suggest the old solution comprised within the Law adopted in 2004.

Last paragraph of this article introduces significant novelty, when talking about measures of stimulation for more efficient fulfillment of reporting obligation, provided by this Law.

By following the appliance of the Law on financing political parties its more than noticeable that in most cases the provisions of the Law related to the filing of reports on funds spent on the electoral campaign are the ones that are being violated the most. According the data that REC has within the last parliamentary elections held in September 2006 only one out of twelve verified electoral lists filed the report.

By introducing the obligation of reports' filing as a condition for the remaining belonging funds amounting 80% of funds planned to be refunded, the efficiency within the application of provisions related to the obligation of reporting on funds spent significantly increased.

Beside the positive influence on efficiency this solution has an excellent preventive effect on possible misuse.

Additional budget funds

6 "The evaluation of regulations related to the financing of political parties in Montenegro and recommendations for legal framework modifications" the analysis done by Dr Quentin Reed from Great Britain, within the program of Council of Europe Program of the fight against corruption and organized crime in South Eastern Europe (paco) and Implementation of plans for the fight against corruption in South Eastern Europe, 2006, page 10

Article 14

Beside funds from the Article 13 of this Law, for electoral campaign expenses coverage funds amounting 0.1% are being provided within a year of regular elections and allocated to the electoral lists submitters that won mandates proportionally to the number of mandates under the condition that they gathered twice the amount of funds that belong to them in the sense of Article 13 paragraph 2 of this Law.

Electoral lists submitters that from private sources gather an amount smaller than the amount from paragraph 1 of this article, but who won mandates, belong proportionally less amount of budget funds from paragraph 1 of this article.

Suggested solution has a goal to stimulate (1) reporting of private donation sources and (2) work with members. So far experience shows that it is needed for the work of political parties to be stimulated within the area of activating members in gathering funds from private sources. This way we actuate the desire of one party for numerous members that will be useful in providing one part of funds for electoral campaign financing.

Beside stimulant effect on strengthening party structure this would also significantly heighten the level of control within the financing of political parties electoral campaign by organs in charge, considering the fact that everyone that participates in the elections should “provide applications on funds gathered for the electoral campaign from private sources” in order to assure funds allocation.

Lack of reported private donations speaks of certain existing anomalies and possible misuse.

Budget funds decrease

Article 15

The amount of budget funds from Article 13 paragraph 1 and Article 14 that are being provided for electoral campaign financing, in case of simultaneous conductance of several elections, is decreased for one third on all levels.

Budgets, concerning Republic as well as municipalities were unnecessarily exposed to expenses, when talking about simultaneous parallel conductance of elections on several levels. Suggested solution, that follows the recommendation of the Council of Europe, provides funds needed for the campaign to be significantly smaller.

Suggested law respects this recommendation and defines that, in case of simultaneous conductance of elections, lists' submitters (i.e. candidates)

belong 2/3 of the sum that they would get by cumulating. This way would, without endangering the electoral process, could save a part of funds from state i.e. municipal budgets.

Article 16

Ministry i.e. municipal organ, transfers funds from Article 13 and 14 of this Law to electoral lists submitters after getting the notification from competent electoral commission on the fulfillment of conditions provided in the Article 13 and 14 of this law.

Pre-term elections

Article 17

In case of pre-term elections, funds needed for the coverage of electoral campaign expenses are being provided from the current budget reserve.

The obligation of provision of funds from the current budget reserve is clearly defined. The word is about a norm of obligatory character that prevents eventual decision for the funds from current reserve not to be appropriated in this purpose.

Experience from the last parliamentary elections (2006) indicates that it is impossible to avoid this obligation, but is very important to fulfil it within the period defined. Additional payment of funds to political parties on the basis of remaining obligations for pre-electoral campaign, after the Government publicly said that these funds don't exist, served for the majority of parties as a pretext for not filing reports on funds spent. Some parties didn't spend these funds within a campaign, which therefore violated the principle of state subventions of political parties.

Private sources funds

Article 18

The altitude of funds from private sources that an electoral list submitter gathers for electoral campaign financing can't exceed twenty times bigger amount of funds that belong to it according to the Article 13 paragraph 2 of this law.

For electoral campaign financing a physical entity can give 600 Euro the most, and a legal entity 1200 on yearly basis.

Valid law contents the solution that doesn't treat this question adequately and therefore creates a space for various interpretations. By following recommendations that were done by CEMI during the process of monitoring of valid law appliance and recommendations of Council of Europe this

article introduces limits of private donations from physical and legal entities in absolute not, as it has been the case so far, percentage amount. It has been defined that total payment for pre-electoral campaign financing by a physical entity, within one year, can't be higher than 600 Euro, i.e. 1200 Euro for a legal entity

The obligation of account opening

Article 19

In the purpose of gathering funds for the electoral campaign financing electoral lists' submitter opens a separate account within the organ authorized for pay-flow and such an account can't be used for other purposes.

All funds intended for the electoral campaign financing are being paid in the account from paragraph one of this Article and all electoral campaign expenses' payments are being done from this account.

If funds for electoral campaign financing gathered from private sources exceed the amount from article 18 paragraph 1 from this law, the surplus is being transferred on a permanent account of a political party.

If total amount of funds on a permanent political party's account exceeds the amount from the article 8, paragraph 1 and 2 from this law, a relapse into the Republic i.e. municipal budget is being done.

This norm's goal is to direct political parties' business dealings through out accounts. The biggest space for misuse within this area is done through out cash money that is being used for gathering and payments during the campaign.

This article regulates situation in which (1) funds gathered from private sources exceed amount defined and (2) total number of funds available on a permanent account exceeds the amount allowed. In the first case the surplus is being transferred on a permanent account of a political party and can be used for covering political party's regular activities' expenses according to this law. In the second case a relapse into the Republic i.e. municipal budget is being done.

Responsible entity

Article 20

Electoral list submitter names a person/entity that is responsible for designated funds expenditure and for reports filing.

Signature of person responsible from paragraph 1 of this article is stored with the organ authorized for pay-flow dealings.

Electoral list submitter informs competent electoral commission within three days from the day of nomination of a person/entity from paragraph 1 about every modification that concerns the status of that person /entity.

In order to improve the efficiency in this law appliance as well as increase the discipline in reports' filing it is extremely important to foresee the responsibility of entities responsible for gathering funds and account disposal. This article provides the obligation of responsible entity nomination and the procedure of competent electoral commission informing. Entity responsible for funds gathering and account disposal, can be the same person responsible for the disposal of funds from the permanent account or a separate entity named for this job. The same entity is responsible for reports' filing according to this law, and therefore it is related to the possibility of appliance of a part of penal provisions if provided obligations are violated.

V PROHIBITIONS

Financing prohibitions

Article 21

It is forbidden to accept material and financial donation from: foreign countries, legal and physical entities from outside Montenegro, anonymous donors, public institutions and companies, institutions and companies with the investment of state capital, unions, religious organizations, non-governmental organizations, casinos, bookmakers and other fortune games providers.

It is forbidden to accept material and financial donation in cash.

It is forbidden for parliamentary parties and other electoral lists' submitters to accept donations from economic societies and a businessman that according the contract with governmental organs did public services within the previous period of two years during that business relation as well as two years after the completion of the same.

It is forbidden for councilors and representatives to gather funds from private sources for their work financing.

A part of the law that relates prohibitions follows solutions introduced in 2004. Novelty is the expanding of the prohibition of donations' acceptance from economic societies and businessmen that performed public services within the previous period of two years during that business relation as well as two years after the completion of the same. By following the recommendation of the Council of Europe this period was extended.

The Law explicitly forbids financing from foreign countries, legal and physical entities from outside Montenegro. Financing from all legal and physical entities with residence outside the Republic of Montenegro this norm is related to entities that have residence in the Republic of Serbia and surrounding countries. All kinds of donations from international organizations and foundations are also forbidden.

When talking about subjects from Montenegro it is forbidden to accept donations from anonymous donors, public institutions and companies, institutions and companies with the investment of state capital, unions, religious organizations, non-governmental organizations, casinos, bookmakers and other fortune games providers. The lawmakers' intention was to prevent illegal financing and possible political corruption.

It is forbidden to give donations in cash and therefore donors are being directed to give a monetary donation through an account.

Prohibition of pressure making

Article 22

It is forbidden to make any kind of pressure on legal and physical entities during the collecting of donations for a political party.

It is forbidden to make promises or even to suggest any kind of privilege or personal benefit to political parties' donor or any other verified electoral list submitter.

In the development of parliamentarism it often happens that some forms of pressure on citizens, private companies' owners and entities that are in charge in state and public institutions is being made for them to give financial or material donation to political parties.

Although Montenegro has a trend where the level of misuse is decreasing, the authors thought that such a provision should protect entities exposed to the pressure. The law from 1997 hasn't provided a penal provision for such a behavior although this form of misdemeanor dominantly characterized that period. This suggestion of the law follows the solution from the Law from 2004 and provides a prohibition of making pressure on physical and legal entities aiming to get donations for the party as well as of suggesting any kind of privilege or personal benefit to political parties' donor or any other verified electoral list submitter.

VI REPORTS' FILING AND PUBLISHING

Filing of reports on budget funds spent for the electoral campaign

Article 23

Electoral list submitter is obliged to file a report on budget funds spent for the electoral campaign along with all documentation that concerns this report to the competent electoral commission within 45 days from the day of elections.

Municipal electoral commission is obliged to proceed the report to the Republic Electoral Commission within 3 days from the day it received the report from paragraph 1 of this Article

Electoral list submitter is obliged to give the report and the documentation from paragraph 1 to the reviser of the Ministry for revision.

Ministry's reviser is obliged to file a report on revision to the electoral list submitter within 30 days from the day it received the report and documentation from paragraph 3 of this Article.

Electoral list submitter files a report on revision done along with the report from paragraph 1 of this Article.

One of the biggest problems in the appliance of valid regulations is political parties' reports filing. The existing solutions haven't lasted in practice due to their own shortcomings but as well as unreadiness of competent organs to act accordingly.

This article achieves improvement in close defining of municipal electoral commissions' competence as well as REC's competence concerning filing and publishing of political parties' financial reports.

The obligation of proceeding reports filed to the local electoral commissions by these organs to the REC is introduced. Also, the REC has directly filed reports when we talk about republic elections.

A novelty concerning filing reports on budget funds spenditure implies that these are being filed to the reviser of the Ministry of finances, who is obliged to check them, inform the electoral lists' submitters on results while the electoral list submitter is obliged to file that report to the REC within a deadline provided by law.

Filing reports on funds spent from private sources for the electoral campaign**Article 24**

Electoral list submitter is obliged to file a report on the origin, altitude and structure of funds gathered and spent from private sources for the electoral campaign as well as all other documentation related to the report to the competent electoral commission within 45 days from the elections day.

Municipal electoral commission is obliged to proceed the report to the REC within three days from the day it received the report from paragraph 1 of this Article.

If the total amount of funds gathered and spent for the electoral campaign from private sources is bigger than 50 000 Euro, electoral list submitter is obliged to engage an authorized reviser, sign a contract with the same and inform the competent electoral commission about it within 15 days from the elections day.

Electoral list submitter is obliged to give documentation from paragraph 1 of this Article along with the report to the authorized reviser on revision done.

Article 23 of this Law treats the question of filing report on budget funds expenditure. Nevertheless, special obligation is control over funds gathered from private sources. The obligation of engaging an authorized reviser for the control of report filed to the REC is provided in case the amount of funds gathered exceeds 50. 000. A party that gathered the amount over 50.000 is obliged to file a report to the REC an authorized reviser's report beside its own.

Such intermediary form of control is provided because the REC doesn't dispose of technical and financial recourses for checking the accuracy of data available within reports filed.

The obligation of engaging a reviser is provided only for those parties that gathered more funds than defined where such a norm protects smaller parties from losses as well as those parties that had lesser incomes

Complete report filing**Article 25**

Parliamentary party is obliged to file a complete report on the origin, altitude and structure of fund gathered and spent for the electoral campaign in electronic form to the competent electoral commission within the 45 days from election completion.

Municipal electoral commission is obliged to give the report from paragraph 1 of this Article to the REC within three days from the day it received the report.

The content i.e. the form of the report from Articles 23, 24, 26, 28 and 31 of this Law provides the Ministry of finances.

Political parties are obliged to give reports in electronic form due to the easier and more expedite publication of the same within the REC's Internet presentation. This article also provides the obligation for Local electoral commissions to proceed the report given by parties to this organ in order to be published to the REC within three days from the day they received the same.

Ministry of finances is obliged to prepare forms according to which political parties will prepare reports needed.

Councilors' and representatives' reports filing

Article 26

Councilor i.e. representative is obliged to spend funds that belong to him according the Article 10, paragraph 1 of this law with designation and to file a report on funds spent to the competent electoral commission inclusively with March 31st of the current year for the previous one.

Municipal electoral commission is obliged to give the report from the paragraph 1 of this Article to the REC within three days from the day it received the report.

Councilor i.e. representative is obliged to file the report from paragraph 1 of this Article along with bills copies, to the authorized accountant for control of spent funds from paragraph 1 of this Article.

Along with the report from paragraph 1 of this Article, a councilor i.e. representative is obliged to file a confirmation of an authorized accountant that the control of spent funds is done.

Representatives are obliged to dispose of funds allocated according the purpose defined by the Article 10 of this Law. As a verification that they acted accordingly they are obliged to file a report inclusively with March 31st of the current year for the previous one.

A representative is obliged to give a confirmation of an authorized accountant that bills filed match the report. Article 27 provides publishing of this report within the Internet presentation of the REC.

Reports' publication

Article 27

Republic Electoral Commission is obliged to publish reports from Articles 23, 24, 26, 28 and 31 of this law within the "Official Gazette of the Republic of Montenegro" and REC's web site 10 days from the day of reports' reception.

Filed reports provided by Articles 23, 24, 26, 28 and 31 REC publishes within “Official Gazette of Republic of Montenegro, web site and daily newspaper”⁷. Similar provision, within the valid law, long time haven’t been applied due to some vagueness around who is obliged to publish reports that parties file on a local level.

Previous provisions defined an obligation that implied filed reports proceeding from municipal to the Republic Electoral Commission which is entrusted to publish them. The existence of such provisions significantly contributes precise definition of the obligation for the filed reports to be published exclusively within the REC’s web site, the ones related to local as well as those related to national elections.

Filing reports on property

Article 28

Parliamentary parties are obliged to file a yearly report on their property that concerns kind, altitude and origin to the Republic Electoral Commission for insight, inclusively with March 31st of the current year for the previous one.

An oversight done within the currently valid law implies that parties filed their report on property only once when the law on financing political parties came into force. This solution introduces the obligation of filing this report to the REC for every calendar year. The deadline is March 31st of the current year for the previous one. The introduction of the obligation of this report filing will contribute better insight into effects of financial dealings and greater level of publicity of political parties’ work.

Publishing of physical and legal entities’ names

Article 29

Republic Electoral Commission is obliged to publish names of physical and legal entities that donated funds for electoral lists’ submitters.

One of the obligations during the filing of reports implies naming of all physical and legal entities that donated funds for political parties. REC is obliged to publish mentioned names within its Internet presentation.

7

Article 15 the Law on financing political parties

VII POLITICAL PARTY'S FINACIAL DEALINGS

Legal regime of political party's property

Article 30

Incomes that a political party acquired from membership fee as well as incomes acquired by performing non/lucrative activities (charities and similar) are tax-free.

Incomes that a political party acquired from property and doing of an economic activity are submitted to the general regime of taxing.

Paragraph 1 of this Article makes possible the acquiring of funds through membership fee and other non/lucrative activities, without being assessed, which represents indirect form of state support. Similar solutions are present within the comparative practice although it can be emphasized that this is one of the solutions that significantly favors the position of political parties in relation to the most common solutions in other countries.

On the other hand the obligation implying that incomes that a political party acquires from property and economic activities are submitted to the general regime of assessment.

The obligation of book-keeping and financial control

Article 31

Political party is obliged to do book/keeping on incomes and expenditure according to the positive regulations.

Political party files a yearly final invoice to the competent organ and according to the regulations.

Political party is obliged to file a report on the revision of final invoice from paragraph 2 of this Article to the Republic Electoral Commission.

Republic Electoral Commission is obliged to publish the report from paragraph 3 of this Article within the "Official Gazette of the Republic of Montenegro" and its web site within 10 days from the day the report arrived.

Beside the report that have been mentioned political parties, as well as other legal entities, still have the obligation to file a yearly report to the competent service. The novelty implies that the political party is obliged to file a report on the revision of final invoice along with this report. Similar obligation is introduced for parties on European level that work within the

European Parliament. The REC is obliged to publish reports filed on its web site and within 10 days.

Article 32

Political party is obliged to regulate the manner of financial dealings' internal control by its statute.

Political party statute defines the organ responsible for financial dealings as well as the manner of realizing insight of a party member into the incomes and expenditure of the party.

Political parties, as well as other legal entities, obliged to keep books according the valid regulations. New law will introduce various obligations related to reporting and their disrespect could lead to utterance of misdemeanor and execution of some criminal acts defined by the Criminal law as well as penal sanctions. Making of penal politics more strict in this area, that should have greater discipline for a result can require in some cases, better defining of roles, procedures and responsibilities within parties and therefore the same should be defined by the Statute or any other internal document according the Statute.

VIII PENAL PROVISIONS

Misdemeanor

Article 33

Monetary fine amounting one to two hundred times increased minimal income in the Republic is a penalty for a misdemeanor done by a political party i.e. electoral list submitter in case:

1. It gathers funds not according the Article 9 paragraph 1 and 2 of this law;
2. It gathers funds in the amount exceeding the amount from the Article 17 paragraph 1 of this law;
3. It doesn't open a special banking account with all funds for electoral campaign financing paid into the same account (Article 19);
4. It doesn't name an entity responsible for designated spenditure of funds and filing of (Article 20 paragraph 1);
5. It doesn't inform competent electoral commission about the naming of the entity in a manner and time frame defined by the Article 20 paragraph 3 of this law;
6. It makes any kind of pressure on physical and legal entities during the gathering of donations for the political party (Article 22 paragraph 1),

7. It promises or suggest any kind of privilege or personal benefit to the donor of a political party or other electoral list submitter (Article 22 paragraph 2);
8. It doesn't file reports on origin, altitude and structure of funds gathered and spent in manner and time frame defined by Articles 23,24 and 25 of this Law;
9. It doesn't engage appropriate reviser in a manner defined by Articles 23 and 24 of this law;
10. It doesn't inform the Republic Electoral Commission according the Article 24 paragraph 3 of this law;
11. It doesn't file a report according the Article 28 of this law;
12. It doesn't keep books opposingly to the Article 31 paragraph 1 of this law;
13. It doesn't file a report according the Article 31, paragraph 3 of this law.

For a misdemeanor from paragraph 1 of this article responsible entity within a party will also be fined i.e. the carrier of the announced electoral list with a monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic.

Every article of penal provisions is dedicated to fines for misdemeanors that a certain category of entity commits. Article 33 treats attempts that are done by a political party and a responsible person within that party. Considering the low level of discipline in respecting this law the intention of the author was to provide sanctions for not undertaking those actions that are of a vital importance for the appliance of this law. Fines are ranging from one to two hundred times increased minimal income i.e. 5.500 to 11.000 Euro, which shows us that they are not low but not too high as well so they should represent adequate motivation for respecting obligations defined.

Article 34

Monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic will be set upon a councilor i.e. representative in case:

1. The same doesn't open a special banking account according the article 10 paragraph 3 of this law;
2. The same spends funds opposingly to the Article 11 of this law;
3. The same gathers funds from private sources opposingly to the Article 21 paragraph 4 of this law;
4. The same doesn't file a report in a manner and time frame defined by the Article 26 of this law;
5. The same doesn't engage an authorized accountant according the Article 26 paragraph of this law.

Newly introduced financing of councilors i.e. representatives introduced as well an obligation for them to file reports. The same obligation implied the existence of sanctions in case they don't file a report or fulfill

related obligations defined by this law. Fine defined is fifteen to twenty times increased minimal income in the Republic which means 825 to 2750 Euro. We talk about significant fines because a far stronger effect will be produced for eventual fining of representatives for financial misuse.

Article 35

Monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic will be set upon a physical entity in case:

1. The same pays a larger amount from the one defined in the Article 9 paragraph 3 of this law for the financing of political parties' regular work.
2. The same pays a larger amount from the one defined in the Article 18, paragraph 2 of this law for electoral campaign financing.

Article 36

Monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic will be set upon a legal entity in case:

1. The same pays a larger amount from the one defined in the Article 9 paragraph 3 of this law for the financing of political parties' regular work expenses.
2. The same pays a larger amount from the one defined in the Article 18, paragraph 2 of this law for electoral campaign financing.

Articles 35 and 36 define penal provisions related to physical i.e. legal entities in case they pay a larger amount than the one defined and therefore create an obligation to physical i.e. legal entities, party donors, to act according the legal obligations. Within so far legal solutions such an obligation didn't existed and therefore the burden of responsibility was only set upon a party or entities responsible.

Article 37

Monetary fine amounting one to two hundred times increased minimal income in the Republic is a penalty for municipal electoral commission in case it doesn't file reports to the Republic Electoral Commission according Articles 23 paragraph 2, 24 paragraph 2 and 26 paragraph 2 of this law.

For a misdemeanor from the paragraph 1 of this Article the president of the electoral commission will be also fined with a monetary fine amounting ten to twenty times increased minimal income in the Republic.

Article 38

Monetary fine amounting one to two hundred times increased minimal income in the Republic is a penalty for the Republic Electoral Commission in case:

1. It doesn't publish reports according the Article 27 of this law;
- 2) It doesn't publish the names of physical and legal entities according the Article 29 of this;
- 3) It doesn't publish the report according the Article 31 paragraph 4 of this law.

For a misdemeanor from the paragraph 1 of this Article the president of the Republic Electoral Commission will be also fined with a monetary fine amounting ten to twenty times increased minimal income in the Republic.

A novelty concerning penal provision represents the sanctioning of unfulfillment of certain defined obligations by local electoral commissions i.e. the REC. Article 37 treats providing of sanctions for some illegal behavior of municipal electoral commission while the Article 38 provides the same for the REC.

IX TRANSITIVE AND FINAL PROVISION

Article 39

The content i.e. forms of the report from the Article 25 of this law will be brought within 30 days from the day of this law enforcement.

Article 25 defines the obligation of Ministry of finances to prepare forms for reports that are defined by the Article mentioned. Article 39 introduces a deadline for competent organs to fulfill the obligation named.

Article 40

By the enforcement of this law the Law on financing political parties stops being valid ("Official Gazette of the Republic of Montenegro", no. 21/04, 33/05 and 47/06).

By the enforcement of this law the Law on financing political parties adopted in 2004 as well as the Law on modifications and amendments of the Law on financing political parties from 2005 stop being valid.

Article 41

This law comes into force eight days from the day of its publishing in the "Official Gazette of the Republic of Montenegro".

Final provision provides that the appliance of this law starts immediately i.e. eight days from the day of its publishing in the "Official Gazette of the Republic of Montenegro".

Part II

Financing of political parties in Montenegro

INTRODUCTION

CEMI is going to make a report for 2006 for the “Monitoring of political parties financing” project as it was done for 2005. 2005 report comprised theoretical part and on the other hand, 2006 report will imply quantitative and qualitative analysis of political parties financing in Montenegro in 2006, but comparison to 2005 as well, available in parameters. This part contains analysis of the regular financing from the national and local budgets as well. There is also the analysis of financing of electoral campaign for elections in September 2006, as well as cumulative analysis. An issue that needs to be mentioned here is that financing from private sources is not taken into consideration within this publication. We emphasise this especially because parties have the right to collect equal amount of money from private resources and from budget (100% budget amount).

Legal regulations are much different when compared to 2005 because changes of the Law on financing political parties affected system of financing political parties, and possible consequences were discussed in report for 2005. Abrogating upper limit for regular financing created situation in which amounts appropriated for regular financing in some municipalities are a lot higher than in other, comparing percentage of the budget. So, there is situation to which CEMI has been warning public constantly and the main point here is that political parties’ deal is on much higher level than the general public interest and this very formal or informal deal dominates over the interests of citizens. This implies that the citizens indirectly finance political parties by paying taxes to the state or to municipality.

What also needs to be emphasised is that local elections held in 14 municipalities changed number of mandates of some political parties, so there is different allocation of budgetary subventions in some municipalities after the elections. Besides, new parties won mandates in some municipalities as well as in Montenegrin Parliament so they got the right to budgetary subventions.

Like in the previous year, according to the Law on free access to information, CEMI addressed Montenegrin Parliament and all municipalities with request for supplying information that would correspond to the national and local budgets. The issue is how much money was appropriate for financing political parties in 2006 and how much was paid to them. Repeated situation from 2005, concerning implementation of the Law on free access to infor-

mation showed there are no conditions in local administration for good implementation of the Law and also it has been shown that there is no progress concerning this problem. This refers to secretariats in charge and means that responses are received before legal deadline from approximately half of municipalities and these are almost the same as in the case for 2005. From part of municipalities' responses are received with significant delay. Therefore, CEMI sent the same requests to municipalities, from which no response has been received, pointing that misdemeanour procedure will be initiated against persons in charge, if they do not obey the law regulations.

Especially, municipalities Bijelo Polje, Podgorica and Ulcinj were at most late with their responses. There has been certain delay in responses given by municipalities of Berane, Cetinje, Herceg Novi, Plav, Savnik and Tivat, and we sent requests repeatedly to them. Another negative aspect in this process is the quality of data received. Basically, the information about the exact amounts and amounts paid to political parties were received from municipalities of Bijelo Polje and Podgorica, but these represent negative examples when knowing the capacity of the local administration. If pretty smaller municipalities were able to respond by sending complete data even with complementary information which CEMI did not ask for, question of serious acceptance of the Law on free access to information becomes disputable.

The most negative example is definitely the municipality of Ulcinj. Although this report does not deal with free access to information, previously stated data must be mentioned because quality of this report is directly dependant on the information CEMI receives from the municipalities. Concerning the municipality of Ulcinj, secretariat in charge for matters of financing political parties has been contacted several times, official request for accessing information was sent four times, and request was also sent to the Mayor. Despite all, after four months from sending the first request, no response has been received from this municipality. Therefore, Ulcinj is the only municipality in Montenegro from which CEMI has not received any information. Due to all of this, CEMI filed a misdemeanour application against persons in charge in municipality of Ulcinj because of violating the Law on free access to information.

REGULAR FINANCING OF POLITICAL PARTIES IN MONTENEGRO

As it was emphasised in the report for 2005, Montenegrin municipalities' budgets differ greatly, so subventions for financing political parties are also different. Table 1 shows budgets of the Montenegrin municipalities.

Table 2.1. Overview of Montenegrin municipalities' budget altitude

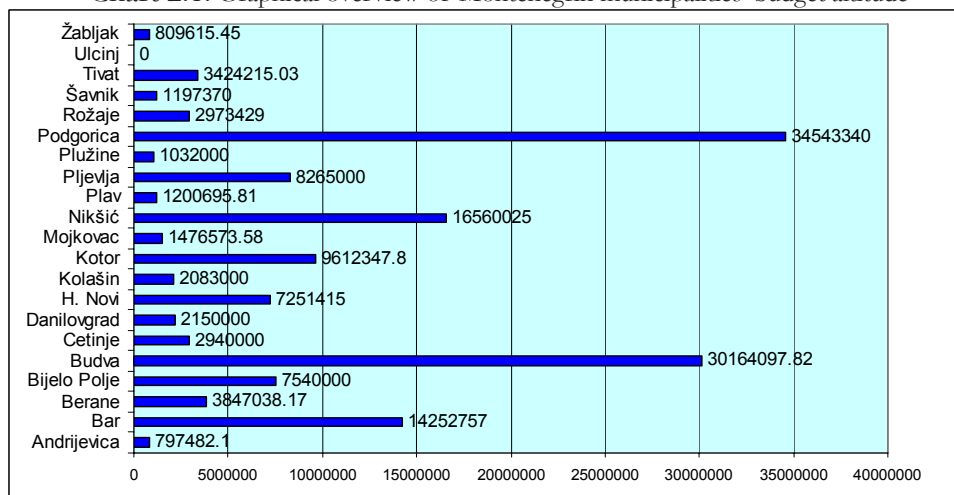
Municipality	Budget for 2006
Andrijevica	797.482,1
Bar	14.252.757
Berane	3.847.038
Bijelo Polje	7.540.000
Budva	30.164.098
Cetinje	2.940.000
Danilovgrad	2.150.000
Herceg Novi	7.251.415
Kolasin	2.083.000
Kotor	9.612.348
Mojkovac	1.476.574
Niksic	16.560.025
Plav	1.200.696
Pljevlja	8.265.000
Pluzine	1.032.000
Podgorica	34.543.340
Rozaje	2.973.429
Savnik	1.197.370
Tivat	3.424.215
Ulcinj ⁸	
Zabljak	80.9615,5

Table shows that already mentioned differences are obvious and when talking about political parties, these differences could be balanced by raising the upper limit for financing on the local level to 1% (previously set ranged from 0,3% to 0,5%), until the law was changed in 2005. This article has been proposed in the new Law on financing political parties, which CEMI has prepared.

⁸ Because of already mentioned reason, data for the municipality of Ulcinj is unavailable. Besides, final budget results for some municipalities were not processed so the data gathering about payment to political parties was impossible (Kolasin)

According to the graphical display, disproportion between budgets of Montenegrin municipalities is clearly visible and the same affect financing of political parties greatly.

Chart 2.1. Graphical overview of Montenegrin municipalities' budget altitude



As differences in budgets are large, amounts for budget subventions for political parties also vary. It is interesting that the percentage of the budget for financing political parties also varies greatly in different municipalities. This is direct consequence of Law changes from 2005 which abolished upper limit for budgetary subventions to political parties. Therefore, in one municipality, the sum given from the budget for financing political parties amounts 0,4%, while in the other one it reaches even 2,7%. On the national level it is set to 0,4% and it makes 2 million euros, which means that if 2,7% would be applied to the national level, the suitable sum would be about 12 million euros, which is certainly above all limits.

Table 2.2 compares percentages of the budget appropriated for financing of political parties:

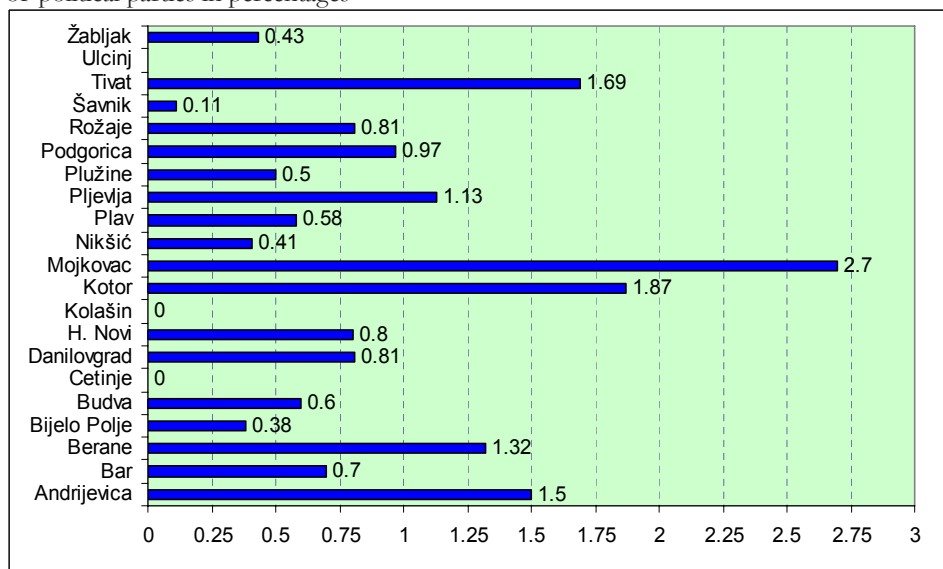
Table 2.2. Funds from the budget reserved for the financing of political parties in percentages

Municipality	Percentage of the budget
Andrijevica	1.50
Bar	0.70
Berane	1.32
Bijelo Polje	0.38
Budva	0.60
Cetinje	0.35 ⁹
Danilovgrad	0.81
Herceg Novi	0.80
Kolasin	0
Kotor	1.87
Mojkovac	2.70
Niksic	0.41
Plav	0.58
Pljevlja	1.13
Pluzine	0.50
Podgorica	0.97
Rozaje	0.81
Savnik	0.11
Tivat	1.69
Ulcinj	
Zabljak	0.43

⁹ The percentage of the municipality of Cetinje was calculated concerning the approved finances, so it will not be considered when calculating the budget subventions average at the local level. We took into consideration the finances paid to political parties in 2006.

Graphical appearance is like this:

Chart 2.2. Graphical overview of funds from the budget reserved for the financing of political parties in percentages



If the average is calculated, the percentage is 0,824.

To make the comparison, upper limits for financing political parties in the neighbouring countries are set on much lower level than the average percentage in Montenegro.

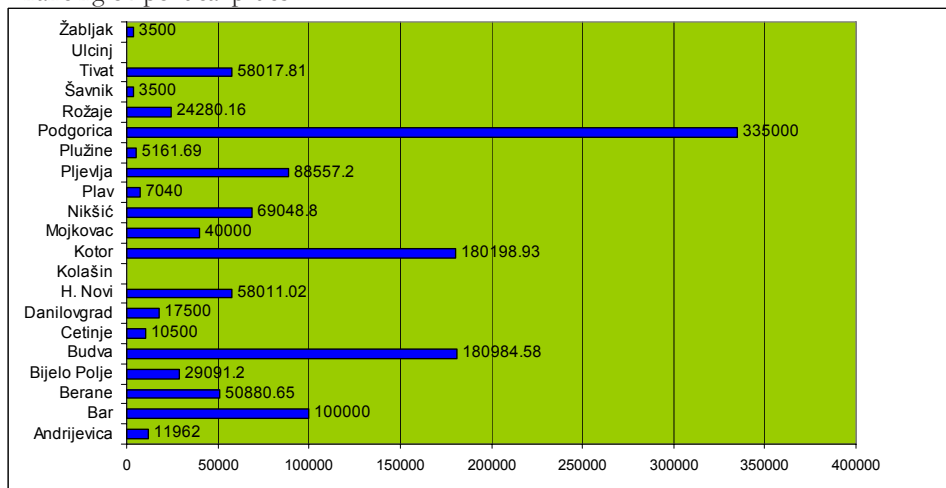
Table 3 shows approved funds for financing Montenegrin political parties in total, per municipality.

Table 2.3. Overview of funds approved in all municipalities for regular financing of political parties

Municipality	Approved funds
Andrijevica	11.962,00
Bar	100.000,00
Berane	50.880,65
Bijelo Polje	29.091,20
Budva	180.984,58
Cetinje	10.500,00
Danilovgrad	17.500,00
Herceg Novi	58.011,02
Kolasin	0
Kotor	180.198,93
Mojkovac	40.000,00
Niksic	69.048,80
Plav	7.040,00
Pljevlja	88.557,20
Pluzine	5.161,69
Podgorica	335.000,00
Rozaje	24.280,16
Savnik	3.500,00
Tivat	58.017,81
Ulcinj	
Zabljak	3.500,00
TOTAL:	1.273.234,04

Financing of political parties in Montenegro

Chart 2.3. Graphical overview of funds approved in all municipalities for regular financing of political parties

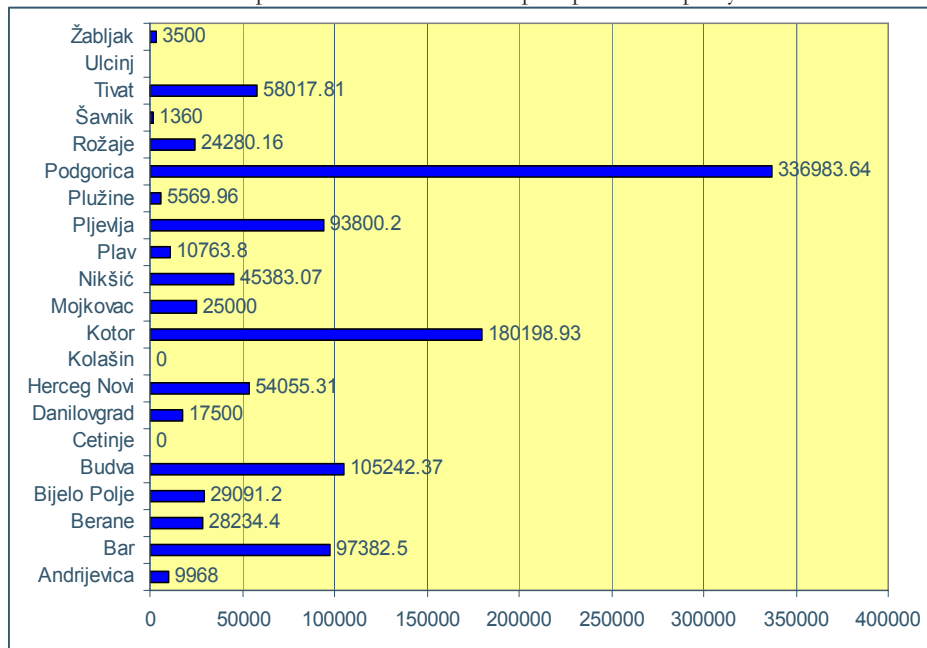


Following table shows paid funds for financing Montenegrin political parties, per municipality.

Table 2.4. Paid funds per municipality

Municipality	Paid funds
Andrijevica	9968
Bar	97382.5
Berane	28234.4
Bijelo Polje	29091.2
Budva	105242.37
Cetinje	0
Danilovgrad	17500
Herceg Novi	54055.31
Kolasin	0
Kotor	180198.93
Mojkovac	25000
Niksic	45383.07
Plav	10763.8
Pljevlja	93800.2
Pluzine	5569.96
Podgorica	336983.64
Rozaje	24280.16
Savnik	1360
Tivat	58017.81
Ulcinj	
Zabljak	3500
TOTAL:	1.126.331,35

Chart 2.4. Graphical overview of funds paid per municipality



Knowing that CEMI has made the same analysis for 2005, we will here make comparison of total amount of approved, as well as paid funds to political parties for 2005 and 2006. Table 5 shows comparison of the total amount of approved funds for financing political parties in 2005 and 2006, while table 6 shows comparison of total paid funds to political parties for regular financing in mentioned years.

Table 2.5. Comparison of total amount of funds approved for regular financing of political parties in 2005 and 2006

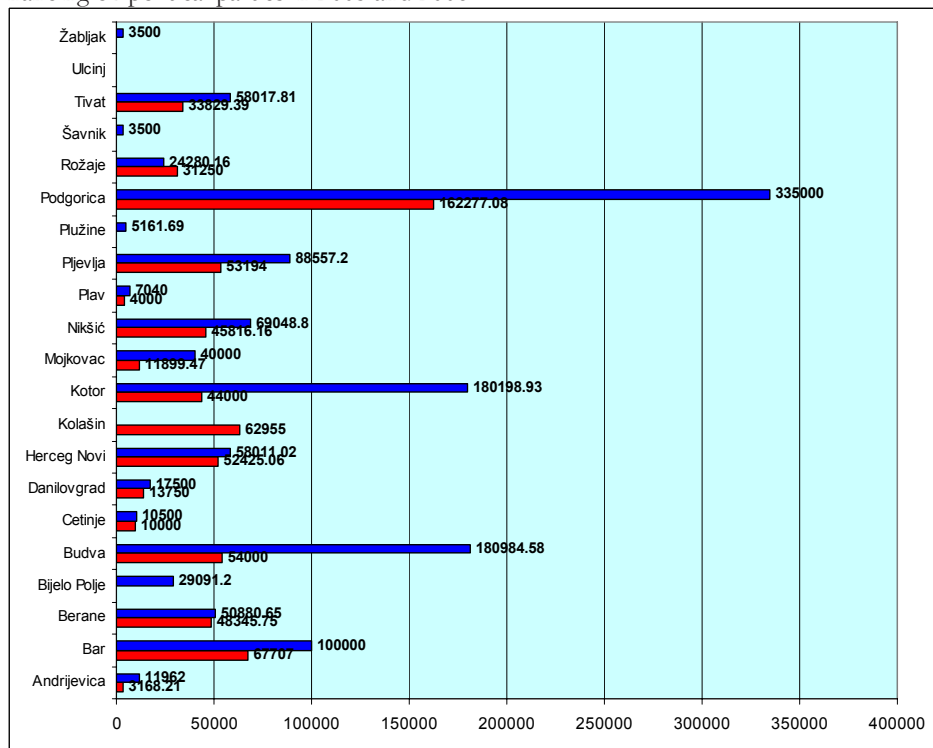
Total amount of funds approved for financing of political parties in 2005 and 2006		
Municipality	2005.	2006.
Andrijevisa	3168.21	11962.00
Bar	67707.00	100000.00
Berane	48345.75	50880.65
Bijelo Polje		29091.20
Budva	54000.00	180984.58
Cetinje	10000.00	10500.00
Danilovgrad	13750.00	17500.00
Herceg Novi	52425.06	58011.02
Kolasin	62955.00	
Kotor	44000.00	180198.93
Mojkovac	11899.47	40000.00
Niksic	45816.16	69048.80
Plav	4000.00	7040.00
Pljevlja	53194.00	88557.20
Plužine		5161.69
Podgorica	162277.08	335000.00
Rozaje	31250.00	24280.16
Savnik		3500.00
Tivat	33829.39	58017.81
Ulcinj		
Zabljak		3500.00
TOTAL:	698.617,12	1.273.234,04

Table 2.6. Comparison of total amount of funds paid for regular financing of political parties in 2005

Total amount of funds paid to political parties in 2005 and 2006		
Municipality	2005.	2006.
Andrijevica	3168.21	9968.00
Bar	67707.00	97382.50
Berane	20920.00	28234.40
Bijelo Polje		29091.20
Budva		105242.37
Cetinje	0	0
Danilovgrad ¹⁰	12694.05	
Herceg Novi	50711.94	54055.31
Kolasin	39407.25	0
Kotor	17548.84	180198.93
Mojkovac	10677.64	25000.00
Niksic	27793.09	45383.07
Plav	4000.00	10763.80
Pljevlja	33100.00	93800.20
Pluzine		5569.96
Podgorica	162277.08	336983.64
Rozaje	27595.66	24280.16
Savnik		1360.00
Tivat	33829.39	58017.81
Ulcinj		
Zabljak		3500.00
TOTAL:	511.430.15	1.108.831,35

¹⁰ In the response of the municipality of Danilovgrad the sum of political parties payment is not mentioned, and the data of approved finances is in the previous table.

Chart 2.5. Graphical overview of total amount of funds approved for regular financing of political parties in 2005 and 2006



Analysis of tables 5 and 6 shows that total amounts of approved and paid finances for political parties on local level have been almost doubled (dark line shows 2006, and the lighter one 2005).

Graphical view clearly shows which municipalities have had the greatest increase. In most municipalities increase of paid funds is large. It has been doubled in some municipalities and in some municipalities the amount has even been several times higher. The most funds for political parties were paid in municipality of Podgorica, and this continues in 2006 with the increase of difference between Podgorica and other municipalities. In municipality of Kotor, total amount is twice smaller than in Podgorica, while in other municipalities this amount is even smaller than that.

If these amounts are compared to the budgets of municipalities, we get to the point that there are enormous differences. Here comes the explanation of this. For example, if budget of municipality of Mojkovac is compared

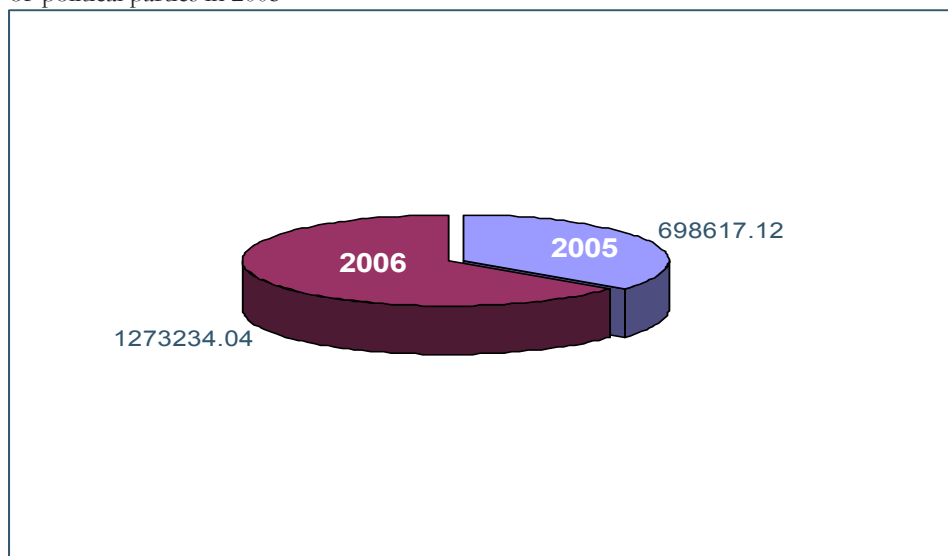
to the budget of municipality of Niksic, the budget of firstly mentioned is about 10 times smaller than the budget of Niksic, but total amount paid to political parties is only two times smaller which means that political parties in Mojkovac received only two times smaller amount than in Niksic, despite much smaller budget. There is another example, budget of municipality of Pljevlja is almost three times smaller than in Niksic but there is the same level of the budgetary subventions for political parties in these two municipalities. Budget of the municipality of Tivat is smaller than the one in Berane, but in Tivat political parties have received almost double amount than in Berane.

These are only some examples which show how large influence political parties have and how strongly they can put their own interest in front of the public interest. These disproportions can clearly be seen from comparison of percentages of municipal budgets appropriated for political parties, which has already been shown.

Following tables show comparison of the total amount of appropriated and paid funds in Montenegrin municipalities for 2005 and 2006.

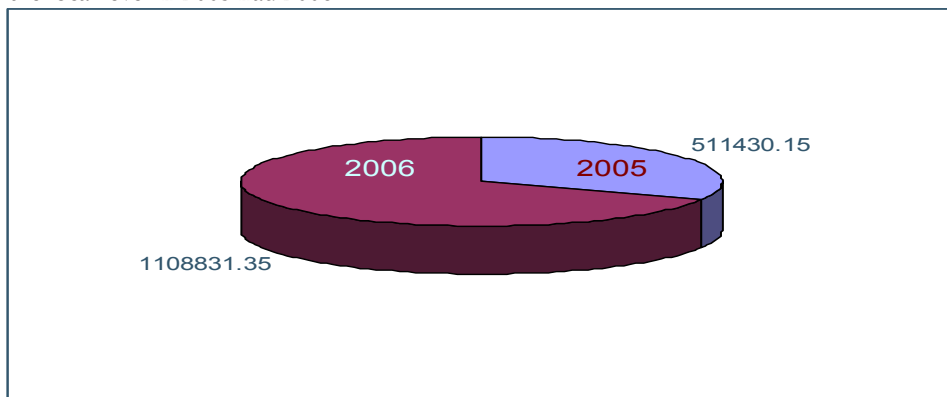
Appropriated funds:

Chart 2.6. Graphical overview of total amount of funds paid for regular financing of political parties in 2005



Funds paid:

Chart 2.7. Graphical overview of funds paid for financing of political parties on the local level in 2005 nad 2006



Total paid funds for 2006 have almost been doubled than in 2005. This shows the increase of the total amount of the budgetary subventions for political parties in a period of only one year.

Following tables are showing appropriated and paid funds to political parties per municipality and they also show municipal budget for 2006, paid funds per political party as well as percentage of the budget provided for financing political parties.

Table 2.7. Budget fund overview for financing political parties in the municipality of Andrijevisa

Municipality		ANDRIJEVICA	
Municipality budget for 2006		797.482,1	
Percentage amount		1,5%	
Political party	Funds approved	Funds paid	
Democratic Party of Socialists		2613.32	
Socialist People's Party		4034.60	
Serbian People's Party		989.99	
Serbian Radical Party		713.43	
People's Party		713.43	
Democratic Serbian Party		55.80	
People's Socialist Party		713.43	
Social Democratic Party		78.20	
Movement for changes		55.80	
Total:	11	9.968 12	

11 The amount of funds approved to each political party was not mentioned in the official letter from the municipality of Andrijevisa.

Table 2.8. Budget fund overview for financing political parties in the municipality of Bar

Municipality	BAR	
Municipality budget for 2006	14.252.757	
Percentage amount	0,7%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	26847.60	26847.60
Socialist People's Party	12783.50	12783.50
Serbian People's Party	7320.30	7320.30
Serbian Radical Party	1966.10	1966.10
People's Party	6450.30	6450.30
Democratic Party	6450.30	6450.30
People's Socialist Party	3011.30	3011.30
Social Democratic Party	17769.80	17769.80
Citizens' Party	5411.40	5411.40
Liberal Party	9371.90	9371.90
Total:	97.382,5	97.382,5

Table 2.9. Budget fund overview for financing political parties in the municipality of Berane

Municipality	BERANE	
Municipality budget for 2006	3.847.038,17	
Percentage amount	1.32%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	25174.87	13000.00
Socialist People's Party	11523.94	11270.00
Serbian People's Party	2802.16	2214.40
Democratic Serbian Party	439.01	0
People's Party	3258.55	1750.00
Social Democratic Party	6200.93	0
Serbian Radical Party	439.01	0
People's Socialist Party	439.01	0
Movement for changes	603.17	0
Total:	50.880,65	28.234,4

Table 2.10. Budget fund overview for financing political parties in the municipality of Bijelo Polje

Municipality	BIJELO POLJE	
Municipality budget for 2006	7.540.000	
Percentage amount	0.38%	
Political party	Funds approved	Funds paid
Total:		29.091,2¹²

Table 2.11. Budget fund overview for financing political parties in the municipality of Budva

Municipality	BUDVA	
Municipality budget for 2006	30.164.097.82	
Percentage amount	0,6%	
Political party	Funds approved	Funds paid
Serbian Radical Party		8304.31
Democratic Party of Socialists		25569.00
Social Democratic Party		15000.00
Socialist People's Party		23610.00
People's Party		9250.00
Liberal Party and BF		7884.06
Serbian People's Party		9250.00
People's Socialist Party	¹³	6375.00
Total:	180.984,58	105.242,37

Table 2.12. Budget fund overview for financing political parties in the municipality of Cetinje

Municipality	CETINJE	
Municipality budget for 2006	2.940.000	
Percentage amount	0.35%	
Political party	Funds approved	Funds paid
Total:	10.500	0

Table 2.13. Budget fund overview for financing political parties in the municipality of Danilovgrad

Municipality	DANILOVGRAD	
Municipality budget for 2006	2.150.000	
Percentage amount	0.81%	
Political party	Funds approved	Funds paid
Total:	17.500	

¹² Only the total amount of paid finances to political parties was mentioned in the official letter from the municipality of Bijelo Polje.

¹³ The amount of funds approved to each political party was not mentioned in the official letter from the municipality of Budva.

Table 2.14. Budget fund overview for financing political parties in the municipality of Herceg Novi

Municipality	HERCEG NOVI	
Municipality budget for 2006	7.251.415	
Percentage amount	0.80%	
Political party	Funds approved	Funds paid
Socialist People's Party	14344.54	19686.76
Serbian People's Party	3902.56	4809.36
Serbian Radical Party	3902.56	3559.36
Democratic Party of Socialists	13184.32	12426.85
Social Democratic Party	2742.34	1850.00
Independent candidate	2742.34	830.90
Democratic Serbian Party	3902.56	3650.00
People's Party	5062.78	3887.82
Citizens' Party	2742.34	1873.36
Democratic Alliance of Montenegro	2742.34	480.90
Prep. Herceg Novi	2742.34	1000.00
Total:	580.11,02	54.055,31¹⁴

Table 2.15. Budget fund overview for financing political parties in the municipality of Kotor

Municipality	KOTOR	
Municipality budget for 2006	9.612.347,8	
Percentage amount	1.87%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists		45109.17
Socialist People's Party		41797.67
Serbian People's Party		15193.40
Democratic Serbian Party		11677.13
People's party		16121.98
Liberal Party		18880.78
Social Democratic Party		18362.69
Croatian Citizens' Initiative		13056.11
Total:	¹⁵	180.198,93

14 Higher amounts are paid to some political parties, because there are debts from 2005.

15 The amounts of each approved finances, or the total amount are not mentioned.

Table 2.16. Budget fund overview for financing political parties in the municipality of Mojkovac

Municipality	MOJKOVAC	
Municipality budget for 2006	1.476.573,58	
Percentage amount	2.70%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	13740	9910
Socialist People's Party	12838	7490
Serbian People's Party	3809	2600
Democratic Serbian Party	2902	1600
People's Party	2902	1600
Social Democratic Party	3809	1800
Total:	40.000	25.000

Table 2.17. Budget fund overview for financing political parties in the municipality of Niksic

Municipality	NIKSIC	
Municipality budget for 2006	16.560.025	
Percentage amount	0.41%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	23809.18	15648.82
Socialist People's Party	14378.14	9450.18
Serbian People' Party	8483.74	5576.03
Liberal Party of Montenegro	4947.10	3251.54
People's party	3768.22	2476.71
Serbian Radical Party	3768.22	2476.71
Liberal Alliance of Montenegro	3768.22	2476.71
Social Democratic Party	6125.98	4026.37
Total:	69.048,8	45.383,07

Table 2.18. Budget fund overview for financing political parties in the municipality of Plav

Municipality	PLAV	
Municipality budget for 2006	1.200.695,81	
Percentage amount	0.58%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	2420	3482.0
Bosnjaks' Party	880	1559.5
Social Democratic Party	1540	2422
Socialist People's Party	1320	1404.5
Democratic Union of Albanians	440	891.0
Democratic Alliance of Albanians in Montenegro	440	891.0
Party for Gusinje		560.5
People's Party		153.5
Party of Democratic Action		1559.5
Total:	7.040	12.923,5

Table 2.19. Budget fund overview for financing political parties in the municipality of Pljevlja

Municipality	PLJEVLJA	
Municipality budget for 2006	8.265.000	
Percentage amount	1.13%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	29732.0	29732.0
Socialist People's Party	23755.0	23755.0
Serbian People's Party	14351.0	14351.0
Serbian Radical Party	5851.6	5851.6
People' Party	8558.6	8558.6
Social Democratic Party	6328.0	6328.0
Democratic Serbian Party		1107.0
Movement for changes		2464.0
Citizen's Party		1653.0
Total:	88.576,2	93.800,2

Table 2.20. Budget fund overview for financing political parties in the municipality of Pluzine

Municipality	PLUZINE	
Municipality budget for 2006	1.032.000	
Percentage amount	0.50%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	1125.57	1201.58
Socialist People's Party	2057.97	2101.62
Serbian People's Party	387.97	568.03
Democratic Serbian Party	504.52	534.94
People's Party	542.83	523.56
Union of Communists of Yugoslavia	542.83	523.56
Group of citizens	116.40	116.40
Total:	5.278,09	5.569,69

Table 2.21. Budget fund overview for financing political parties in the municipality of Podgorica

Municipality	PODGORICA	
Municipality budget for 2006	34.543.340	
Percentage amount	0.97%	
Political party	Funds approved	Funds paid
	16	
Total:	335.000,00	336.983,64

16 CEMI got an answer from the municipality of Podgorica where only the total amount of approved and paid finances for political parties for 2006 is mentioned.

Table 2.22. Budget fund overview for financing political parties in the municipality of Rozaje

Municipality	ROZAJE	
Municipality budget for 2006	2.973.429	
Percentage amount	0.81%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	10310.56	10310.56
Social Democratic Party	3615.65	3615.65
IDU	3100.63	3100.63
BMA	2586.61	2586.61
Socialist People's Party	1555.57	1555.57
Party of Democratic Action	1555.57	1555.57
Liberal Alliance	1555.57	1555.57
Total:	24.280,16	24.280,16

Table 2.23. Budget fund overview for financing political parties in the municipality of Savnik

Municipality	SAVNIK	
Municipality budget for 2006	1.197.370	
Percentage amount	17	
Political party	Funds approved	Funds paid
Socialist People's Party		100
Serbian People's Party		1000
People's Party		260
Total:	3.500	1.360

Table 2.24. Budget fund overview for financing political parties in the municipality of Tivat

Municipality	TIVAT	
Municipality budget for 2006	3.424.215,03	
Percentage amount	1.69%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists		10726.56
Social Democratic Party		5601.24
Socialist People's Party		10726.56
Serbian People's Party		3038.58
People's Party		4319.91
Democratic Movement for independent Montenegro		3038.58
Democratic Serbian Party		4319.91
Serbian Radical Party		4238.58
Croatian Citizens' Initiative		9445.23
Liberal Party		2562.66
Total:	18	58.017,81

17 The budget of the municipality for 2006 or the approved finances for political parties which have councilors in this municipalities are not mentioned in the official letter from the municipality of Savnik.

18 Equal amount or the amount of approved finances in total were not mentioned in the official letter from the municipality of Tivat.

Table 2.25 Budget fund overview for financing political parties in the municipality of Zabljak

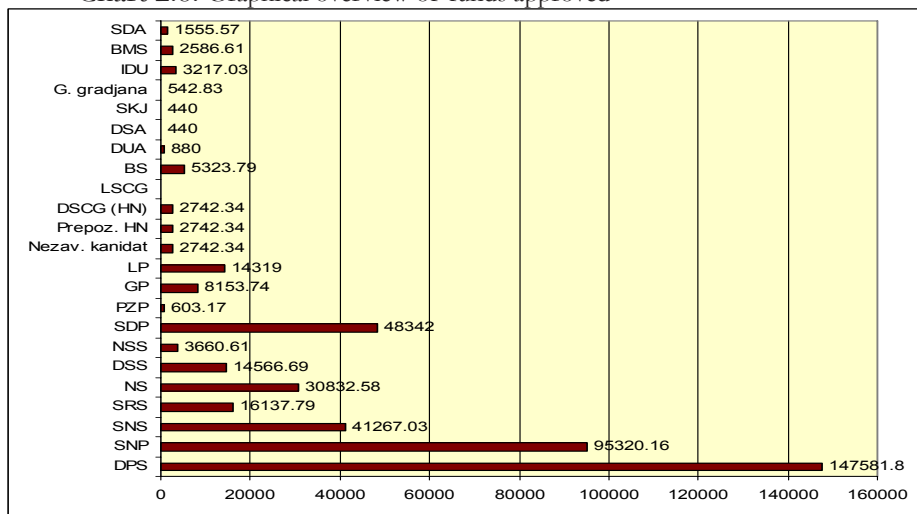
Municipality	ZABLJAK	
Municipality budget for 2006	809.615,45	
Percentage amount	0.43%	
Political party	Funds approved	Funds paid
Democratic Party of Socialists	1237.7	1237.7
Socialist People's Party	763.5	763.5
People's Party	289.3	289.3
Democratic serbian party	368.3	368.3
Serbian People's Party	210.3	210.3
Peiple's Sociaalst party	210.3	210.3
Serbian Radical Party	210.3	210.3
Social Democratic Party	210.3	210.3
Total:	3.500	3.500

What needs to be emphasised is that municipality of Kolasin informed CEMI that no finances were paid to political parties in 2006, while, as already said, no information were received from Ulcinj municipality. Case of Cetinje municipality is very interesting because, according to the information CEMI has received from it, no finances were paid to political parties neither in 2005 nor in 2006.

Following graphics show appropriated and paid finances per political party on local level in total.

Appropriated funds:¹⁹

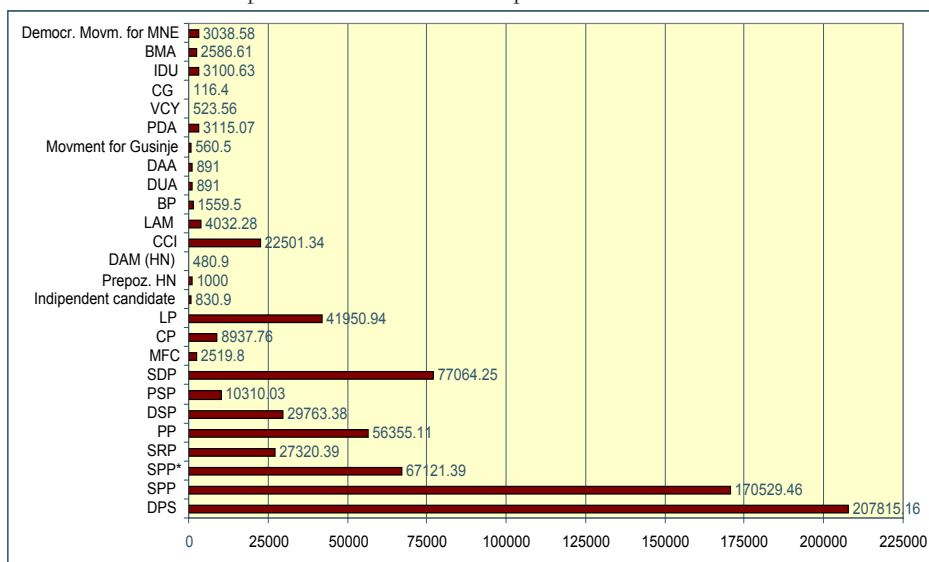
Chart 2.8. Graphical overview of funds approved



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

Funds paid

Chart 2.9. Graphical overview of funds paid



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

¹⁹ The amounts of approved finances were not specified in the responses of some municipalities, so there is certain disproportion about the sum of paid finances.

Political parties which have MPs in Montenegrin Parliament as well as those which had them before elections in September 2006, have received finances from the national budget in following amounts:

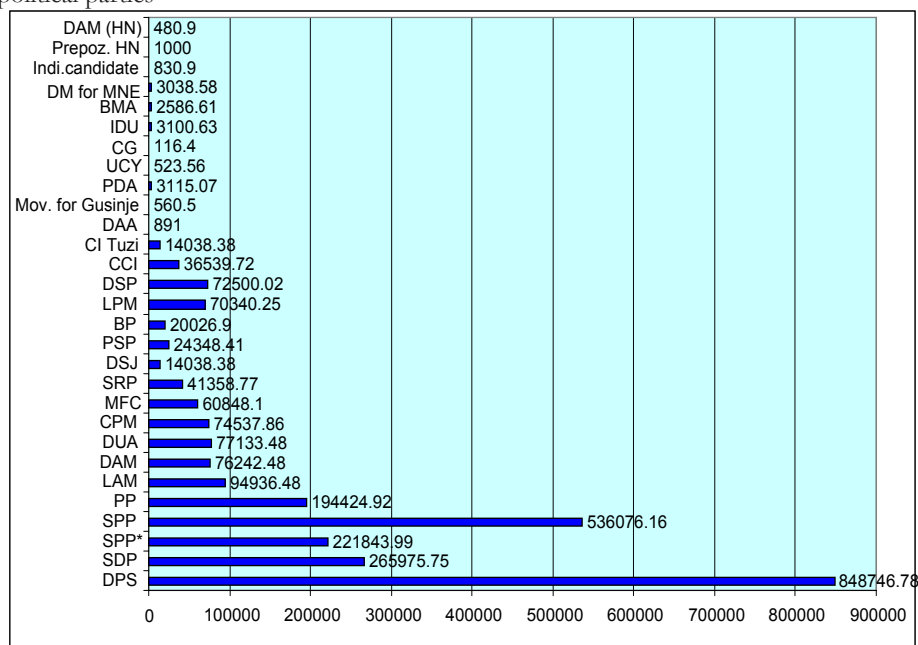
Table 2.26. Funds paid from the state budget to political parties that have representatives in the Parliament

MONTENEGRO		
Municipality budget for 2006	531462185.3	
Percentage amount	0.38%	
Political party	Funds apporved	Funds paid
Democratic Party of Socialists		640931.62
Social Democratic Party		188911.50
Serbian People's Party		154722.60
Socialist People's Party		365546.70
People's Party		138069.81
Liberal Alliance of Montenegro		90904.20
Democratic Alliance of Montenegro		76242.48
Democratic Union of Albanians		76242.48
Citizens' Party of Montenegro		65600.10
Movement for changes		58328.30
Serbian Radical Party		14038.38
Democratic Party of Unity		14038.38
People's Socialist Party		14038.38
Bosnjaks' Party		18467.40
Liberal Party of Montenegro		14038.38
Democratic Serbian Party		14038.38
Croatian Citizens' Initiative		14038.38
Citizens' Initiative-Tuzi		14038.38
Joksimovic Miladin		14349.13
Perovic Dragica		14349.13
Zivkovic Miodrag		14350.93
Total:	20	2.015.285,04

20 The sum of approved finances was not mentioned in the response of the SKUPSTINE of Montenegro, but we can assume that that amount matches with the amount of paid finances for regular financing of political parties.

The following graphic shows total finances political parties have received for regular financing from the budgets, both local and the national.

Chart 2.10. Graphical overview of total amount of funds for regular financing of political parties



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

This is funds allocation per political party, but we need to have in mind that in this case we were not able to calculate the amounts from municipalities Podgorica and Bijelo Polje, which are over 300.000 for Podgorica and almost 30.000 euros, which would significantly change mentioned amounts.

Financing of electoral campaign – elections in September 2006

Like for the regular financing, CEMI sent requests for accessing information about financing political parties to all municipalities where elections were held. Again impreciseness of the local administration was visible, therefore we are not able to present complete data. Despite insisting to mentioned local organs,

it was impossible to receive reply to sent requests, so we had to be satisfied with available information.

When talking about expenditures of political parties of national elections as well as for local elections, CEMI received information from the Republic Electoral Commission that only coalition DSP-SDP submitted reports on incomes and outcomes for the electoral campaign. Reports were submitted for national elections, and for local elections in Bar and Podgorica. Reports are available on CEMI's web site, while scanned report of this coalition for national elections can also be seen in this publication. According to the Commission's reply, no other party or coalition has submitted report.

Financing campaign for national elections

For national elections, held on September 10th budgetary subventions for electoral campaign of political parties were distributed in following manner:

Table 2.27. Distribution of funds paid to political parties and coalitions before elections

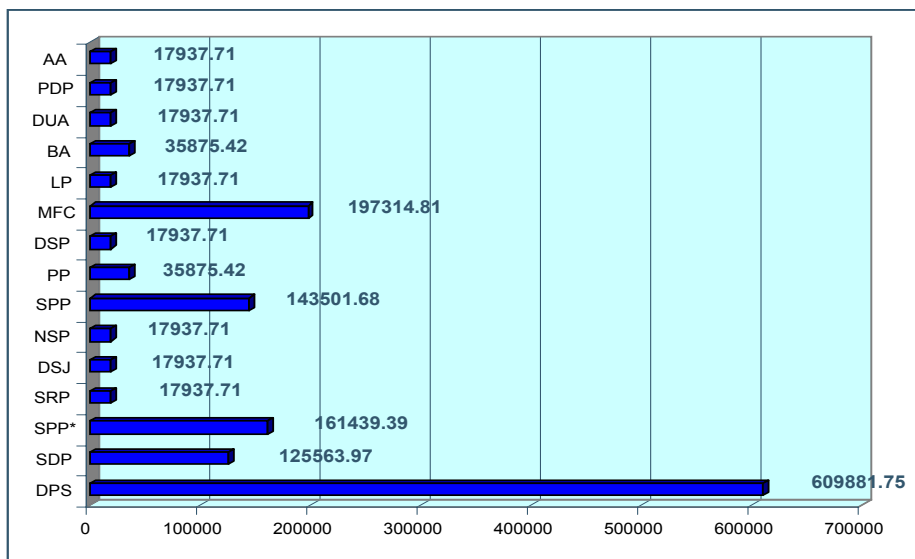
POLITICAL PARTY/COALITION	20%
Coalition for European Montenegro- Milo Djukanovic Democratic Party of Socialists-Social Democratic Party	17297.07
Communists' Alliance of Yugoslavia- Communists of Montenegro	17297.07
Serbian List - Andrija Mandic	17297.07
Coalition Democratis Alliance in Montenegro- Party of democratic prosperity - Mehmet Bardhi	17297.07
Democratic Party of Montenegro – " A Missing peace"	17297.07
"Albanian alternative"	17297.07
Socialist People's Party – People's Party- Democratic Serbian Party - Coalition: Socialist People's Party of Montenegro, People's Party and Democratic Serbian Party	17297.07
FORCA	17297.07
"Liberals and Bosnjaks' Party- correct in the past, right for the future" - Miodrag Miko Zivkovic	17297.07
Movement for changes - Nebojsa Medojevic	17297.07
Democratic Union of Albanians - Ferhat Dinosa	17297.07
Citizens' list	17297.07
Total:	207.564,84

Financing of political parties in Montenegro

Table 2.28. Distribution of funds paid to political parties and coalitions after elections

POLITICAL PARTY	80%
1. Democratic Party of Socialists of Montenegro	609881.75
2. Social Democratic Party of Montenegro	125563.97
3. Serbian People's Party	161439.39
4. Serbian Radical Party dr Vojislav Seselj	17937.71
5. Democratic party of unity	17937.71
6. People's Socialist Party	17937.71
7. Socialist People's Party	143501.68
8. People's Party	35875.42
9. Democratic Serbian Party	17937.71
10. Movement for changes - Nebojsa Medojevic	197314.81
11. Liberal Party of Montenegro	17937.71
12. Bosnjaks' party	35875.42
13. Democratic Union of Albanians - Ferhat Dinosa	17937.71
14. Party of democratic prosperity - Mehmet Bardhi	17937.71
15. "Albanian alternative" (citizens' group)	17937.71
Total:	1.452.954,12
Total (20% + 80%):	1.660.518.96

Chart 2.11. Graphical overview of funds paid to political parties after elections held



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

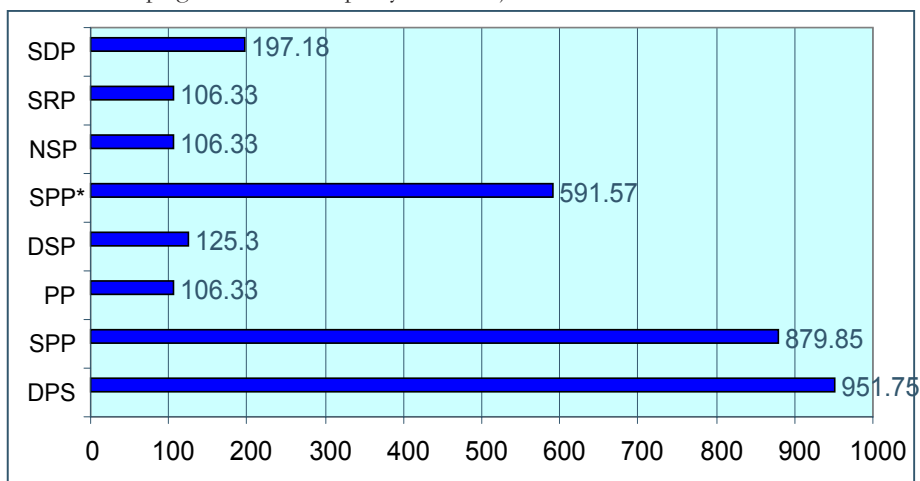
Funds for electoral campaign are distributed in a way that 20% of the total amount appropriated for this is divided into equal amounts for all petitioners of announced election list, while the rest of 80% is distributed according to the number of mandates won. Finansiranje kampanje za lokalne izbore

Financing of campaign for local elections

Within this section we have a review of electoral campaign financing of electoral campaign financing for local elections. The review is given separately by municipalities where it is possible to see for every coalition or a party that participated in the elections the quantity of funds it got.

Andrijevića

Chart 2.12. Graphical overview of funds paid to political parties for financing electoral campaign in the municipality of Andrijevića

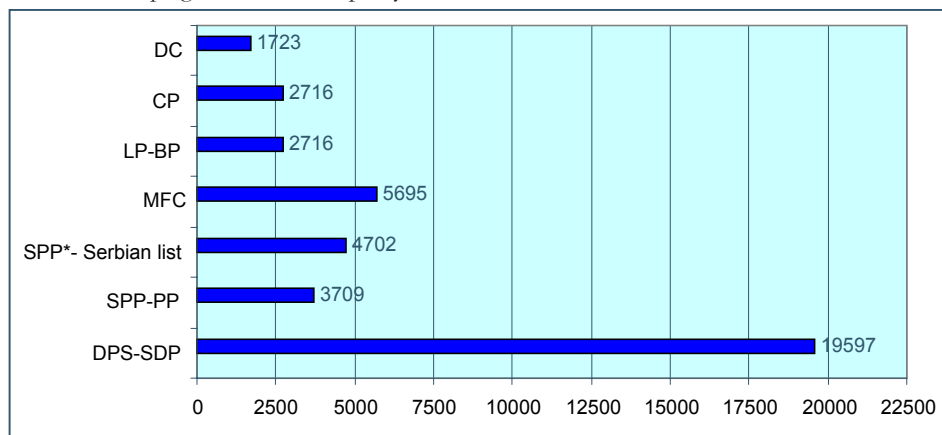


NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

In the case of Andrijevića municipality, graphic shows funds paid to political parties.

Bar

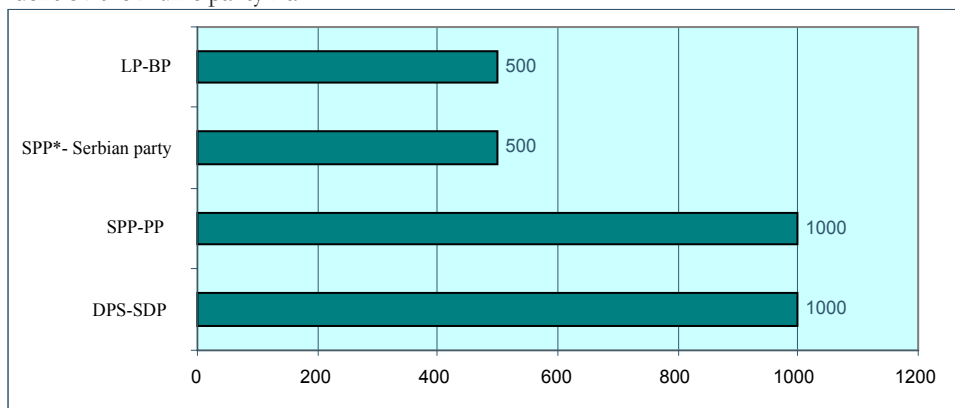
Chart 2.13. Graphical overview of funds paid to parties or coalitions for financing electoral campaign in the municipality of Bar



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

This graphic also shows funds paid to political parties and coalitions, while candidates running for the president of the municipality have also received certain amount. Distribution of these is as follows:

Chart 2.14. Graphical overview of funds paid to candidates for municipality president of the municipality Bar



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

Berane

For local elections in Berane total amount for financing campaign of political parties was 15.120 euros, which makes 0,4% of the municipal budget. Distribution of appropriated and paid funds is as follows:

Table 2.29. Funds approved and paid in the municipality Berane

Political party	approved 20%	paid 20%	approved 80%	paid 80%
Democratic Party of Socialists-Social Democratic Party	756	756	6220.97	
Movement for changes	756	756	690.68	
Serbian list	756	756	2073.26	2073.26
Socialist People's Party-People's Party-Democratic Serbian Party	756	756	3111.09	
Total:	3.024	3.024	12.096	2.073,26

As it can be seen, the part of 20% of the total amount provided for financing campaign was paid to all affirmed and proclaimed election lists. From 80% of funds which are distributed according to the mandates won, only Serbian List received their share.

From the municipality of **Bijelo Polje** CEMI received only information that political parties which took part in the elections were paid 16.000 euros in total.

Danilovgrad

In Danilovgrad municipality funds for electoral campaign were 7600 euros in total, which makes 0,4% of the budget. Distribution of funds is as follows:

Table 2.30. Funds approved and paid in the municipality Danilovgrad

Political party	Funds approved		Funds paid
	10%	90%	
Democratic Party of Socialists and Social Democratic Party	152	3938.13	4090.13
Movement for changes	152	829.08	981.08
Liberal Party of Montenegro	152		152.00
Serbian List	152	829.08	981.08
Socialist People's Party-People's Party-Democratic Serbian Party	152	1243.63	1395.63
Ukupno:	760	6.840	7.600

Besides, two candidates for the president of the municipality who won more than 10% of votes received 1.000 euros each.

In the municipality of **Plav**, 600 euros were provided for two candidates who were running on elections for the president of the municipality²¹

Podgorica

In municipality of Podgorica political parties received 110.240,9 euros in total for financing electoral campaign in Podgorica, city municipality of Golubovci i city municipality of Tuzi, which makes 0,32% of the municipal budget:

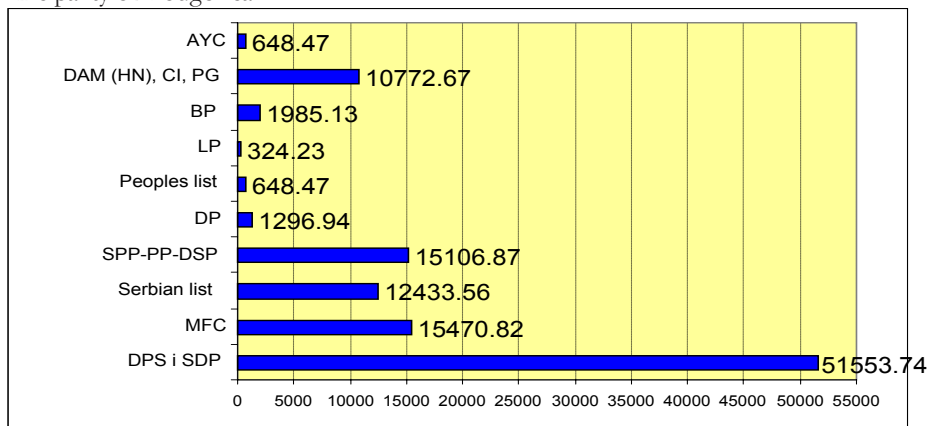
Table 2.31. Funds paid to parties i.e. coalitions in the municipality Podgorica

Political party	Funds paid		Total
	Equal amounts	Based on mandates won	
Coalition Democratic Party of Socialists , Social Democratic Party	1945.41	49608.33	51553.74
Movement for changes	1296.94	14173.88	15470.82
Serbian List	1296.94	11136.62	12433.56
Socialist People's Party- People's Party-Democratic Serbian Party	1945.41	13161.46	15106.87
Democratic party	1296.94		1296.94
Citizens' list	648.47		648.47
Liberal Party	324.23		324.23
Bosnjaks' party	972.71	1012.42	1985.13
Democratic Alliance of Montenegro, Citizens' Initiative, Group of citizens	648.47	10124.2	10772.67
Communists' Alliance of Yugoslavia	648.47		648.47
Total:	11.023,99	99.216,91	110.240,9

²¹ This is the only information got from this municipality related to the expenses of electoral campaign financing.

Graphically, it is possible to see a difference in total amount paid per party or coalition:

Chart 2.15. Graphical overview of funds paid to parties i.e. coalitions in the municipality of Podgorica



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

Pluzine

In the municipality of Pluzine, 0,4% of the budget was provided for financing electoral campaign of political parties. Distribution is as follows:

Table 2.32. Funds approved and paid in the municipality of Pluzine

Political party	Funds approved	Funds paid
Democratic Party of Socialists-Social Democratic Party	839.75	839.75
Socialist People's Party	1438.6	1438.6
People's Party	119.88	119.88
Democratic Serbian party	239.70	239.70
Serbian list	599.45	599.45
Group of citizens	359.75	359.75
Communists' Alliance of Yugoslavia	119.88	119.88
Total:	3.717,01	3.717,01

Zabljak

Municipality of Zabljak provided 0,34% of the budget for financing electoral campaign of political parties. Funds were distributed as follows:

Table 2.33. Funds approved and paid in the municipality of Zabljak

Political party	Funds approved	Funds paid
Democratic Party of Socialists	1042.20	1042.20
Socialist People's Party	571.94	571.94
People's Party	213.44	213.44
Democratic Serbian Party	213.44	213.44
Serbian People's Party	233.79	233.79
People's Socialist Party	233.79	233.79
Serbian Radical Party	151.92	151.92
Social Democratic Party	139.48	139.48
Total:	2.800	2.800

Total amount for financing electoral campaign on the local level, according to the data CEMI has received, is 195.143,20 euros²²

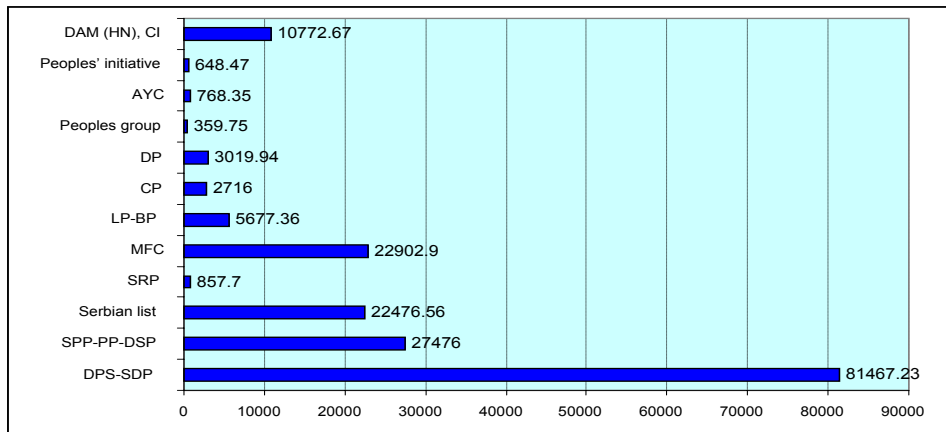
In this case, it is necessary to point out that it cannot clearly be concluded how much money was appropriated and paid to political parties from replies CEMI received from municipalities Plav and Savnik, so it possible that these funds were calculated in the part for regular financing. Also, as it was said there were no payments to political parties in 2006 in Kolasin municipality.

Distribution of funds per political party/coalition in total is shown in the following graphic.²³

22 It should be emphasised that there was 16000 euros paid by the municipality of Bijelo Polje for the campaign of political parties which were included in the total amount, while the arrangement of finances to the political parties was not mentioned.

23 Certain amounts are given to coalitions because in some official letters payments are mentioned to be given to coalitions not political parties separately

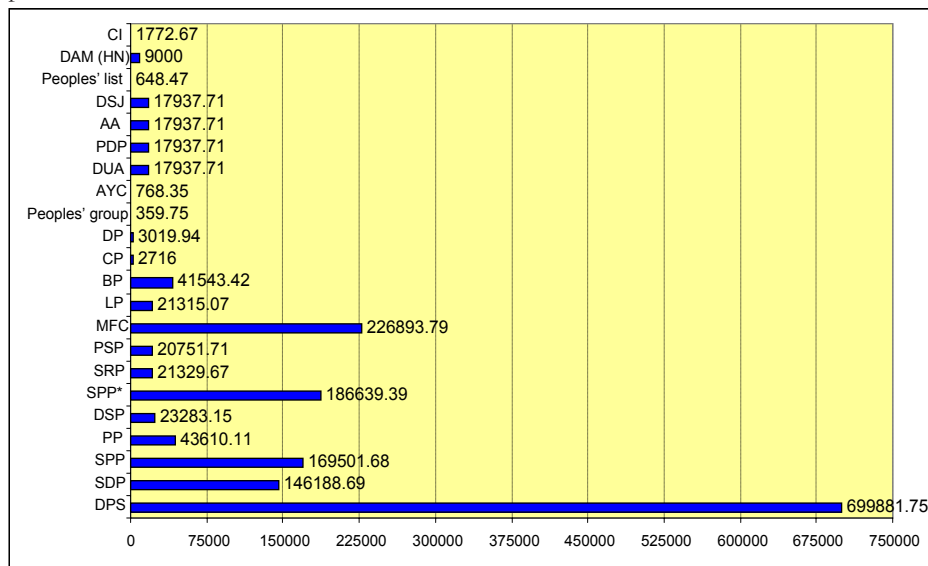
Chart 2.16. Final allocation of funds for financing of electoral campaign for local elections



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

When these sums are added to the funds that parties received for campaigns for national elections we get the following amounts:

Chart 2.17. The allocation of funds that parties or coalitions received for local and parliamentary elections



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

Distribution of funds in this manner clearly shows the current situation in Montenegrin political system which can be characterised as the multiparty system with dominating party, according to the division made by Jean Blondel. Dominating party is Democratic Party of Socialists and it has received almost as much funds as four political parties after it, according to the total amount of funds.

Same conclusion can be made for the whole territory of Montenegro, both on national and local level, but we must have in mind that this party is not the ruling party in some municipalities but has significant number of mandates.

Costs of referendum's campaign and administration

Even though the referendum is a very specific process, and CEMI was working on a special project of monitoring of financing referendum's campaign we thought that it was necessary to provide within this publication information on costs of referendum's campaign considering very high finance resources provided. The analysis of previously mentioned process was published within the final project report, and these pieces of information are also available on CEMI's website. Here, we will present only total amounts because we talk about a campaign.

2 million euros from the budget were provided for referendum campaign, one million per each side. Campaign participants were also allowed to use extra 400.00 euros from private resources, what both sides did. That means that parties spent 2.800.00 euros altogether for referendum campaign.

CEMI tried to reach information about how much money was spent for administration in referendum process, but before all, what were the costs of Republic Commission's work and other referendum commissions. The Ministry of finance responded on our request that this body does not possess such information and that CEMI should revert to Republic Electoral Commission. Unfortunately, this body also answered that this area is not a part of its competence.

Here we come to something that CEMI pointed out for quite a long time – the Republic Electoral Commission hasn't done its work completely and this body hasn't accomplished responsibilities defined by the Law. Due to this fact, Montenegrin citizens, who financed the work of Republic Electoral Commission by paying taxes, do not have insight in who spent their money and in what manner. This is very important because of the fact that finance resources haven't been economized, and it is not impossible that some of those have been needlessly spent or maybe used for realization of some unbeneficial purposes

Costs of electoral administration work for elections September 2006

In order to introduce Montenegrin community with real costs of the electoral process regarding the total amount that is being singled out from the national budget, republic as well as local one, for financing elections, CEMI has gathered information about costs of electoral administration work for September 2006. elections.

Table 2.34 Costs of electoral administration work for elections held on September 10th

Sort of costs		Amount
Resources for electoral materials		424.319,69
Ballots		
Ballot boxes		
Spray and optical spray reader		
Flags and tablecloths		
Boards		
Boxes for coupons		
Badges		
Informatical support		
Other printed materials		
Resources for local commissions work		387.000
Production of postmarks and seales		
Office materials		
Costs of transport - gas		
Per diem salaries		
Amends for members of local electoral commission		
Engagement of administrative and technical stuff		
Other costs		
Amends for work of electoral boards		237.850
Resources for Republic Electoral Commission work		144.090,31
Office materials, per diem salaries, transport, various services, web site		
Amends for members of REC		
Engagement of competent and administrative stuff, other costs		
Altogether: ²⁶		1.193.260

When all costs, regarding financing of electoral campaigns of political parties in 2006, compile in one, final results are the following:

²⁴ Costs are specified according to reply that CEMI received from Republic Electoral Commission

Table 2.35. Total amounts of financing electoral campaigns of political parties in 2006.

Financing of electing campaign at local level	195.143,20
Financing of electing campaign at national level	1.660.518.96
Altogether:	1.855.662,16
Financing of referendum campaign ²⁷	2.000.000,00
Altogether (1+2)	3.855.662,16

As we can see 3.740.323, 99 euros were provided for financing political parties' campaign in 2006. This is a total amount that political parties were given to present themselves during pre-electing campaigns and to introduce their programme and work to the public.

If we add previously mentioned amount to financial resources designed to provide electoral administration work for parliamentary and local elections in September 2006, we will get total amount which was singled out from the budget for election activities:

Table 2.36. Total amounts abstracted from the budget for electing activities in 2006

Costs of electing campaign	1.855.662,160
Costs of administration	1.193.260,000
Altogether	3.048.922,160

This is a cost of only one election in Montenegro, with local elections in 14 municipalities included. Accordingly, on the bases of free judgment, it could be said that parliamentary elections itself would cost approximately 400.000 euros less, what brings us to the number of 2.600.000 euros.

It should also be mentioned that before the elections of September 10th there was no available information on how much finance resources will be provided for political parties' campaign. The Ministry of Finance made announcements that all parties will be given the same amount of 20% of total amount assigned for campaigns' financing. This decision was made due to the conclusion that financing of referendum campaigned costs maybe even too much. This fact approves the previously indicated conclusions about possibility of money consumption for financing state bodies during the referendum process.

²⁵ In this case we do not take in consideration resources from private funds

Finally, what represented the biggest problem in 2004 continued to be a problem even after elections in 2006. As it was previously said, only three reports about financial resources gained and spent were submitted to the local, as well as Republic. Electoral Commission.

Those were the reports of coalition Democratic party of socialists—Socialist Democratic Party for parliamentary elections, and for local elections held in Bar and Podgorica.

For all parliamentary and local elections held in 14 municipalities, there are supposed to be more than 100 reports. This speaks enough about transparency of financing of political parties in Montenegro. Besides this, we have a quite preoccuping fact that not even one state institution or body is trying to influence on political parties and to make them submit their financial electoral reports. If 2 million euros are known amount provided to be spent it is strange that there is no preparedness of state bodies to check how these resources were spent. The Ministry of Finance hardly managed to ensure resources for political parties' campaign, and now, we have appropriate reaction missing on non-transparency of these finances expenditure.

Also, the Republic Electoral Commission, as the state body which is supposed to control financing of political parties' electoral campaign, have almost proclaimed itself not responsible for this problem²⁶. This kind of attitude of authorized bodies additionally makes efforts made in the field of financing of political parties questionable. It should be mentioned that in practically all reports on level of corruption in Montenegro made by international organizations, this field is specified as one inside which the transparency is at the lowest level. Because of this fact, CEMI will propose to the Parliament already prepared new Law about financing of political parties which regulates this area with much more details and imposes obligations regarding submission of financing reports for election campaigns. Political parties or coalitions will have to submit report required by the Law, and just after its credibility gets confirmed, total amount would be paid in political party's account.

²⁶ The word is about correspondence between Mr Branislav Radulovic, president of Republic Electoral Commission, and Mr Zlatko Vujovic, president of CEMI, published in the daily news DAN, when the president of REC announced that he doesn't think that misdemeanor penalties against the political parties which violated the Law on REC are to be submitted, as well as that REC is supposed to monitor the financing of political parties

Integrated illustration of financing of political parties in Montenegro in 2006

Within the previous text separate analyses could be found which is based on the kind of cost for financing of political parties: the analysis of regular and electoral campaign financing of political parties was done. This chapter is dedicated to cumulative illustration, which means that it will become clear whether political parties have enough financing resources for regular work, is the state too generous, apropos is the Law inefficiently strict when assigning the upper limit.

The answer to the last question is negative off course, considering that the upper limit doesn't even exist at the moment. After all, there is a fact that in some municipalities we have the upper limit for regular financing from the previous Law and it amounts 0, 4%. On contrary, as it could be seen, some of municipalities haven't economized when concerning their funds.

The following table presents cumulative amount of financial resources provided for financing of political parties in 2006.

Table 2.35. Integrated resources or financing of political parties in 2006

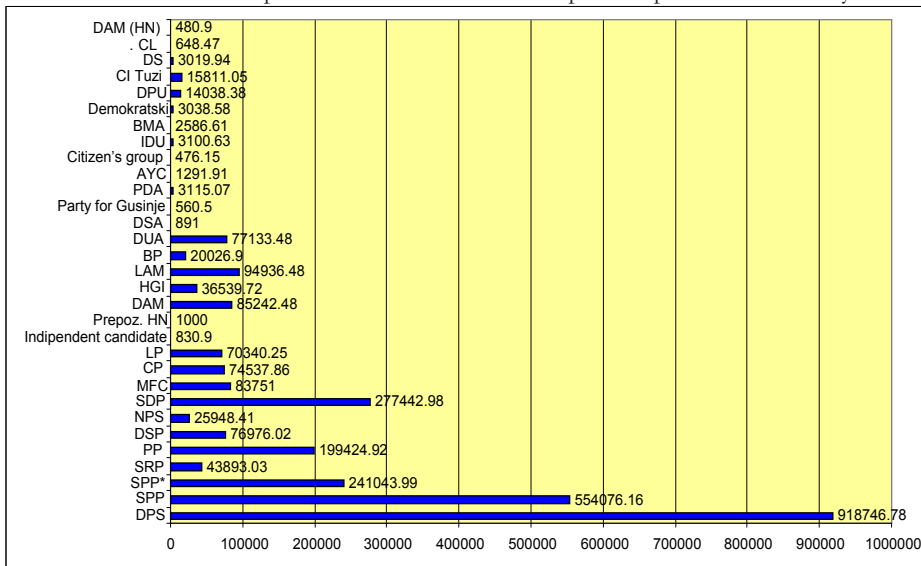
Ordinary financing (municipalities)	1.273.234,04
Ordinary financing (state)	2.015.285,04
Financing of electing campaign (parliamentary)	1.660.518,96
Financing of electing campaign (municipalities)	195.143,20
Altogether:	5.144.181,24
Referendum campaign	2.000.000
Altogether:	7.144.181,24

If we exclude resources obtained from the budget for financing of referendum campaign, we receive amount over 5 million euros. This fact gives clear conclusion that this is the amount which provides minimum conditions for regular work. If we also consider that some municipalities still haven't had all resources paid in, this amount will partly increase. We should also add resources for financing of referendum administration, which amounts at least as much as for the electoral administration, although we can reasonably doubt that these could be even higher. However, information concerning this are unavailable to the wider public.

Case of Liberal Alliance of Montenegro

Liberal Alliance of Montenegro attracts special attention when looking at this chart, as well as previous summary that deal with regular financing. This is the party that doesn't exist since 2005, as it quenched itself. This means that by automatism, this party shouldn't receive money from the budget. Otherwise, question "who receives money" is raised. If calculating, for 2006 it is the amount of almost 95.000 EUR, plus 1115.000 EUR for 2005, meaning 210.000 EUR for two years. No matter this, no one yet has asked questions on where these funds are, even though most of it were received according to MP's mandates, i.e. funds were transferred on the account of Liberal Alliance of Montenegro which means that funds flow could be checked if funds are not still on the account (which is possible).

Chart 2.18. Graphical overview of funds that political parties received in year 2006.



NOTE: SPP - Socialists' Peoples Party; SPP*- Serbian Peoples Party

As it is already said, this chart confirms absolute domination of Democratic Party of Socialists, as well as amount of funds this Party received in 2006. Also, huge difference is notable between parliamentary parties and those that do not have parliamentary status. This goes in line that financing on local level is on a drastically lower level, and less funds are received this

way than on a national level. This is happening as some Municipality budgets are far lower than national budget.

CONCLUSION

Year 2006 will stay specific for many things regarding political party financing. Referendum on political and legal status of Montenegro, Parliamentary Elections, as well as local elections in 14 municipalities was held in 2006. Law on financing political parties was changed in 2005 and in 2006 effects of those changes were notably expressed. Funds for regular financing on local level per each municipality took approximately 0.82% of local budget. Extreme example was the municipality of Mojkovac where in 2006 political parties received about 2.7% of total local budget.

Knowing that for all above named purposes funds are insulated for political parties, as they were bearers of this process, amounts seen indicate that it will be very hard that any time in future parties will receive so many funds. Political parties successfully made agreements about financing, and it seems that this is one of the rear questions where agreement is easily made with total consensus.

Enormous increasing of funds that political parties received is partially excused if we have in mind importance of Referendum and first Parliamentary Elections held in independent Montenegro. Parties had mobiles all available resources during campaigns, which costs a lot. But, budget subventions for regular financing are problematic. Cutting upper limit opened doors for almost unlimited budget subventions.

These law regulations were commented very negatively in all reports made by international organizations, with a special stress on political parties financing being done very bad. Knowing that law is the baseline for fight against corruption, CEMI will suggest to Parliament new Law on financing political parties. Nevertheless, existence of a good law is not a guarantee that situation will improve dramatically. Behavior of other participants in this process, above all political parties and state bodies, will mostly influence on qualitative implementation of law regulations. Political parties should respect obligations that tackle them by law, while state bodies should react if parties do not perform law-musts. This did not happen in Montenegro until now, and CEMI was the only one that tried to influence the improvement in financing of political parties, especially in the area of transparency. This conclusion is not simple, and is seen in particular within

already mentioned correspondence of CEMI and Republic Electoral Commission.

Abbreviations:

AA – Albanian alternative
BMA – Bosnjacks' and Muslims Alliance
BP – Bosnjacks' Party
DPS – Democratic Party of Socialists
DAM – Democratic Alliance in Montenegro
DPU – Democratic Party of Unity
DSP – Democratic Serbian Party
DUA – Democratic Union of Albanians
LAM – Liberal Alliance of Montenegro
LP – Liberal Party
IDU – International Democratic Union
PP – Peoples Party
PSP – Peoples' Socialist Party
MFC – Movement for Changes
PDA – Party of Democratic Action
SDP – Social Democratic Party
AYC – Alliance of Yugoslavian Communists
SPP* – Serbian Peoples Party
SPP – Socialist Peoples Party
SPY – Socialist Party of Yugoslavia
SRP – Serbian Radical Party
CPI – Croatian Peoples Initiative
CP – Citizens' Party

Part III

Assessment of regulation of political party finance in Montenegro and recommendations for changes in legal framework



Crime Problems Department
Directorate General I - Legal Affairs

Assessment of regulation of political party finance in Montenegro and recommendations for changes in legal framework

On the initiative of the Monitoring Center Administration for anti-corruption initiative requested experts of Council of Europe to do an assessment of legal regulations in Montenegro that is related to the financing of political parties. Full name of this document is here presented: “The Assessment of legal regulations related to the financing of political parties in Montenegro.”

Modifications done within the Law on financing political parties from 2005 and the adoption of the Law on modifications and amendments the Law on financing political parties took this area one step back. Due to this situation, CEMI decided to make a new Law on financing of political parties that will be done according the most significant international documents as well as recommendations given by organizations dealing with political parties’ financing. In order for the proposal of the Law to be better coordinated with documents mentioned, Administration for anti-corruption initiative requested from the Council of Europe to do an expert analysis of legal regulations related to the financing of political parties. Within the recommendations it has been mentioned that important changes of normative documents have been made and such condition needed to be improved. CEMI undertook the first of many steps towards that goal which is the creation of the new Law on financing political parties.

Within the following pages you can find recommendations of Council of Europe that were given.



Crime Problems Department
Directorate General I - Legal Affairs
(18. July 2006.)

PROGRAMME AGAINST CORRUPTION AND ORGANISED
CRIME IN SOUTH-EASTERN EUROPE (PACO)
IMPLEMENTATION OF ANTI-CORRUPTION PLANS IN SEE
(IMPACT)

**ASSESSMENT OF REGULATION OF POLITICAL
PARTY FINANCE IN MONTENEGRO
AND RECOMMENDATIONS FOR CHANGES
IN THE LEGAL FRAMEWORK**

Assessment and Recommendations by:

Dr Quentin REED, United Kingdom



PC-TC (2006)21

PACO Impact finansira Švedska
agencija za međunarodni razvoj i
saradnju (Sida)

INTRODUCTION

The current legal framework regulating the financing of political parties in Montenegro is provided by the Law on Financing of Political Parties (hereafter LFPP), first approved in 2004 and last amended in May 2005. In particular, the LFPP

- prohibits certain sources of funds for parties;
- determines permitted types of expenditure by parties;
- establishes an extensive system of state subsidies which provides funds for both the ordinary activities of political parties already represented in Parliament of local councils, and the election campaigns of all parties participating in an election;
- imposes a general obligation on parties to disclose their income and spending; and
- defines sanctions for violations of provisions of the Law.

In addition, for the purposes of this commentary the following two laws have a direct impact on party finance regulation:

- The Law on the Election of Councillors and Representatives determines the duties, composition and method of appointment of election commissions – the bodies with primary responsibility for supervising adherence to the provisions of the LFPP and initiating proceedings concerning violations; and
- The Law on Misdemeanours provides in a general sense for the imposition of sanctions by courts for violations of the LFPP.

This document identifies deficiencies in the provisions of the LFPP (the Assessment) and recommends how these defects should be remedied (Recommendations). The Assessment and Recommendations reflect the Council of Europe's Recommendation 1516 (2001) on Financing of Political Parties (hereafter Recommendation 1516), although - in the spirit of the Recommendation - they are tailored to the specific needs of Montenegro.

ASSESSMENT OF THE CURRENT LEGAL FRAMEWORK

Problems in the current legal framework may be divided into the following main areas:

- the dominance of state subsidies and the criteria for their distribution;
- illogical restrictions on private contributions to political parties;
- insufficient definition and regulation of election campaign expenditure;
- disclosure requirements that are in some respects too detailed yet in other areas too lax; and
- inadequate provisions on control and enforcement of party finance regulation.

The system of state subsidies

The centrepiece of regulation of political party finances in Montenegro is the system of state subsidies. The current legal framework has established state subsidies that are possibly more generous than any other system in Europe (as measured by the proportion of the state budget allocated to political parties). There are two separate subsidies.

- The first subsidy (Article 6) is provided to cover the costs of the work of parliamentary parties and of party factions (hereafter, ‘ordinary activities’) in legislative assemblies. It is provided to parties that are already represented in Parliament or local councils. The relevant body (Ministry of Finance at central level, the local government unit responsible for financing activities at local level) must provide not less than 0.4% of the total relevant budget (central or local) to parties with at least one seat in the relevant legislative body (Parliament or local council). 30% of the funds are provided to these parties on an equal basis, while the remaining 70% are distributed according to the number of seats held by each party.
- The second (Article 12) is provided to parties to cover the costs of election campaigns. The relevant body must distribute 0.4% of the total relevant budget on the following basis: 20% on an equal basis to parties who already have MP’s or local councillors; 10% on an equal

basis to parties who are standing for election; and 70% on the basis of the proportion of seats won by each party in the election concerned.

The Council of Europe expert (the author of this Technical Paper) was informed that the main motivation for the establishment of this system – as in many other European countries - was to reduce the risk of corruption by reducing political parties' dependence on private contributions. Those met by the expert, including NGO representatives appeared to believe that the system has succeeded in restricting corruption in political finance.

One of the amendments to the LFPP passed in 2005 addressed the situation where an MP leaves the party on whose list s/he was elected or is expelled from the party. The amendment states that such an MP will subsequently the portion of the 70% subsidy for ordinary activities and of the 70% of the election campaign subsidy to which his/her party was entitled and which was allocated on the basis of his/her seat. The Council of Europe expert was requested by the Chairman of the Parliamentary Committee for Economy, Finance and Human Environment whether the rules for distribution of the other components of these subsidies should be also changed to allocate a proportion of them to MPs who cease to be members of the party on whose list they were elected. In the opinion of the Council of Europe expert, in such a situations the portion of the 70% of the subsidy allocated for ordinary activities should be reallocated to the MP in question (if s/he becomes and independent MP) or to the party s/he joins or forms.

Issues of Concern

The following main issues of concern (problems) may be identified in the system of state subsidies:

(a) Inequitable criteria for distribution of election campaign subsidy

Prior to the 2005 amendments to the LFPP, 20% of the election campaign subsidy was allocated on an equal basis to parties participating in the election, and 80% on the basis of seats won. As described earlier, the new system changed this, reducing the proportion of the subsidy allocated to parties standing for election but not yet represented to 10% of the total, and

allocating 20% of the total to all parties already represented in Parliament or the local council but whose term is expiring (the remaining 70% is to be allocated on the basis of seats won in the election). This change provides parties already holding seats with an advantage that appears to violate the principle of equality in the election process.

Paragraph A ii) of Recommendation 1516 states that

State financial contributions should, on the one hand, be calculated in ratio to the political support which the parties enjoy, evaluated on objective criteria such as the number of votes cast or the number of parliamentary seats won, and on the other hand enable new parties to enter the political arena and to compete under fair conditions with the more well-established parties.

From the viewpoint of this recommendation, the amendments appear to establish unfair conditions for less-established parties.

(b) Absence of limit on subsidy for ordinary activities

There is no legal limit on the subsidy allocated for financing of the ordinary activities of political parties, only a lower limit of 0.4%. Prior to the 2005 amendment, the subsidy could not exceed 0.5% of the relevant budget. The same amendments set the subsidy for election campaign activities at a fixed amount of 0.4%

Given the already generous system of state subsidies, there would appear to be no rationale for removing the upper limit on state subsidies for ordinary activities. In addition, the subsidy for ordinary activities is only provided to parties already holding seats. Taken together with the amendments to the election campaign subsidy criticized in subsection 1 a) above, the amendments both remove the limit on funds allocated to incumbent parties and specifically worsen the position of non-incumbent parties by maintaining the limit on the election campaign subsidy and reducing the share of it provided to them.

(c) Generosity of state subsidies / lack of incentives for public participation

Notwithstanding the specific problem of discrimination against parties not holding seats, another problem related to the above comments concerns the generosity of the current system of state subsidies. There was general agreement among those that the Council of Europe met that state subsidies are generally sufficient for an established political party to conduct an adequate election campaign, at least for parties already holding seats. Moreover, as explained in subsection 2 below, the LFPP ensures that state subsidies received by a party must exceed the private contributions the party receives. Last but not least, where a party stands in more than one election simultaneously the current law allows them to collect the full state subsidy for both elections.

In this context, Recommendation 1516, paragraph A iii) states that

State support should not exceed the level strictly necessary to achieve the above objectives [stated in paragraph A ii) cited above], since excessive reliance on state funding can lead to the weakening of links between parties and their electorate.

While the attempt to remove parties from pressures to engage in corruption by providing generous state subsidies is laudable, such generosity may have negative consequences if it removes parties from any need to attract funds from private sources. Funding of political parties is not only a source of corruption but also a legitimate and necessary form of participation in the political process. Where parties have enough money without having to engage citizens in party activities or secure their financial support, this may weaken the links between parties and their own constituencies, and in the worst situation parties may alter the system of state subsidies to preserve the position of incumbent parties and block new parties from access to the political arena.

Contributions to political parties

In addition to the benevolence of state subsidies, the LFPP also establishes strict limits on private contributions to political parties. In particular, Article 6 stipulates that to finance its ordinary activities a party may not raise

from private contributions an amount greater than the subsidy it is entitled to for ordinary activities. Article 12 limits the amount of funds a party may raise for an election campaign to 40% of the subsidy it is entitled to in order to cover its election campaign.

Issues of Concern

The provisions of the LFPP regulating contributions contain the following problems in particular.

(a) Discrimination of non-incumbent parties

It follows from the above provisions that parties that hold seats may raise a greater sum of private funds in relation to the subsidy they receive to finance ordinary activities (100%) than parties without seats may raise in relation to their election campaign subsidy (40%). This places non-incumbent political parties at a further disadvantage regarding their ability to obtain funds.

(b) Time inconsistency

Another problem relating to the limits on private contributions to a party's election campaign is that the limits are defined in relation to subsidies whose size parties cannot know until after the election. In practice, parties can determine the amount of private funds they are permitted to raise only by estimating the support they will receive in the elections. This creates an unnecessary form of legal uncertainty, and places doubts upon the wisdom of limiting private contributions in this way.

(c) Prohibitions on donations from beneficiaries of public contracts

Article 7 of the LFPP prohibits donations from a business or entrepreneur who provides public services, during the period of the business relationship. While this provision is based on a laudable objective, it does not prevent donations by beneficiaries of public contracts provided either before the commencement or after the termination of such contracts.

Campaign expenditure

The LFPP permits parties to use funds obtained in accordance with the law to finance

- regular operation (work) of the political party
- operations of clubs of MPs of Parliament or local government assemblies
- election campaigns for Parliament, local government assemblies, mayors and President of the Republic

The LFPP defines election campaign expenditure (the ‘costs of election campaign’) as expenditure on pre-election gatherings, posters, adverts, radio and TV programmes, and advertising commercials and publications.

Issues of Concern

Three main problems may be identified in the current framework:

(a) Too narrow a definition of election campaign expenditure

The definition of campaign expenditure provided by the LFPP excludes potentially important items of spending connected with an election campaign. For example, the UK Electoral Commission defines the following categories of election campaign spending, which parties have to use for reporting purposes:

- party political broadcasts;
- advertising and publicity materials;
- unsolicited material addressed to electors;
- manifesto and other party policy documents;
- market research or canvassing;
- media;
- transport;
- rallies and other events;
- overheads and general administration.

The definition contained in the LFPP does not include items of expenditure such as market research or canvassing (door-to-door campaigning), transport and overheads and general administration connected to the election campaign. This would appear to imply that these and other possible legitimate items of campaign expenditure are prohibited according to the law. Alternatively, if - as one of the suggestions in subsection 3 c) below - a limit on campaign expenditure were to be introduced, the limit could be undermined by the failure of the law to include certain items of expenditure.

(b) Unclear regulation of third-party and 'notional' spending

A clear gap in the LFPP is its failure to address situations where either spending on a party's election campaign is carried out by a different entity than the party concerned (notional spending), or a party is provided directly with campaign goods or services for free or at a discount (notional spending).

Paragraph F of Recommendation 1516 touches on this issue, stating that

The legislation on financing political parties and on electoral campaigns should also apply to entities related to political parties, such as political foundations.

The absence of any provisions on third party expenditure means, firstly, that parties can evade the list of permitted forms of campaign expenditure by channelling these through different entities. A more serious issue is that parties may also evade the restrictions on private *contributions* by receiving these as a service provided at a discount on normal market price: that is, instead of donating money to the party, a third party may either directly provide services at a discount or carry out spending on election campaigning for the party.

Although Article 13 of the LFPP states that all funds intended for financing the costs of the election campaign shall be paid to an account specially opened by the party for this purpose, and that all payments for covering the costs of the campaign shall be made from this account, this does not clearly prohibit the above activities. Moreover, in practice it is not considered feasible to prohibit third-party or notional spending entirely; spending by

third parties may be an entirely legitimate form of campaigning, and forbidding the provision of any campaign-related goods or services at less than market price may be both illiberal and unenforceable.

(c) The absence of limits on election campaign expenditure

According to Paragraph B of Recommendation 1516,

States should impose limits on the maximum expenditure permitted during election campaigns, given that in the absence of an upper threshold on expenditure there are no limits to the escalation of costs, which is an incentive for parties to intensify their search for funds.

This recommendation can be implemented either by placing a numerical limit on maximum campaign spending, or restricting/prohibiting certain types of spending. The absence of any limits at all could create a situation where parties face incentives to provide unauthorized benefits in order to increase private funding, or to increase state subsidies.

Article 20 of the LFPP determines sanctions to be imposed on a political party that spends more than the amount stipulated in Article 12 paragraph 3. However, nowhere in Article 12 is any maximum amount defined that could be interpreted as a limit on expenditure.

Disclosure requirements

Article 15 of the LFPP requires political parties to submit to the Republic Electoral Commission (REC) or local government electoral commission in the case of local elections within 30 days of the elections a report on their finances, the content of which is to be determined by the Minister of Finance. The reports are to be published by the REC in the Official Gazette, a daily newspaper and on the REC website. The guidelines for the report issued by the Minister of Finance requires in particular that every donation to the election campaign be listed together with its source, be that an individual or legal entity. All items of expenditure on the election campaign that fall under the definition of campaign expenditure cited in section 3 above must be listed.

Recommendation 1516, Paragraph C states the following:

Financing of political parties must be fully transparent, which requires political parties, in particular:

- (i) to keep strict accounts of all income and expenditure, which must be submitted, at least once a year, to an independent auditing authority and be made public;*
- (ii) to declare the identity of donors who give financial support exceeding a certain limit.*

Issues of Concern

In light of Recommendation 1516 and other considerations, the following problems may be identified in the current disclosure requirements:

(a) Disclosure limited to campaign finances

Parties are only required to disclose details on election campaign finance, and there are no requirements to provide accounts on financing of their ordinary activities. This makes it relatively easy for parties to spend on election campaign money that was obtained for the purpose of ordinary activities, and moreover refrain from declaring such spending. This is of particular concern in the case of the state subsidies, which constitute the majority of parties' income. Two different state subsidies are provided to parties, one of which may be spent only on ordinary activities and the other only on election campaign activities. Given the current disclosure requirements, there is little to prevent parties carrying out campaign expenditure using money obtained from the public purse for ordinary activities.

The fact that disclosure only relates to election campaigns also means not only that there is no duty to keep strict accounts of *all* income and expenditure, but also that there is no regular duty to submit party accounts to any authority for auditing. Both of these facts appear to contradict Recommendation 1516, and subsection 4 will return to the issue of auditing.

(b) Absence of minimum disclosure requirements

The law contains no provision to establish minimum standards of disclosure, stating only that the Minister of Finance determines the content of the reports parties must submit. In theory the Minister of Finance could effectively (by altering the content required in party finance reports) free parties from the obligation to disclose individual donors, for example.

(c) Level of detail of disclosure requirements

Another possible problem is the requirement to disclose every single item of revenue and expenditure. The requirement of disclosure of every detail may impose an unnecessary burden on parties, especially in a system where parties are poorly developed or lack administrative capacity, although this may not be a problem if the number of donations is not very large. More importantly, it may also dissuade ordinary citizens from donating small amounts of money to parties – a practice that is healthy for democracy. This is the main reason why Recommendation 1516 states or implies that disclosure should be for donors contributing over a certain amount.

(d) Unclear duties of electoral commissions

Although the LFPP obligates the REC to publish party finance reports, it does not state any timeframe or deadline for such publication. As local NGO activists noted, this has often resulted in very long delays between submission of reports and their publication. In addition, the law does not contain any provision obligating local electoral commissions to forward party finance reports to the REC.

Control and enforcement

The biggest gap in the LFPP is its failure to establish a system of control and enforcement of party finance regulations. As Section 3 details, the law imposes obligations on parties to submit election campaign finance reports to the relevant electoral commission and mandates publication of the reports. As already mentioned, it does not (contrary to Recommendation

1516) obligate parties to submit reports at least once a year. In addition, the law contains the following serious defects.

(a) Insufficiently clear provisions on responsible party officials

Article 14 of the LFPP states that a political party “shall appoint a person for collecting funds who shall be responsible for purposeful spending of funds and for submitting reports”, and that the signature of this person shall be deposited with the body authorized for the activities of payment operations – i.e. the bank at which the party’s special election account is held. However, the law does not state clearly that the responsible person holds responsible for ensuring the party does not violate provisions on private donations or to submit accurate financial reports. Nor does the law state that the party must inform the electoral commission and/or REC of the identity of the responsible person.

(b) Failure to establish audit obligations on political parties

The LFPP does not impose any obligation on political parties to secure any audit of their accounts, stating only that a political party “shall regulate the manner of performing internal control of financial operations”. Given the current inability of the REC to audit party finances (see below), this may be seen as an important gap in the law.

(c) Absence of an audit authority

Recommendation 1516, paragraph D states that

States should establish independent auditing bodies endowed with sufficient powers to supervise the accounts of political parties and the expenses linked to electoral campaigns.

Montenegrin party finance regulation clearly fails to meet the standards set by this recommendation. The LFPP does not determine any particular body as being responsible for oversight of political party finances. As the recipient of Parliamentary election campaign finance reports, the REC is the only body in a position within the regulatory process to carry out such a role.

The Commission however lacks any capacity to supervise party accounts and financial operations.

(d) Absence of procedure for addressing violations

Recommendation 1516, paragraph E states that

In the case of a violation of the legislation, political parties should be subject to meaningful sanctions, including the partial or total loss or mandatory reimbursement of state contributions and the imposition of fines. When individual responsibility is established, sanctions should include the annulment of the elected mandate or a period of ineligibility.

Regarding sanctions, the LFPP defines in detail the sanctions that can be imposed on political parties for violating particular provisions of the law. In theory, these sanctions appear to be sufficiently stringent. According to local experts on Montenegrin party finance regulation, if the REC detects violations of the LFPP it can notify a court, which can in turn impose the sanctions specified in the law. The failure of the REC to carry out any audit of party accounts and election expenses, however, makes it unlikely that such proceedings would be initiated. If it were, there are no provisions setting deadlines for courts to decide in such cases. In practice, there does not appear to have been a single instance of a sanction being applied to a political party, despite flagrant violations of the provisions of the LFPP – for example, failure to submit reports to the election commission.

Recommendations

On the basis of the problems identified in Section A, the following changes are recommended.

Law on Financing of Political Parties

Article 4 should be altered to provide that, where a party or nominator of an electoral list stands in more than one election simultaneously, the total state subsidy it is entitled to from both elections is reduced appropriately, for example by one-third.

Article 5 should be altered to set the proportions of budget funds allocated for parties and clubs at a fixed percentage.

Article 7 should be altered to prohibit donations being provided to parties by individuals or business entities in the period from one year before such a contract comes into force until one year after the contract is completed.

Article 9 should be altered as follows:

- The definition of electoral expenditure should be broadened to include categories not currently under the definition, in particular market research, canvassing (door-to-door campaigning), transport, overheads and general administration connected to the election campaign. The provision should also specify that outsourced components of the campaign (e.g. contracts with PR agencies) are also regarded as election expenditure.
- The provision should clearly state that spending by third parties on the items listed in the definition of campaign expenditure be regarded as campaign spending. Such spending should also be recorded as a donation by the party benefiting from the spending.
- Where a business or individual provides services or goods to a party at a substantial discount, the party should be under an obligation to record the difference between the price paid and market price as both campaign spending and a donation.

Article 11 should be altered to abolish the fixed subsidy (currently 20% of total funds distributed) provided only to parties holding seats in Parliament or the local municipal assembly. The funds not distributed on the basis of seats won should be distributed on an equal basis to all parties and other nominators of electoral lists. In this respect, the provision that was in force prior to the amendments to the LFPP was a more attractive solution, whereby 20% of the subsidy was allocated to all electoral participants on an equal basis and 80% according to seats won.

Article 12 should be altered to raise the amount of election campaign funds parties may raise from private sources, and to define the permitted

maximum permitted private donations as a multiple of the fixed election campaign subsidy rather than as a proportion of the subsidy allocated on the basis of seats won. For example, if the election campaign subsidy is split into 20% allocated on an equal basis to all parties/nominators or electoral lists (as recommended above), it is suggested that the limit on private donations should be set at an amount equal to five times this subsidy, to ensure that parties are clearly aware in advance of what limit applies to them – and also to establish a more level playing field whereby parties gaining more seats are not entitled to higher private contributions.

Provision of matching funds: Articles 5, 6, 10-12

It should be considered whether to reduce the amount of budget funds distributed to parties according to the criteria currently stated in the law, and to introduce a system of matching funds, where parties are provided with an additional subsidy equal to or constituting a proportion of the funds it raises from private sources. For example, in the case of the state subsidy provided for ordinary party activities (Article 5), 0.3% of budget funds could be distributed to parties according to the criteria already stated in the Article. Parties could then be allocated an additional subsidy of 0.1% or 0.2% of the budget (depending at what level the total subsidy is set), distributed to parties according to the amount of private donations they receive. Only donations under a certain value would be counted for the purposes of calculating the subsidy. Similar provisions could be introduced also for the election campaign subsidy. The exact details of the subsidies would need to be set to ensure that total subsidies do not rise further. The introduction of such a subsidy could be expected to improve disclosure by parties of private donations, and to motivate parties to attract small to medium-size donations.

Article 14 should be altered to state clearly that a party must designate prior to the beginning of the election campaign a person responsible for ensuring the party does not violate provisions of the LFPP, including the submission of *accurate* financial reports. The provision should also state that the party must inform the electoral commission and/or REC of the identity (or change of identity) of the responsible person without delay.

Article 15 (disclosure)

The disclosure requirements currently in the LFPP should be altered substantially:

- Parties should be obliged to produce a report on their accounts and all financial activities once a year, to be submitted to the REC and published on the REC's website.
- Separate disclosure requirements should exist for election periods. During election campaigns, parties and other nominators of electoral lists should be obliged to provide information on donations exceeding a certain amount on a regular basis (e.g. every two weeks), and this information should also be published on the REC website.
- The LFPP should provide minimum standards for both disclosure regimes, in particular disclosure of all donations over a certain size and disclosure expenditure broken down by category. In particular, parties should be obliged to account for their spending of both state subsidies.
- The law should clearly define the duties of local electoral commissions and the REC within the disclosure process, obliging local commissions to forward party finance reports to the REC without delay and obliging the latter to publish reports it receives within a reasonable deadline.

Article 17 (audit)

Parties should be obliged to hire an auditor for the purpose of auditing their annual accounts. Parties should also be obliged to submit the audit reports to the REC without delay after the auditor has issued a certified audit report, for example within 7 days.

Supervision, control and enforcement

The LFPP should be altered substantially to include the following provisions:

- The law should define explicitly which body or bodies are responsible for checking the accuracy of the accounts of parties and their reports on their income and election spending. This provision should clear-

ly provide the body or bodies with powers to audit parties on their premises and provide them with right of access to original documents concerning all financial transactions that parties are obliged to disclose by law. One of the bodies in question will be the REC, and it should be considered whether to give the State Audit Institution the explicit role of auditing the spending by parties of state subsidies. Such provisions should also be reflected in changes to Article 32 of the Law on the Election of Councillors and Representatives to include this supervisory role as one of the REC's duties.

- The LFPP should define a clear procedure by which complaints may be submitted to the REC concerning suspected violations of the party finance provisions. Any citizen of Montenegro should have the right to submit such a complaint. The REC should be under an obligation to investigate all complaints and reply to the complainant within 10 days with the REC's opinion. Complaints and REC replies should be published on the REC's website.
- The LFPP should define clearly the procedure by which the violations identified by the REC are further processed. The REC should be under an obligation to notify a court of any violations it identifies within 10 days, and the court should be obliged to issue a decision and impose sanctions as appropriate within a reasonable deadline, for example 14 days.

Sanctions (Articles 19-22)

Additional provisions should be added to Articles 19-22 to establish sanctions for violations of provisions introduced on the basis of these recommendations, including penalties applied to electoral commissions for not fulfilling their duties as defined in the LFPP.

Law on Election of Councillors and MPs

The following changes should be made to the Law on Election of Councillors and MPs:

Campaigning on TV and radio

It is recommended that political parties are prohibited from campaigning on TV and radio with paid political advertising, in order to effectively and enforceably restrict spending on election campaigns. At the same time, Article 51 of the Law on Election of Councillors and MPs – which obligates Radio-Television of Montenegro to provide parties with programmes of equal length to present their electoral programs – should be altered so that the REC is responsible for allocating slots of equal TV and radio time to each party. In the opinion of Council of Europe expert, this would be a effective complement to the current limits on total funds that may be obtained by parties.

Capacity of the REC

In order that the REC is able to perform its supervisory and controlling function, the Law on Election of Councillors and Representatives should be altered to establish a permanent and professional staff of the REC, with responsibility for checking the accuracy of the accounts of parties and their reports on their income and election spending, processing complaints concerning violations of the LFPP. This or other laws should ensure that the REC budget is sufficient to finance the functioning and equipment of such a permanent staff.

Part IV

CEMI's initiative for the estimation of provisions of the Law on financing political parties

CEMI' S INITIATIVE IN FRONT OF THE CONSTITUTIONAL COURT

Author: Srdan Žarić

The Law on the election of councilors and representatives²⁷ defines, among the rest, the manner of funds allocation, intended for the coverage of pre electoral campaign expenses, from Republic or municipality unit budget. Those funds were, according the Article 11 of the basic text of the Law, allocated in the altitude of 20% equally to electoral lists' submitters, while the rest (80%) was allocated to those electoral lists submitters that won mandates and proportionally to the number of the same. Nevertheless, modifications of the Law in 2005²⁸ defined that the allocation of funds is to be done otherwise. According to changes, budget funds are allocated so that 20% of funds is intended to be given to parliamentary parties that have representatives in the Parliament of Republic of Montenegro, i.e. councilors in municipality parliaments, 10% go to verified electoral lists submitters, while 70% go to electoral lists' submitters that won mandates.

Considering that modifications mentioned are not according the Constitution, CEMI initiated a constitutional procedure in order for their constitutionality to be evaluated.

Within its suggestion for constitutionality evaluation CEMI wrote the following: Mentioned way of pre electoral expenses coverage, put parties that are not parliamentary ones, but had verified electoral lists, in a subordinate position related to those parties that had parliamentary status. Budget funds were, according to litigious provisions, allocated to parliamentary parties first of all because they had such a status, independently from the fact whether their electoral lists are going to be verified or not and whether they are going to participate pre-electoral campaign or not. The following criteria for funds allocation included verified electoral lists and later elections' results. Inequality within the financing of pre electoral campaign expenses obviously

²⁷ The Law on financing olitical parties (Official Gazette of Republic of Montenegro no. 21/04, 33/05)

²⁸ Article 4, the Law on modifications and amendments of the Law on financing political parties (Official Gazette of Republic of Montenegro no. 33/05) that modified Article 11.

violates the constitutional principle of equality in front of the law (Article 15, paragraph 2 of the Constitution).

The Constitution and laws according to it, sometimes give special treatment to certain groups. This special treatment promotes the principle of equality because it is related to groups that are threatened or vulnerable, groups which can't realize equality in "laissez-fair" situation. So, for example, poor people pay smaller tax rate than the rich, mother and a child enjoy special protection, national minorities have some special rights and similar. Although seems inadequate, this special treatment is most often being called positive discrimination. In such cases we have social interest, verified by the Constitution, to give certain individuals or groups, as it is conditionally said: privileged position.

Within the dispute in front of the Constitutional Court and having in mind obvious goal of litigious provisions and their consequences, CEMI posed a question asking whether this concrete case implies a Constitution based interest to favor parliamentary parties during the electoral process. It is clear that such an interest doesn't exist.

Litigious provisions violate the principle of equality of the voting right as well. According to the Article 32, paragraph 1, voting right can be active and passive. Parity within the realization of passive voting right, (Article 32, paragraph 3 of the Constitution), implies that a citizen, in relation to other citizens, must be equal in realization of his right to be chosen. As citizens realize their right to be chosen, trough out political parties among the rest, therefore political parties, whether they are parliamentary or not, must be equally treated by the law. It is not excessive to say that litigious provisions violate active voting right as well, because the elector has the right to choose between parties that at least formally have equal chances.²⁹

Related to this several questions can be posed. They consider three notions: legality, legitimacy and absurdness. Can money be given to parties on the account of their parliamentary status when the Parliament has a mandate expired and are these parties parliamentary in that moment? Do those parties after elections' annunciation have citizens' trust at all? What if a party gets funds on the basis of parliamentary status, but her list remains unverified?

²⁹ Within its suggestion for constitutionality evaluation CEMI didn't mention the violation of active voting right violation, probably considering the same as not so important. On the other hand, the Constitutional Court didn't feel this way as it can be seen in its decision.

By the decision of the Constitutional Court³⁰ it has been certified that litigious provision on previous division of a part of funds for parliamentary parties' pre electoral expenses coverage is not according the Constitution. Within the rationale of this decision it has been emphasized that the allocation of funds for electoral campaign expenses coverage on the basis of parliamentary status, with no regard for whether they are participating in the electoral campaign and win mandates or not, violates the principle that sees all citizens as free and equal. The Constitutional Court goes further and instigates that the principle of equality is also being violated by parliamentary parties getting equal funds no matter the number of mandates. When considering passive voting right, the Court emphasizes that that right implies not only the right of a citizen to be nominated under equal conditions, but as well to participate budget funds allocation for electoral campaign expenses coverage under equal circumstances.³¹

30 The decision of the Constitutional Court has been published within the Official Gazette of Republic of Montenegro no 47/2006 dating from July 25th 2006.

31 The decision of Constitutional Court left a legal gap which is most interesting. As a nominator CEMI alternatively suggested that the unconstitutionality of the Article 4 of the Law on modifications and amendments should be affirmed, which would strenghten old provision of the Article 11 according to which 20% of funds is allocated to the submitters of announced electoral lists (point 1, paragraph 1), and 80% to the electoral lists' submitters that won mandates (point 2, paragraph 1). Instead, the Constitutional Court affirmed the unconstitutionality of point 1, paragraph 1 of the Article 11 of the Law. By removing paragraph 1 formally and legally now we have two points within the paragraph 1. Point 1 implies that 10% of funds are to be allocated to the verified electoral lists submitters, and point 2 that 70% go to the electoral lists' submitters that won mandates. As there is no ground for the appliance of provisions of the old Article 11, the question that imposes itself is where the remaining 20% are going to be allocated.

THE LAW ON FINANCING POLITICAL PARTIES

(»Official Gazette of the Republic of Montenegro«, no. 21/04 and 33/05)

THE ALLOCATION OF BUDGET FUNDS FOR PARLIAMEN-
TARY PARTIES' ELECTORAL CAMPAIGN EXPENSES COVERAGE
WITHIN THE PARLIAMENT OF THE REPUBLIC OF MONTENE-
GRO AND MUNICIPALITY PARLIAMENTS IN ADVANCE, WITHIN
THE EIGHT DAYS FROM THE DAY OF ELECTIONS' ANNOUN-
CIATION, WITH NO CONSIDERATION OF THE FACT WHETHER
THEY ARE PARTICIPATING IN THE ELECTIONS AND WIN MAN-
DATES, IS CONTRARY TO THE CONSTITUTIONAL PRINCIPLE
ACCORDING TO WHICH ALL CITIZENS ARE FREE AND EQUAL,
NO MATTER ANY PARTICULARITY OR PERSONAL CHARACTER-
ISTIC AND THEY ARE ALL EQUAL IN FRONT OF THE LAW.

Constitutional Court of the Republic of Montenegro in the follow-
ing constitution: the President Dr Mladen Vukčević and judges– Veselin
Racković, Desanka Lopičić, Zoran Smolović and Fetija Medjedović, on the
basis of provisions of the Article 113 paragraph 1 point 1 of the Constitu-
tion of the Republic of Montenegro, Article 51, paragraph 1 and Article 56
point 1 and 9 of the Law on the Constitutional Court of the Republic of
Montenegro (»Official Gazette of the Republic of Montenegro«, no. 21/93),
and within a session held on June 28th 2006 reached a

DECISION

IT IS AFFIRMED that the provision of Article 11, paragraph 1 point
1 of the Law on financing of political parties (»Official Gazette of the Re-
public of Montenegro«, no. 21/04 and 33/05) is not according the Constitu-

tion of the Republic of Montenegro and stops being valid on the day of this decision publication.

The suggestion for affirming unconstitutionality of provisions of Article 11 paragraph 1 point 2 and 3 and paragraph 2 of the same Law **IS REJECTED**.

This decision will be published within the “Official Gazette of the Republic of Montenegro”.

RATIONALE

On the suggestion of a non governmental organization “The Monitoring Center” from Podgorica a procedure concerning the estimation of constitutionality of provisions of the Article 11 of the Law, defined within the statement, has been initiated. By their opinion political parties that are not parliamentary, are brought in an unequal position in relation to those parties that have parliamentary status. Namely, the fact that these parties are being allocated funds on several basis: first of all because they are parliamentary parties and second, they have affirmed lists, which means inequity within the pre electoral campaign financing, represent the violation of constitutional principle from the Article 15 paragraph 2 on the equality of citizens in front of the law as well as the constitutional principle from the Article 32 paragraph 2 of the Constitution that the voting right is general and equal.

The Parliament of the Republic of Montenegro and the Government of the Republic of Montenegro haven’t given an answer that concerned allegations from the suggestion mentioned.

Arraigned provisions of the Article 11 of the Law provided that the funds from the Article 10 of this Law should be allocated in the following manner: 1) 20% of funds to the parliamentary parties that have representatives in the parliament of Montenegro i.e. councilors in municipal parliaments in equal amounts and within eight days from the day of elections’ announcement; 2) 10% of funds to announced electoral lists’ submitters in equal amounts within eight days from the day of electoral list verification and 3) 70% of funds to the electoral lists’ submitters that won mandates within 30 days from the elections day. The allocation of funds from the paragraph 1 of this article should be done by the Ministry in charge for the finances i.e. competent organ for municipal financial dealings, but considering the fact that the funds allocation from the paragraph 1, point 2 and 3 of this article

is done on the basis of electoral commissions' decision that is in charge for appropriate electoral process.

After reconsidering the content of arraigned provisions of the Law the Constitutional Court affirmed that the provision of the Article 11 paragraph 1 point 1 of the Law is not according the Constitution of the Republic of Montenegro and that the provisions of Article 11 paragraph 1 point 2 and 3 and paragraph 2 of the Law are not according the Constitution of the Republic of Montenegro.

The Constitution of the Republic of Montenegro provides the following : the law according the Constitution define the manner of realization of rights and freedoms if that is necessary for their realization and other questions of interest for the Republic (Article 12 point 1 and 4); that citizens are free and equal, no matter any particularity or personal characteristic and that are all equal in front of the law (Article 15); the citizen that accomplished 18 years has a right to choose and to be chosen, electoral right is general and equal (Article 32 paragraph 1, 2 and 3); the state supports political, union and other societies when it benefits public interest (Article 40 paragraph 2); the parliament, among the rest, defines the budget and brings the final invoice (Article 81 point 3) and the law has to be coordinated with the Constitution and other regulations and general acts with Constitution and law (Article 107).

From the quoted provisions of the Constitution of the Republic of Montenegro comes that the law which is coordinated with the Constitution defines the manner of rights and freedoms realization if the same is necessary for their realization and other questions of interest for the Republic, that the state supports political union and other societies when it benefits public interest and that the Parliament, among the rest, defines the budget and brings the final invoice of the Republic. Accordingly the Republic brought a Law on financing political parties that defines the manner of acquiring and provision of political parties financial recourses, the manner of control of political parties financial dealings and the question of budget funds allocation for electoral campaign expenses coverage within it. Under the electoral campaign expenses according the provisions of the Article 9 of this Law imply expenses related to pre-electoral reunions, posters, radio and TV shows, advertising spots and publications within the period from the day of election annunciation till the day of elections conductance. The provision of the Article 10 defines that the budget funds for electoral campaign expenses coverage are provided within a year of regular elections and amounting 0.4% of total budget funds of the

Republic i.e. municipal unit for the year that the budget is being brought for. In case of pre-term elections funds for electoral campaign expenses are provided from current budget reserve. Arraigned provisions of the Article 11 of the Law provided that the funds from the Article 10 of this Law should be allocated in certain percentages: 1) to the parliamentary parties that have representatives in the parliament of Montenegro i.e. councilors in municipal parliaments in equal amounts and within eight days from the day of elections' annunciation; 2) to announced electoral lists' submitters in equal amounts within eight days from the day of electoral list verification and 3) to the electoral lists' submitters that won mandates within 30 days from the elections day. The allocation of funds to parliamentary and non-parliamentary parties is done by the Ministry in charge for the finances i.e. competent organ for municipal financial dealings, while electoral lists submitters and electoral lists submitters that won mandates get their funds on the basis of electoral commissions' decision that is in charge for appropriate electoral process.

The Constitutional Court affirmed that the provision of the Article 11 paragraph 1 point 1 of the Law that allocates budget funds to the parliamentary parties in the Parliament of the Republic of Montenegro and municipal parliaments within 8 days from the day of elections annunciation, independently from the fact whether their lists are going to be verified or not, whether they are participating in the electoral campaign or not, violates the constitutional principle from the article 15 of the Constitution of the Republic of Montenegro. According to this principle all citizens are free and equal no matter any particularity or personal characteristic and all are equal in front of the law. In other words, parliamentary parties only because they are parliamentary brought into the privileged position in relation to political subjects and parties that don't have that status and their electoral campaign expenses coverage is conditioned by the annunciation of electoral lists and number of mandates won. .

Besides, defined allocation of equal amounts of totally appropriated funds for electoral campaign expenses coverage to all parliamentary parties that have representatives within the Parliament of the Republic of Montenegro i.e. councilors within local parliaments independently from the number of mandates won, as it has been meant by the provision of the Article 11 paragraph 1 point 1 and paragraph 2 of the Law, puts parliamentary parties into an unequal position.

Arraign provision of the Article 11 paragraph 1 point 1 of the Law immediately violates even the passive electoral right guaranteed by the Article 32

paragraph 1 of the Constitution of Republic of Montenegro. Namely, passive electoral right according the Constitution and electoral legislative comprises a set of rules and obligations that are non intermediately related to the citizen's right to be chosen. That right among the rest implies the right of a citizen to be a candidate under the same conditions and under the same conditions to participate in the allocation of budget funds for electoral campaign expenses coverage, no matter his participation in the electoral campaign is non-intermediate or is being realized trough out the engagement in a political party.

Therefore, arraigned provision of the Article 11 paragraph 1 point 1 of the law is not according the Constitution of the Republic of Montenegro.

The Constitutional Court rejected the proposal for the affirmation of unconstitutionality of provisions of the Article 11 paragraph 1 point 2 and 3 and paragraph 2 of the Law.

Namely, the Constitutional Court affirmed that arraigned provisions of the Article 11 paragraph 1 point 2 and 3 and paragraph 2 of the Law doesn't violate or limit the electoral right of a citizen, or violates the constitutional principle on citizens' equality in front of the law. Verified electoral lists submitters and electoral lists submitters that won mandates proportionally to the political support that they have and depending on the phase elections are going trough are provided equal position within the electoral campaign by these provisions.

On the basis of reasons presented it has been decided as within the utterance.

The decision on validity completion of arraigned provision of the Law and this decision publication is based on provisions of the Article 115 paragraph 1 and Article 116 paragraph 3 of the Constitution of the Republic of Montenegro.

No. 141/05
June 28th 2006
Podgorica

CONSTITUTIONAL COURT
OF REPUBLIC OF MONTENEGRO
PRESIDENT,
dr Mladen Vukcevic

Part V

Financial report of DPS-SDP (Democratic party of Socialists-Social Democratic Party) coalition for parliamentary elections from September 10th 2006

«KOALICIJA ZA EVROPSKU CRNU GORU – MILO ĐUKANOVIĆ – DPS – SDP»

I. Podaci o političkoj partiji/kandidatu političke partije

Obrazac – IPI

IZBORI ZA KOJE SE PODNOSI IZVJEŠTAJ

Vrsta održanih izbora **Parlamentarni izbori**

Datum održavanja izbora **10.09.2006.**

(dan, mjesec, godina)

Jedinica lokalne samouprave

u kojoj su održani izbori

Podgorica

(dan, mjesec, godina)

Napomena: Za lokalnu samoupravu popuniti samo u slučaju održavanja lokalnih izbora.

Obrazac – PPP

PODACI O POLITIČKOJ PARTIJI

Naziv političke partije

DPS CRNE GORE

Sjedište i adresa

Podgorica, Jovana Tomaševića bb.

Grad

Podgorica

Datum osnivanja

22.06.1991.

Registrant

Ministarstvo pravde

Obrazac – KPP

PODACI O KANDIDATU POLITIČKE PARTIJE

Ime i prezime

Milo Đukanović

JMB

1502962210251

Datum rođenja

15.02.1962.

Mjesto rođenja

Nikšić

Državljanstvo

Crnogorac

Adresa prebivališta

Gorica C

Grad, država

Podgorica, Crna Gora

Napomena: Popuniti u slučaju održanih predsjedničkih izbora za izbor predsjednika Republike ili predsjednika jedinice lokalne samouprave.

Obrazac – R108

ŽIRO RAČUNI NA KIJIMA SU DEPONOVANA SREDSTVA

Broj žiro-računa **550-4409-48**
 Finansijska ustanova **DPS CRNE GORE**
 Iznos koji je deponovan **806.376,53**

Napomena 1. prilogu dostaviti izvod iz banaka o sredstvima koja su deponovana i sredstvima koja su utrošena. Takodje, a prilogu ovog izvještaja dostaviti izvad iz banke o prenosu viška sredstava na stalni žiro račun političke partije, namijenjenih finansiranju izborna izborne komisije.

II. Prihodi

1. Prihodi iz budžeta

Obrazac – PRB

Red.br.	Prihodi iz Budžeta Republike	Iznos
1.	10%	17.297,00
2.	70%	708.644,00
Ukupno:		725.941,00

Obrazac – PLB

Red.br.	Prihodi iz Budžeta jedinice lokalne samouprave	Iznos
Po priloženoj specifikaciji		9.610,53
Ukupno:		9.610,53

7. Ostali rashodi

Obrazac - ORPL

Ostali rashodi

Pravno lice							
Naziv pravnog lica	Oblik org.	PIB	Sjedište / Grad, država	Datum posla / usluga	Vrsta usluge	Cijena usluge	Bil. Ra.
MAPA	Pravno	02321350	Podgorica	01.10.2006.		69.526,90	151
MAPA	Pravno	02321350	Podgorica	01.10.2006.	prom.mat	74.092,62	159-159
BOJA	Pravno	02046687	Podgorica			6.557,69	417
DEKAR	Pravno	02064897	Podgorica	30.06.2006.	putno	15.000,00	3 m.
Montingapelet	Pravno	02247889	Podgorica	30.09.2006.	putno	2.550,77	2 m.
DJS PILOT	Pravno	02059720	Podgorica	26.09.2006.	prom.mat	28.944,86	5 m.
E.A.S.S	Pravno	02140591	Podgorica	05.09.2006.	prom.mat	5.826,96	3 m.
Festa Cine Gaze	Pravno	02249369	Podgorica	11.09.2006	dist.mat.	560,00	3475
Merkator	Pravno	02088266	Bjelo Polje	01.09.2006.	prom.mat	551,43	61
Podgoricka banka	Pravno				provizija	313,22	
Ukupno:						204.623,71	

Ostali rashodi

Obrazac - ORFL

Fizičko lice							
Ime i prezime	JMBG	Adresa prebivališta	Grad, država	Datum nastalog troška	Vrsta troška	Cijena nastalog troška	
Naknada radnicima			spisak putnih naloga			600,00	
Naknada radnicima			spisak putnih naloga			100,00	
Ukupno:						700,00	

5. Reklamni spotovi

Obrazac – RSP1

Rashodi za reklamne spotove

Pravno lice						
Naziv pravnog lica	Oblik org.	PIB	Sjedište (Grad, država)	Datum emit. rekl.aposa	Cijena rekl.aposa	Br.Rn
MAPA	Pravno	02321580	Podgorica	01.10.2006.	39.871,24	140
MAPA	Pravno	02321580	Podgorica	01.10.2006.	11.666,12	141
MAPA	Pravno	02321580	Podgorica	31.10.2006.	4.927,50	142
Metropolis	Pravno	02553884	Podgorica	06.06.2006.	20.217,60	406
Montepano	Pravno	02496736	Podgorica	01.09.2006.	8.248,50	251
Montepano	Pravno	02495736	Podgorica	01.09.2006.	8.249,50	252
Eurolplanet	Pravno	17160066	Podgorica	07.09.2006.	3.159,00	46
Promark	Pravno	00327605	Podgorica	24.08.2006.	782,86	92
«Blaue» Cetinje Pravno		02367327	Cetinje	11.08.2006.	320,60	51
Ukupno:					97.496,02	

Rashodi za reklamne spotove

Obrazac - RSFL

[illegible]

3. Oglasi

Rashodi za oglašje

Obrazac – ROP1

Naziv pravnog lica	Oblik org.	PIB	Pravno lice		Cijena plus opšara	Bil. kn.
			Sjedište	Grad, država		
JU Media Mont	Pravno	02266148	Podgorica	29.08.2006.	3.481,92	806
JU Media Mont	Pravno	02266148	Podgorica	07.09.2006.	3.369,60	810
JU Media Mont	Pravno	02266148	Podgorica	04.09.2006.	5.840,64	828
«Vijesti»	Pravno	02255383	Podgorica	06.09.2006.	30.095,93	1247
«Pobjeda»	Pravno	00013924	Podgorica	06.09.2006.	6.142,30	064734-1
«Republika»	Pravno	02286742	Podgorica	06.09.2006.	4.189,37	439
Ukupno:					63.129,96	

4. Emisije na radiju/televiziji

Rashodi za emisije na radiju i televiziji

Obrazac – RERT

Naziv pravnog lica	Oblik org.	PIB	Pravno lice		Cijena em. i.	Bil. kn.
			Sjedište	Grad, država		
RTV Crna Gora	Pravno	02020220	Podgorica	01.09.2006.	222/1243	330
RTV Crna Gora	Pravno	02020220	Podgorica	04.09.2006.	17.000,00	340
RTV Crna Gora	Pravno	02020220	Podgorica	11.09.2006.	1.000,00	458
RTV Crna Gora	Pravno	02020220	Podgorica	06.09.2006.	1.279,50	347
TV IN	Pravno	02463540	Podgorica	01.09.2006.	5.000,00	453
TV IN	Pravno	02463540	Podgorica	01.09.2006.	5.000,00	452
TV IN	Pravno	02463540	Podgorica	01.09.2006.	69.491,00	454
TV PINK	Pravno	02469243	Podgorica	01.09.2006.	35.130,00	0709
TV EHO	Pravno	02307570	Berane	09.09.2006.	2.530,29	58
Radio Antena M	Pravno	02070211	Podgorica	13.09.2006.	2.407,00	129
Radio Mir Teuta	Pravno	02585350	Ulcinj	26.08.2006.	326,50	4568
Radio Elita	Pravno	02333644		28.08.2006.	585,00	0816
Radio Tivat	Pravno	02368911	Tivat	07.09.2006.	100,00	26
Radio Mahalo	Pravno	02357496	Kotor	06.09.2006.	120,00	207
Ukupno:					164.761,75	

2. Plakati

Rashodi za plakate

Obrazac - RPFL

Pravno lice							
Naziv pravnog lica	Oblik org.	PIB	Sjedište Grad, država	Datum izvanostupa	Cijena pla. po jedinici	Cijena plac. plak.	Bilješka
MAPA	Pravno	02321360	Podgorica	01.10.2006.		4.578,80	146
MAPA	Pravno	02321350	Podgorica	01.10.2006.		8.567,00	145
MAPA	Pravno	02321350	Podgorica	01.10.2006.		21.948,44	149
studio «Mouse» Pravno		025/3203	Podgorica	04.09.2006.		3.246,75	650
Ukupno:						38.341,02	

Rashodi za plakate

Obrzac - RPL.

[illegible]

8. Nelukrativne dejavnosti

Obrazac - PND

[illegible]

III. Rashodi

1. Predizborni skupovi

Obrazac – RPS

Rashodi za predložborne skupove		
Mjesto održavanja predložbnog skupa	Datum održavanja	Iznos predložbnog skupa
Podgorica	07.09.2006.	28.750,40
JU »Centar za kulturu« Žabljak	04.09.2006.	400,00
Ukupno:		39.150,40

3. Prihodi od poklona

Obrazac – POI'

Prihodi od poklona			
Vrsta	Datum	Oblik prihoda (stvari, prava, novac)	Vrijednost prihoda
Izvod br.17	31.08.2006.		5.600,00
Izvod br.18	01.09.2006.		14.800,00
Izvod br.19	01.09.2006.		7.080,00
Izvod br.22	07.09.2006.		10.720,00
Izvod br.24	09.09.2006.		8.240,00
Izvod br.24	09.09.2008.		4.410,00
Izvod br.25	11.09.2006.		5.250,00
Izvod br.31	21.09.2006.		14.900,00
Izvod br.31	21.09.2006.		225,00
Ukupno:			70.825,00

4. Prihodi od aktivnosti

Obrazac -POA

Prihodi od aktivnosti			
Vrsta aktivnosti	Datum prihodovanja	Oblik prihoda (stvari, prava,novac)	Vrijednost prihoda
Ukupno:			

Obrazac - RDS

ŽIRO-RAČUNI NA KOJIMA SU DEPONOVANA SREDSTVA

Broj žiro-računa **550-4409-48**
 Finansijska ustanova **DPS CRNE GORE**
 Iznos koji je deponovan **806.376,53**

Napomena: U prilogu dostaviti izvode iz banaka o sredstvima koja su deponovana i sredstvima koja su utrošena. Takođe, u prilogu ovog izveštaja dostaviti izvod iz banke o prenosu viška sredstava na isti žiro račun političke partije, namijenjenih finansiranju troškova izborne kampanje.

II. Prihodi

1. Prihodi iz budžeta

Obrazac - PRB

Red.br.	Prihodi iz Budžeta Republike	Iznos
1.	10%	17.297,00
2.	70%	708.644,00
Ukupno:		725.941,00

Obrazac - PLB

Red.br.	Prihodi iz Budžeta jedinice lokalne samouprave	Iznos
Po priloženoj specifikaciji		9.610,53
Ukupno:		9.610,53

Part VI

Legal regulations overview

THE LAW ON FINANCING POLITICAL PARTIES

(Official Gazette of Republic of Montenegro No 21/04)

I BASIC PROVISION

Article 1

This Law shall regulate the manner of obtaining and providing funds for political parties and the manner of control of financing and financial operations of political parties, with the view of exercising legality and publicity in their financing and financial operations.

Provisions of this Law which refer to obtaining, using and records keeping (control) of funds for election campaigns shall be accordingly applied to the nominators of registered electoral lists, unless this Law regulates otherwise.

II SOURCES AND FUNDS USAGE

1. Funds types

Article 2

A political party may obtain funds for its financing from public and private sources, in compliance with the Law.

In terms of this Law public sources shall consist of the funds from the Republic Budget, i.e. funds from the local government budget allocated for financing regular operation of political parties, work of clubs MPs and councilors and costs of election campaign.

Private sources shall consist of: membership fees, gifts, incomes from activities, incomes from property, legacies and all kinds of unprofitable activities.

Article 3

Funds obtained in compliance with this Law shall be used by political parties for financing costs related to:

- 1) regular operation (work) of the political party

2) operation of clubs of MPs in the Parliament of the Republic of Montenegro, i.e. clubs of councilors in the local government units' Assemblies

3) election campaign for the election of MPs, councilors, mayor and President of the Republic.

Article 4

Republic, i.e. local government unit shall provide funds from the budget, in terms of the Article 2 paragraph 2 hereof, for:

1) covering the costs of work (financing) political parties whose candidates were elected MPs, i.e. councilors (hereinafter: Parliamentary Party) and the work of the clubs of MPs and councilors;

2) covering the costs of election campaign for the election of MPs, councilors, mayor and the President of the Republic.

Article 5

Budget funds for covering the costs of work of parliamentary parties and work of clubs of MPs i.e. councilors may not be lower than 0.3% nor higher than 0.5% of the total budget funds for the year the budget is passed for.

The funds referred to in the paragraph 1 hereof in the amount of 30% shall be allocated in equal portions to parliamentary parties and MPs, i.e. councilors of groups of citizens and party coalitions and the rest of the funds (70%) shall be allocated in proportion to the total number of seats of MPs i.e. councilors, depending on the number of the seats won.

The Ministry responsible for the activities of financing, i.e. the local government unit's body responsible for the activities of financing shall transfer the funds referred to in the paragraph 1 hereof to the parliamentary party every month, before the fifth day of the month for the previous month.

Article 6

For financing its needs referred to in the Article 3, paragraphs 1 and 2 hereof, a political party can also collect funds from private sources.

The amount of funds from private sources, apart from the funds from the membership fees the party collected for the regular operation in a current calendar year, can be up to 100% of the funds the party is entitled to from the budget, i.e. public sources.

Political party which is not entitled to the funds from the budget can collect funds from private sources in the amount of up to 5% of total funds referred to in the Article 5, paragraph 1 hereof, excluding the funds from membership fees.

Article 7

It is prohibited to receive material and financial support from: foreign countries, legal and physical entities outside of the territory of Montenegro, anonymous donors, public institutions and companies, institutions and companies with government capital share, trade unions, religious organizations, nongovernmental organizations; casinos, bookmakers and other organizers of games on chance.

It is prohibited to receive material and financial support in cash.

A business organization and an entrepreneur, who on the basis of a contract with state bodies or local government bodies performs public services, may not during such a business arrangement give donations to political parties or other nominators of registered electoral lists. Otherwise the contracts shall be considered null and void.

Article 8

It is prohibited to make any kind or form of pressure to legal and physical entities in the process of collecting contributions for a political party.

It is prohibited to promise or suggest prospects of any kind of privileges or personal benefits to the donor of the political party or other nominators of registered electoral lists.

2. Electoral campaign expenses

Article 9

The costs of election campaign shall, in terms of this Law, include costs related to: pre-election gatherings, posters, adverts, radio and TV programmes, advertising commercials and publications, in the period commencing from the day of calling of the elections and ending on the day of the elections.

Article 10

The budget funds for covering the costs of election campaign referred to in the Article 9 hereof shall be provided in the year in which the regular

elections are to take place and they shall be provided in the amount of 0.3% of the total budget funds of the Republic, i.e. local government unit, for the year the budget is passed for.

In case of pre-term elections the necessary funds for the costs of election campaign shall be provided from the current budget reserve.

Article 11

The funds referred to in the Article 10 hereof in the amount of 20% shall be allocated in equal amounts to the nominators of registered electoral lists. They shall be allocated within eight days from the day of confirmation of the electoral lists. The rest of the funds (80%) shall be allocated to the nominators of the electoral lists who win the seats, in proportion to the number of the seats won.

The allocation of the funds in the manner referred to in the paragraph 1 hereof shall be done by the ministry responsible for the activities of financing, i.e. by the local government unit's body responsible for the activities of financing. The allocation shall be done on the basis of the decision of the Electoral Commission which is conducting the concerned election process.

Article 12

For covering the costs of election campaign a political party may collect funds from private sources, in compliance with this law.

The amount of the funds from private sources the political party collects for financing the costs of election campaign may not be higher than 20% of the funds the party is entitled to in terms of the Article 11 hereof.

The share contributed by an individual physical entity for the costs of election campaign may not be higher than 0.5% of the amount stipulated in the paragraph 2 hereof, and the share contributed by an individual legal entity for the election campaign may not be higher than 2% of that amount.

Article 13

In the aim of collecting funds for financing costs of election campaign, political party shall open a special transfer account with the body authorized for the activities of payment operations. Such an account may not be used for any other purposes.

All the funds intended for financing the costs of election campaign shall be paid to the account referred to in the paragraph 1 hereof and all the

payments for covering the costs of election campaign shall be made from this account.

If the funds for financing the costs of election campaign collected from private sources exceed the amount referred to in the Article 12, paragraph 2 hereof, the excess of funds shall be transferred to the permanent transfer account.

Article 14

Political party shall appoint a person for collecting funds who shall be responsible for purposeful spending of the funds and for submitting reports.

The signature of the responsible person referred to in the paragraph 1 hereof shall be deposited with the body authorized for the activities of payment operations.

Article 15

Political party shall be obliged, within 30 days from the day of conclusion of the elections, to submit a complete report about the origins, amount and the structure of the collected and spent funds for the election campaign. It shall submit such a report in an electronic form to the Republic Electoral Commission i.e. the electoral commission of the local government unit.

The contents, i.e. the form of the report referred to in the paragraph 1 hereof shall be stipulated by the minister of finance.

The reports referred to in the paragraph 1 hereof shall be published by the Republic Electoral Commission in the “Official Gazette of the Republic of Montenegro”, on the web site of the Republic Electoral Commission and in a daily newspaper published in the Republic of Montenegro.

3. Political party's legal property regime

Article 16

The incomes the political party obtains from the membership fees and the incomes obtained by performing unprofitable activities (charities etc.) shall not be subject to taxation.

The incomes the political party obtains from the property and from performing commercial activities shall be subject to the general taxation regime.

4. The obligation of bookkeeping and financial control

Article 17

IPolitical party shall be obliged to keep books of the revenues and expenditures in compliance with positive regulations.

According to the regulations, political party shall submit an annual balance sheet to the competent body. Such a balance sheet shall obtain a character of a public document.

Article 18

By its statute, political party shall regulate the manner of performing internal control of financial operations.

Statute of the party shall define the body of the party responsible for financial operations and the rights of each member of the party to be informed about the revenues and expenditures of the party.

III PENAL PROVISIONS

Article 19

In case that an MP in the Parliament of the Republic of Montenegro, i.e. a councilor in theA fine in the amount of one hundred to two hundred minimum wages in the Republic shall be imposed on a political party for a violation, if the political party:

- 1) obtains funds contrary to the Article 7 hereof;
- 2) puts any kind of pressure to legal or physical entities in the process of collecting contributions for the political party (Article 8, paragraph 1);
- 3) promises or suggests prospects of any kind of privilege or personal benefit to the donor of the political party or other nominators of registered electoral lists (Article 8, paragraph 2);
- 4) in the aim of collecting funds for financing the costs of election campaign does not open a special transfer account and does not pay all the funds intended for these purposes to such an account (Article 13, paragraphs 1 and 2);
- 5) does not appoint persons for collecting funds who shall be responsible for purposeful spending of the funds and for submitting reports (Article 14, paragraph 1);

- 6) does not submit a full report about the origins, amount and the structure of the collected and spent funds in the manner and within the term referred to in the Article 15, paragraph 1 hereof;
- 7) keeps books contrary to the Article 17 hereof.

For the violation referred to in the paragraph 1 hereof a fine shall be imposed on a responsible person as well, i. e. on the holder of the registered electoral list. Such a fine shall amount from fifteen to twenty amounts of the minimum wage in the Republic.

Article 20

Political party which spends for its election campaign the funds in the amount higher than the amount stipulated in the Article 12 paragraph 3 hereof shall be fined for such a violation by a fine in the amount of one hundred to two hundred minimum wages in the Republic.

For the violation referred to in the paragraph 1 hereof a fine shall also be imposed on the responsible person, i.e. holder of the registered electoral list. Such a fine shall amount from ten to twenty minimum wages in the Republic.

Article 21

If a political party violates provisions of the Article 12, paragraphs 1 and 2 hereof, it shall be fined for the violation. Such a fine shall amount from fifty to one hundred minimum wages in the Republic.

The fine referred to in the paragraph 1 hereof shall be supplemented by pronouncing a prohibition on the disbursement of the funds referred to in the Article 5 hereof for the period of one year.

IV TRANSITIVE AND FINAL PROVISIONS

Article 22

Political parties shall be obliged, within 90 days from the day of coming of this Law into effect, to submit to the Republic Electoral Commission, for the purposes of its insight, the data (reports) about its property presented by kind, amount and origin.

Article 23

On the day of coming of this Law into effect the Law on financing political parties (“Official Gazette of the Republic of Montenegro”, No 44/95) shall cease to be valid.

Article 24

This Law shall come into effect on the eight day upon its publication in the “Official Gazette of the Republic of Montenegro” and it shall be applied from October 1st 2004.

THE LAW ON THE AMENDMENTS TO THE LAW ON FINANCING POLITICAL PARTIES

(Official Gazette of Republic of Montenegro No 33/05)

Article 1

The Article 4, item 1 of the Law on Financing Political Parties (»Official Gazette of the Republic of Montenegro No 21/04) shall be amended and it shall read as follows:

1) covering the costs of work (financing) political parties who have at least one member who is a Member of the Parliament of the Republic of Montenegro, i.e. councilor in the Municipal Assembly, provided that the party was registered before the day on which the last Republic, i.e. local elections took place (hereinafter: Parliamentary Party) and the work of the clubs of MPs and councilors;

Article 2

Article 5 shall be amended and it shall read as follows

Budget funds for covering the costs of work of parliamentary parties and work of clubs of MPs may not be lower than 0.4% of the total budget funds for the year the budget is passed for.

Budget funds for covering the costs of work of parliamentary parties and work of clubs of councilors may not be lower than 0.4% of the total budget funds for the year the budget is passed for.

The funds referred to in the paragraph 1 and 2 hereof in the amount of 30% shall be allocated in equal portions to parliamentary parties and MPs, i.e. councilors of groups of citizens and party coalitions and the rest of the funds (70%) shall be allocated in proportion to the total number of seats of MPs i.e. councilors, depending on the number of the seats won.

The Ministry responsible for the activities of financing, i.e. the local government unit's body responsible for the activities of financing shall transfer the funds referred to in the paragraph 1 and 2 hereof to the parliamentary party every month, before the fifth day of the month for the previous month.

Article 3

In the Article 10, number "0.3%« shall be replaced by the number »0.4%”.

Article 4

Article 11 shall be amended and it shall read as follows:

“The funds referred to in the Article 10 hereof shall be allocated in the following manner:

1) 10% of the funds shall be allocated to the parties who have MPs in the Parliament of the Republic of Montenegro, i.e. councilors in Municipal Assemblies. These funds shall be allocated in equal portions within eight days from the day of calling of the elections;

2) 10% of the funds shall be allocated to the nominators of registered electoral lists. These funds shall be allocated in equal portions within eight days from the day of confirming the electoral list;

3) 70% of the funds shall be allocated to the nominators of registered electoral lists that won the seats. These funds shall be allocated in proportion to the number of the seats won within 30 days from the day of elections.

The allocation of the funds referred to in the paragraph 1 hereof shall be done by the ministry responsible for the finances, i.e. by the local government unit's body responsible for the activities of financing, provided that the allocation of the funds referred to in the paragraph 1, items 2 and 3 hereof shall be done on the basis of the decision of the Electoral Commission which is conducting the concerned election process.”

Article 5

In the Article 12 the number »20%« shall be replaced by the number »40%”.

Article 6

A new Article shall be inserted after the Article 22. The new Article shall read:

»Article 22a

In case that an MP in the Parliament of the Republic of Montenegro, i.e. a councilor in the Municipal Assembly leaves his party or is expelled from it and he keeps the seat, such an MP, i.e. councilor shall be entitled to the portion of the funds (from the 70% of the funds allocated to the parties on the basis of the number of the seats) which was paid to his party for his seat.

The funds referred to in the paragraph 1 hereof shall be excluded from the amount of the funds paid to the party the MP, i.e. councilor belonged to.«

Article 7

This Law shall come into effect on the eight day upon its publication in the “Official Gazette of the Republic of Montenegro” and the Article 2 paragraph 1 hereof shall be applied from January 1st 2006

PROPOSAL OF THE LAW ON FINANCING POLITICAL PARTIES

I BASIC PROVISIONS

Subject of definition

Article 1

This Law defines the manner of acquiring and provision of financial means for the work and electoral campaign of political parties and the manner of control of financing and financial dealings of political parties in order to realize legality and transparency of their management.

Political parties can acquire means for their regular work and electoral campaign from public and private sources according to this law.

Public resources

Article 2

Public recourses, as this law defines them, are means that are being assigned from the budget of the Republic as well as budget of municipal unit (further on budget recourses).

Private recourses

Article 3

Private recourses, as this law defines them, are: membership fees, contributions, incomes from activities, property incomes, legacies, all kind of non-lucrative actions and presents.

Membership fee represents a monetary sum that a party member regularly pays in a way and under the conditions settled by the statute or some other act of the political party.

A contribution represents a temporary or regular payment that physical or legal entities voluntarily give to a political party and in the amount bigger than the amount of the membership fee.

Income from activities is something that political party realizes through publishing, propaganda material sale as well as party manifestations organizing.

Property income is something that political party realizes through sale or rent of the property that it owns.

Legacy is a gift that can be consisted of money or portable property of artistic, cultural or historical value or real estate that is being given to a political party to her disposal.

Non-lucrative activity is an activity that has a goal in satisfying public interest.

A gift is bond or any other thing that exceeds the value of 50 Euro.

Usage of budget recourses

Article 4

Budget recourses can be used for the financing of:

1. Political parties' regular work
2. Representatives work within the Parliament of the Republic of Montenegro (further on: the Parliament), i.e. councilors within the municipal parliament. i.e. city municipality (further on: municipal parliament), and
3. Electoral campaign for the election of councilors, representatives, mayor, municipality president and the president of the Republic of Montenegro.

Right to budget recourses

Article 5

Right to budget recourses from the Article 4, point 1) and 2) has/ have:

1. Political party, coalition or a citizen's group that participated in the elections and won one representative i.e. councilors' mandate (further on: parliamentary party); and
2. Representatives i.e. councilors.

Right to budget recourses from the Article 4 point 3) has a submitter of a proclaimed and verified electoral list (further on: electoral list submitter).

Budget recourses for financing electoral campaign for the election of the president of the Republic, mayor and municipality president are provided according a special law.

Private recourses

Article 6

For the financing of regular work and coverage of electoral campaign expenses political party i.e. parliamentary party and electoral list submitter can collect funds from private sources and according this law.

Supervision

Article 7

The higher organ of state administration in charge for financial business does supervision under the practicing of provisions of this law (further on: Ministry).

II FINANCING OF THE WORK OF PARLIAMENTARY PARTIES

Budget funds allocation

Article 8

Budget funds for the financing of parliamentary parties' regular work within the Parliament can't be smaller than 0,2% or higher than 0,3% of total budget recourses for the year that the budget is enacted for.

Budget funds for the financing of parliamentary parties' regular work within the municipal parliaments can't be smaller than 0,5% or higher than 1% of total budget recourses for the year that the budget is enacted for.

Funds from the paragraphs 1 and 2 of this article amounting 15% are allocated in equal amounts to the parliamentary parties in Parliament i.e. municipal parliaments, while the other 85% of funds proportionally to the total number of representative i.e. councilors seats that have in the moment of allocation.

Ministry, i.e. municipal organ in charge for finances (further on: municipal organs), transfers funds from paragraph 1 and 2 of this article to parliamentary parties monthly until fifth day of a month for the previous one.

Financing from private recourses

Article 9

The altitude of funds from private recourses, except funds from the membership fee, that a parliamentary party gathers for its regular work within the flowing calendar year can amount 100% of funds that belong to her from budget recourses.

Political party that has no right to budget recourses can gather funds from private recourses in the amount of 5% of total funds from the Article 8 paragraph 1 of this law, except membership fee.

For regular work financing of political parties physical entity can pay 600 Euro at most, while a legal entity can pay a sum of 1200 Euro at most, within a year.

III FINANCING OF THE WORK OF COUNCILORS AND REPRESENTATIVES

Budget recourses amount

Article 10

For the financing of the work of councilors and representatives funds given from the budget amount 0.1% of total budget funds for the year that the same is enacted for.

Ministry i.e. local municipal organ transfers funds from the paragraph 1 of this Article, in equal amounts, to representatives i.e. councilors monthly, until fifth day of a month for the previous one.

Funds from the paragraph 1 of this law are being paid to representatives i.e. councilors on a special account that can't be used in any other purposes.

Budget funds usage**Article 11**

Funds from the article 10 paragraph 1 of this law representatives i.e. councilors can use for engaging experts, public opinion research, tribunes' and political reunions' organizing, to cover travel, settling and administrative expenses as well as expenses of official internet presentation of their activities.

IV ELECTORAL CAMPAIGN FINANCING***Electoral campaign expenses*****Article 12**

Electoral campaign expenses, as interpreted by this law, are expenses that are related to: pre-electoral reunions, posters, advertising, advertising spots and advertising material, adds, publications, TV-shows, public opinion research, settling expenses and general administration and transport within the period between the day of elections' annunciation and the day of elections' finalization.

Budget funds allocation**Article 13**

Budget funds for covering electoral campaign expenses from Article 12 of this Law are provided within a year that the budget is being brought for.

Funds from the paragraph 1 of this Article counting 20% are allocated in equal amounts to the electoral lists' submitters within eight days from the day of electoral list verification.

Funds amounting 80% are allocated to the electoral list submitters that won mandates proportionally to the number of mandates won.

Funds from the paragraph 3 of this article are allocated within 15 days from the day when electoral lists' submitters bring their reports on funds gathered and spent to the competent electoral commission along with the reports of Ministry's reviser on his work.

Additional budget funds

Article 14

Beside funds from the Article 13 of this Law, for electoral campaign expenses coverage funds amounting 0.1% are being provided within a year of regular elections and allocated to the electoral lists submitters that won mandates proportionally to the number of mandates under the condition that they gathered twice the amount of funds that belong to them in the sense of Article 13 paragraph 2 of this Law.

Electoral lists submitters that from private sources gather an amount smaller than the amount from paragraph 1 of this article, but who won mandates, belong proportionally less amount of budget funds from paragraph 1 of this article.

Budget funds decrease

Article 15

The amount of budget funds from Article 13 paragraph 1 and Article 14 that are being provided for electoral campaign financing, in case of simultaneous conductance of several elections, is decreased for one third on all levels.

Article 16

Ministry i.e. municipal organ, transfers funds from Article 13 and 14 of this Law to electoral lists submitters after getting the notification from competent electoral commission on the fulfillment of conditions provided in the Article 13 and 14 of this law.

Pre-term elections

Article 17

In case of pre-term elections, funds needed for the coverage of electoral campaign expenses are being provided from the current budget reserve.

Private sources funds

Article 18

The altitude of funds from private sources that an electoral list submitter gathers for electoral campaign financing can't exceed twenty times bigger amount of funds that belong to it according to the Article 13 paragraph 2 of this law.

For electoral campaign financing a physical entity can give 600 Euro the most, and a legal entity 1200 on yearly basis.

The obligation of account opening

Article 19

In the purpose of gathering funds for the electoral campaign financing electoral lists' submitter opens a separate account within the organ authorized for pay-flow and such an account can't be used for other purposes.

All funds intended for the electoral campaign financing are being paid in the account from paragraph one of this Article and all electoral campaign expenses' payments are being done from this account.

If funds for electoral campaign financing gathered from private sources exceed the amount from article 18 paragraph 1 from this law, the surplus is being transferred on a permanent account of a political party.

If total amount of funds on a permanent political party's account exceeds the amount from the article 8, paragraph 1 and 2 from this law, a relapse into the Republic i.e. municipal budget is being done.

Responsible entity

Article 20

Electoral list submitter names a person/entity that is responsible for designated funds spenditure and for reports filing.

Signature of person responsible from paragraph 1 of this article is stored with the organ authorized for pay-flow dealings.

Electoral list submitter informs competent electoral commission within three days from the day of nomination of a person/entity from paragraph 1 about every modification that concerns the status of that person /entity.

V PROHIBITIONS

Financing prohibitions

Article 21

It is forbidden to accept material and financial donation from: foreign countries, legal and physical entities from outside Montenegro, anonymous donors, public institutions and companies, institutions and companies with the

investment of state capital, unions, religious organizations, non-governmental organizations, casinos, bookmakers and other fortune games providers.

It is forbidden to accept material and financial donation in cash.

It is forbidden for parliamentary parties and other electoral lists' submitters to accept donations from economic societies and entrepreneurs that according the contract with governmental organs did public services within the previous period of two years during that business relation as well as two years after the completion of the same.

It is forbidden for councilors and representatives to gather funds from private sources for their work financing.

Prohibition of pressure making

Article 22

It is forbidden to make any kind of pressure on legal and physical entities during the collecting of donations for a political party.

It is forbidden to make promises or even to suggest any kind of privilege or personal benefit to political parties' donor or any other verified electoral list submitter.

VI REPORTS' FILING AND PUBLISHING

Filing of reports on budget funds spent for the electoral campaign

Article 23

Electoral list submitter is obliged to file a report on budget funds spent for the electoral campaign along with all documentation that concerns this report to the competent electoral commission within 45 days from the day of elections.

Municipal electoral commission is obliged to proceed the report to the Republic Electoral Commission within 3 days from the day it received the report from paragraph 1 of this Article

Electoral list submitter is obliged to give the report and the documentation from paragraph 1 to the reviser of the Ministry for revision.

Ministry's reviser is obliged to file a report on revision to the electoral list submitter within 30 days from the day it received the report and documentation from paragraph 3 of this Article.

Electoral list submitter files a report on revision done along with the report from paragraph 1 of this Article.

Filing reports on funds spent from private sources for the electoral campaign

Article 24

Electoral list submitter is obliged to file a report on the origin, altitude and structure of funds gathered and spent from private sources for the electoral campaign as well as all other documentation related to the report to the competent electoral commission within 45 days from the elections day.

Municipal electoral commission is obliged to proceed the report to the REC within three days from the day it received the report from paragraph 1 of this Article.

If the total amount of funds gathered and spent for the electoral campaign from private sources is bigger than 50 000 Euro, electoral list submitter is obliged to engage an authorized reviser, sign a contract with the same and inform the competent electoral commission about it within 15 days from the elections day.

Electoral list submitter is obliged to give documentation from paragraph 1 of this Article along with the report to the authorized reviser on revision done.

Complete report filing

Article 25

Parliamentary party is obliged to file a complete report on the origin, altitude and structure of fund gathered and spent for the electoral campaign in electronic form to the competent electoral commission within the 45 days from election completion.

Municipal electoral commission is obliged to give the report from paragraph 1 of this Article to the REC within three days from the day it received the report.

The content i.e. the form of the report from Articles 23, 24, 26, 28 and 31 of this Law provides the Ministry of finances.

Councilors' and representatives' reports filing

Article 26

Councilor i.e. representative is obliged to spend funds that belong to him according the Article 10, paragraph 1 of this law with

designation and to file a report on funds spent to the competent electoral commission inclusively with March 31st of the current year for the previous one.

Municipal electoral commission is obliged to give the report from the paragraph 1 of this Article to the REC within three days from the day it received the report.

Councilor i.e. representative is obliged to file the report from paragraph 1 of this Article along with bills copies, to the authorized accountant for control of spent funds from paragraph 1 of this Article.

Along with the report from paragraph 1 of this Article, a councilor i.e. representative is obliged to file a confirmation of an authorized accountant that the control of spent funds is done.

Reports' publication

Article 27

Republic Electoral Commission is obliged to publish reports from Articles 23, 24, 26, 28 and 31 of this law within the "Official Gazette of the Republic of Montenegro" and REC's web site 10 days from the day of reports' reception.

Filing reports on property

Article 28

Parliamentary parties are obliged to file a yearly report on their property that concerns kind, altitude and origin to the Republic Electoral Commission for insight, inclusively with March 31st of the current year for the previous one.

Publishing of physical and legal entities' names

Article 29

Republic Electoral Commission is obliged to publish names of physical and legal entities that donated funds for electoral lists' submitters.

VII POLITICAL PARTY'S FINACIAL DEALINGS

Legal regime of political party's property

Article 30

Incomes that a political party acquired from membership fee as well as incomes acquired by performing non/lucrative activities (charities and similar) are tax-free.

Incomes, which political party acquired from property and performing of an economic activity, are submitted to the general regime of taxing.

The obligation of book-keeping and financial control

Article 31

Political party is obliged to do book/keeping on incomes and expenditure according the positive regulations.

Political party files a yearly final invoice to the competent organ and according the regulations.

Political party is obliged to file a report on the revision of final invoice from paragraph 2 of this Article to the Republic Electoral Commission.

Republic Electoral Commission is obliged to publish the report from paragraph 3 of this Article within the "Official Gazette of the Republic of Montenegro" and its web site within 10 days from the day the report arrived.

Article 32

Political party is obliged to regulate the manner of financial dealings' internal control by its statute.

Political party statute defines the organ responsible for financial dealings as well as the manner of realizing insight of a party member into the incomes and expenditure of the party.

VIII PENAL PROVISIONS

Misdemeanor

Article 33

Monetary fine amounting one to two hundred times increased minimal income in the Republic is a penalty for a misdemeanor done by a political party i.e. electoral list submitter in case:

1. It gathers funds not according the Article 9 paragraph 1 and 2 of this law;
2. It gathers funds in the amount exceeding the amount from the Article 17 paragraph 1 of this law;
3. It doesn't open a special banking account with all funds for electoral campaign financing paid into the same account (Article 19);
4. It doesn't name an entity responsible for designated spenditure of funds and filing of (Article 20 paragraph 1);
5. It doesn't inform competent electoral commission about the naming of the entity in a manner and time frame defined by the Article 20 paragraph 3 of this law;
6. It makes any kind of pressure on physical and legal entities during the gathering of donations for the political party (Article 22 paragraph 1),
7. It promises or suggest any kind of privilege or personal benefit to the donor of a political party or other electoral list submitter (Article 22 paragraph 2);
8. It doesn't file reports on origin, altitude and structure of funds gathered and spent in manner and time frame defined by Articles 23,24 and 25 of this Law;
9. It doesn't engage appropriate reviser in a manner defined by Articles 23 and 24 of this law;
10. It doesn't inform the Republic Electoral Commission according the Article 24 paragraph 3 of this law;
11. It doesn't file a report according the Article 28 of this law;
12. It doesn't keep books opposingly to the Article 31 paragraph 1 of this law;
13. It doesn't file a report according the Article 31, paragraph 3 of this law.

For a misdemeanor from paragraph 1 of this article responsible entity within a party will also be fined i.e. the carrier of the announced electoral list with a monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic.

Article 34

Monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic will be set upon a councilor i.e. representative in case:

1. The same doesn't open a special banking account according the article 10 paragraph 3 of this law;
2. The same spends funds opposingly to the Article 11 of this law;
3. The same gathers funds from private sources opposingly to the Article 21 paragraph 4 of this law;
4. The same doesn't file a report in a manner and time frame defined by the Article 26 of this law;
5. The same doesn't engage an authorized accountant according the Article 26 paragraph of this law.

Article 35

Monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic will be set upon a physical entity in case:

- 1) The same pays a larger amount from the one defined in the Article 9 paragraph 3 of this law for the financing of political parties' regular work.
- 2) The same pays a larger amount from the one defined in the Article 18, paragraph 2 of this law for electoral campaign financing.

Article 36

Monetary fine in the amount of fifteen to twenty times increased minimal income in the Republic will be set upon a legal entity in case:

1. The same pays a larger amount from the one defined in the Article 9 paragraph 3 of this law for the financing of political parties' regular work expenses.
2. The same pays a larger amount from the one defined in the Article 18, paragraph 2 of this law for electoral campaign financing.

Article 37

Monetary fine amounting one to two hundred times increased minimal income in the Republic is a penalty for municipal electoral commission in case it doesn't file reports to the Republic Electoral Commission according Articles 23 paragraph 2, 24 paragraph 2 and 26 paragraph 2 of this law.

For a misdemeanor from the paragraph 1 of this Article the president of the electoral commission will be also fined with a monetary fine amounting ten to twenty times increased minimal income in the Republic.

Article 38

Monetary fine amounting one to two hundred times increased minimal income in the Republic is a penalty for the Republic Electoral Commission in case:

1. It doesn't publish reports according the Article 27 of this law;
2. It doesn't publish the names of physical and legal entities according the Article 29 of this;
3. It doesn't publish the report according the Article 31 paragraph 4 of this law.

For a misdemeanor from the paragraph 1 of this Article the president of the Republic Electoral Commission will be also fined with a monetary fine amounting ten to twenty times increased minimal income in the Republic.

IX TRANSITORY AND FINAL PROVISION

Article 39

The content i.e. forms of the report from the Article 25 of this law will be brought within 30 days from the day of this law enforcement.

Article 40

By the enforcement of this law the Law on financing political parties stops being valid ("Official Gazette of the Republic of Montenegro", no. 21/04, 33/05 and 47/06).

Article 41

This law comes into force eight days from the day of its publishing in the "Official Gazette of the Republic of Montenegro".

Part VII

ORGANIZATION PROFILE

The Monitoring Centre CEMI

The Monitoring Centre (CEMI) is a nongovernmental, non-profitable organization established in May 2000, whose main goal is to provide infrastructural and expert support for the continuous monitoring of the overall process of transition in Montenegro. One of the main reasons for CEMI's success is our openness to any citizen who wishes to participate in the activities of our organization. This is best illustrated by the fact that over 3,000 adult volunteers have been involved with CEMI. In other words, almost 0.7% of people who have the right to vote are members of this organization, which shows that CEMI plays an important role in the democratic development of Montenegro.

Our Vision: Montenegro as a country of freedom, rule of law and opportunities.

Our Mission: is to promote and defend the values of an open society and the rule of law in Montenegro.

Our goals:

- Election process monitoring
- Reforming Montenegrin legislation
- Monitoring the respect for political rights and freedoms in Montenegro
- Monitoring the respect for, and the implementation of, laws and the Constitution in Montenegro
- Monitoring the process of transition
- Protecting human rights and freedoms as well as promoting the values and ideas of a civil society

CEMI's is consisted of: member's assembly, Administrative Board, Executive director, supervising and program council. One of the most significant CEMI's achievements is openness towards all citizens that show the interest in participation in all its activities. This is illustrated best by the fact that more than 2000 citizens with the right to vote have been included in CEMI's activities on a voluntary basis, which represents about 0.5% of electorate in Montenegro. This

number is the best indicator for to realize the important role CEMI has within Montenegrin democratic development

Partners of CEMI are: CeSID, Belgrade, CRNVO, Podgorica, CE-DEM, Podgorica, Juventas, Podgorica, Public Relations Center, Podgorica, Agency for anticorruption initiative, League of women voters, Nikšić, Commission for conflict of interest affirmation.

Programs of CEMI are: Elections, Rule of law, Good governance, Civil society and European integration. Within the scope of this programs, we carried out the following projects:

I ELECTIONS

- Monitoring of domestic elections: **Presidential elections:** 11. 05. 2003, 09. 02. 2003, 22. 12. 2002, **Parliamentary elections:** 10. 09. 2006; 20. 10. 2002, 22. 04. 2001, **Local elections:** 24. 10. 2006. Andrijević, Plav, Pljevlja, Ulcinj and Šavnik (second round); 10. 09. 2006 Andrijević, Bar, Berane, Bijelo Polje, Danilovgrad, Kolašin, Plav, Pljevlja, Plužine, Podgorica, Rožaje, Šavnik, Ulcinj and Žabljak; 29. 12. 2005. Mojkovac, 10. 12. 2005. Cetinje, 22. 05. 2005. Budva, 26. 03. 2005. Nikšić, 12. 03. 2005. Nikšić, 26. 12. 2004. Kotor, 12. 12. 2004. Kotor, 29. 08. 2004. Zabljak, 09. 05. 2004. Herceg Novi, 02. 05. 2004. Tivat, 18. 04. 2004. Tivat, 20. 10. 2002. Podgorica and Tivat, 15. 05. 2002. – 19 municipalities, 11. 06. 2000. Podgorica and Herceg Novi, Referendum: 21. 05. 2006.

- Monitoring of international elections: Presidential election in Azerbaijan in October 2003 (as a part of OESC/ODHIR mission), Presidential election in Kyrgyzstan in July 2005 (as a part of OESC/ODHIR mission), Presidential election in Ukraine in December 2004 (as a part of ENEMO mission), Presidential elections in Kyrgyzstan in March 2005 (as a part of ENEMO mission), Parliamentary elections in Albania in July 2005 (as a part of ENEMO mission), Presidential elections in Kazakhstan in December 2005 (as a part of ENEMO mission), Parliamentary elections in Ukraine in March 2006 (as a part of ENEMO mission), Local elections in Ukraine in November 2006 (as a part of ENEMO mission), Presidential elections in Tajikistan in November 2006 (as a part of ENEMO mission).

- Round table on the status and role of NGOs in the society

- Training for trainers of the political parties

II RULE OF LAW

- Law on financing of the political parties (accepted in the Parliament of Montenegro in 2004 and in power)
- Law on political parties (accepted in the Parliament of Montenegro in 2004 and in power)
- Model of the Law on central voters' register
- Model of the Law on election of representatives in the national and local Parliament(s)
- Model of the Law on State's electoral committee

III. GOOD GOVERNANCE

- Introducing the institution of Ombudsman to the Montenegrin public
- Case study of the financing of political parties in Montenegro
- Monitoring of the work of Ombudsman
- Watchdog of the implementation of the Law on financing the political parties and the Law on political parties
- Transparency

IV. CIVIL SOCIETY

- PR Resource Center (for NGOs)
- Getting to know the system in order to change it - peer education and network
- Population census
- Institute for Civil Society and Democracy
- Strategy as a mean - Trust as a goal

V. EUROPEAN INTEGRATIONS

- Education of public officers on EU
- Getting to know the European Union - peer education and EU debate clubs

- Communication strategy
- Public surveys

Donors that supported CEMI in previous work are: International Center Ulof Palme, Open Society Institute Montenegro, Norwegian People's Aid - NPA, National Endowment for Democracy – NED, Swedish Helsinki Committee for Human Rights – SHCR, Balkan Trust for Democracy, Embassy of Deutschland, US Consulate in Podgorica, British Embassy in Belgrade, USAID ORT Montenegro Advocacy Program MAP, Canadian Agency for international development CIDA, Royal Embassy of Holland, Embassy of Switzerland, Embassy of Finland, Delegation of European Commission, Constitutional and Legal Policy Institute Budapest – COLPI, Freedom House from Washington, The Parliament of the Republic of Montenegro, The Government of the Republic of Montenegro, USAID - OTI Montenegro, Austrian Development Agency – ADA, Austrian Study Center for Peace and Conflict Resolution and OSCE - ODIHR Warsaw.

