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PRESIDENTIAL AND PARLIAMENTARY ELECTION CAMPAIGN FINANCING IN SERBIA MAY 2012

JULY 2012

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A report by:

**TRANSPARENCY
SERBIA**

Presidential and Parliamentary Election Campaign Financing in Serbia May 2012

Belgrade

TRANSPARENCY SERBIA



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As the global leader in democracy promotion, we advance good governance and democratic rights by:

- Providing technical assistance to election officials
- Empowering the under-represented to participate in the political process
- Applying field-based research to improve the electoral cycle

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Contents

1. Methodology.....	1
2. Executive summary	3
3. Legal framework	6
Regulation	6
Income sources	6
Direct and indirect public funding	7
Expenditure and accounting rules	8
Media promotion	8
Reporting	9
Oversight.....	9
4. General context of election campaign	11
5. Abuse of public resources	13
Significant increase in activities of public officials.....	13
Political promotion entailing abuse of public resources	15
Campaigning of public institutions	17
Employment and benefits distribution	18
Increase of public expenditures?	18
6. About the activities of state institutions up to now	20
7. Budget funding of electoral campaigns	24
8. Donations	26
9. Income from the previous period	28
10. Sources of election campaign revenues as presented in submitted reports	30
Parliamentary elections	30
Presidential elections.....	32
11. Campaign spending.....	35
Parliamentary elections	35
Presidential elections.....	38
12. Comparison of reported and monitored costs – TV	40
13. Comparison of reported and monitored costs – Press.....	45
14. Comparison of reported and monitored costs – Billboard	46
15. Comparison of reported and monitored costs – Public events	49
16. Recommendations for reform	53

Recommendations for actions of public institutions of the Republic of Serbia	53
Recommendations for legislative changes	54
17. Main conclusions	57
Annexes.....	60
Abbreviations	60
Reported income	61
Reported expenditures	64
“Value of votes”	68

1. Methodology

Transparency Serbia (TS) is an anti-corruption organization with transparency of political party financing as one of its top priorities. TS undertook monitoring of the May 2012 campaign finance process, in cooperation with the International Foundation for Electoral Systems (IFES)¹² and using information from the ongoing regional research project of Transparency International³ called CRINIS.

The methodology for data collection was developed by TS and IFES based on previous monitoring experience in Serbia as well as international experience.

Methodology for the mainly expenditure-oriented monitoring included, among other things:

- Collection of information about major campaign finance expenditures (national electronic and printed media advertisement, local media advertisement, billboard and posters advertisement, etc.);
- Monitoring of all campaign events in selected municipalities (rallies of political parties, stands, press conferences, street events and other major activities of electoral participants)
- Collection of information about the behavior of public officials during the election campaign and potential abuse of public funds for election campaign

The methodology also included the collection of certain information about the income of election campaigns (the allocation of funds from public sources appropriated for the financing of election campaigns and a list of private donations published by political parties). The reason to focus on expenditure rather than on income is the fact that expenditures are mostly visible. Once the monitoring identifies that a party failed to report some costs of its campaign, observed by monitors, it would also be proof that there was some hidden income source to finance that activity.

Aside from data directly observed, we based our monitoring on information collected from various public institutions, using the Internet or (more often) free access to information (FOI) requests. Campaign finance reports were collected from the web-site of the Anti-Corruption Agency (ACA), while press announcements were used for tracking the most important campaign events. We used FOI requests to get information about money distributed from the state budget to political subjects; submissions of electoral bonds; advertisements placed on public TV stations; renting of premises where conventions were organized; events organized in various cities (announcements to police departments for open space events); oversight performed by Republic Broadcasting Agency (RBA); allocation of funds for electoral observers by the Republic Election Commission (REC). TS used both direct requests for information and also appeals to the Commissioner for Information of Public Importance.

¹ This monitoring is made possible by the generous support of the American People through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of Transparency Serbia and do not necessarily reflect the views of USAID or the United States Government.

² OSCE Mission in Serbia co-financed training for monitors.

³ Transparency International's CRINIS Western Balkans – Shining a light on money in politics, supported by Norwegian Ministry of Foreign Affairs.

Another source of campaign income information was services by professional agencies. We collected information about the amount and type of TV advertisements on national broadcasters, along with the calculation of prices according to the official price-lists. Similarly, we collected data about campaign advertisements in major Belgrade published dailies and weeklies.

Although the focus of monitoring was on election participants, TS also monitored to a certain extent the work of various institutions in charge, including ACA, RBA, REC, Ministry of Finance and finance departments of other government levels. This way, the monitoring provided not just a picture of what campaign participants did, but also about the broader implementation of the legal framework for campaign funding.

Much important information was collected thanks to the project “Political party financing – new Law’s first year”⁴ that ended in March 2012 and regional CRINIS research of Transparency International where we focused on annual party financing and the legal framework. The rest was collected through a network of trained local monitors (six in Belgrade and 15 in various other cities of Serbia). They reported their findings on a fortnightly basis during the eight weeks of the campaign. All information requested through FOI requests and analysis of data was done directly by the Transparency Serbia core team that included between three and eight people, depending on the period. Training, organization of monitoring, technical advice and drafting of this report was supported by IFES, especially Dr. Magnus Ohman and Mr. Radivoje Grujic.

⁴ Supported by UK Ministry of Foreign Affairs – Programme Office / Foreign & Commonwealth Office.

2. Executive summary

The May 2012 elections in Serbia were the first serious test of the 2011 Law on Financing Political Activities, which was presented as one of the key elements in the fight against corruption in Serbia and one of the ten top priorities in the context of EU integration. Corruption in the political sphere is suspected to be the most dangerous and most widespread manifestation of Serbian corruption. By forming informal coalition agreements, parties are dividing the “spoils” and effectively control entire sectors, including public services (e.g. health) and public enterprises, where their members are Ministers. Furthermore, since the establishment of a multi-party system in 1990, no party has been sanctioned for illegal funding even though the necessary rules existed. The main problem was a lack of effective and independent control mechanisms. The new law was promising as it empowered the Anti-Corruption Agency (ACA), an independent state body, to fight against political corruption by overseeing campaign finance.

TS organized monitoring of campaign finances in relation to the 2012 elections through collection of data in the capital Belgrade and in 20 other cities in various parts of Serbia. The methodology also included collection of various data from public institutions, mostly using free access to information requests. Data collected through monitoring was compared with campaign finance reports of political subjects, published on June 21st (40 days after the parliamentary elections) on the ACA’s web-site. Due to a mistake in the electronic reporting form, the published reports lack some crucial information for thorough comparison of data (i.e., information on media where parties advertised).

The main conclusions of monitoring and comparison of data are the following:

- A majority of the reported campaign income came from the state budget (around 55% for the parliamentary elections and 85% for the presidential elections). Counted in dinars⁵, the state funding has doubled since the last election. While this fact increased the transparency of funding sources, it also encouraged greater campaign investments.
- Another 30% came from bank loans (12% for the presidential elections), raising the question how these are to be repaid.
- The share of reported funds raised from donations was very small; around 15% for the parliamentary elections and 5% for the presidential elections. Serbian individuals thus play a negligible role in the financing of election campaigns.
- The reported spending in both the parliamentary and the presidential elections was twice that in the preceding elections. In total, the reported cost for both elections was around three billion dinars, amounting to over 400 dinars per Serbian citizen, or over 750 dinars per voter.
- In both elections, TV advertising accounted for a majority of the reported spending (for the parliamentary elections it was over 75%).

⁵ For the purposes of this report, one dinar is approximately 0.0089 Euro or 0.0116 USD.

Several suspected or confirmed violations (or at least deviation) of the rules were detected during the monitoring process⁶. These included:

- Around 25% of the reported expenses (37% for parliamentary and 2% for presidential) were not covered by reported income (an increase from the previous elections), raising the question of how and when these are to be paid and whether such payment could be at all made in accordance with the Law.
- One presidential campaign finance report was not submitted/published (candidate of citizens' group M. Zukorlic); reports of key election participants are still missing for the costly Vojvodina province, Belgrade and Novi Sad city elections (DS, SNS, URS). Several parties failed to publish bigger donors' names in a timely manner on their web-sites– DSS, URS, SPS, with a total value of non-published donations amounting up to 120 million dinars.
- Coalition Upheaval/Preokret (LDP) failed to submit a unique report for its coalition (a separate report of one of the coalition members - Bogata Srbija was submitted).
- DS and URS took campaign loans from state owned banks which are not eligible to finance political parties.
- DS, URS, DSS, SPS failed to report costs of transportation for at least one bigger rally/convention; SNS failed to report costs of any public event, including costs of a rally in Belgrade with an estimated 60.000 people.
- SNS failed to report advertisements in print media in the proper place⁷ (30 million dinars without discount); similar failures to report are suspected in several other cases.
- SNS failed to report a part of billboard advertisement costs in the proper place – costs estimated to more than 50 million dinars.
- For DS, URS, LDP, SNS, DSS, and SPS it is reasonably suspected that costs of TV advertisements were partly hidden and/or incorrectly accounted for in the campaign they related to (shifting between presidential and parliamentary or other election type), or that TV advertisement occurred on regional and local TV stations, where only provincial and local election campaigns should have been broadcasted.
- DS and SNS presidential candidates appeared in entertainment programs, which was tolerated by the RBA.
- DS, SPS and URS abused promotional resources of public office; it was particularly noticeable for the campaign of former president (and presidential candidate during the campaign), DS's Boris Tadic, who was invited/enabled to participate in several promotional events organized by public institutions where DS and SPS officials are ministers or directors.
- There was organized vote-buying, publicly known in one case in Novi Sad and suspected in many others; indirect vote-buying (through employment and various other benefits) was suspected in many other cases and not investigated.
- The ACA presented partial information about submitted reports, but it is still not known when this review will be finalized. The results of the ACA's monitoring have not been published and no sanctioning procedure has been initiated at the time of writing.

⁶ The analysis was focused on six political parties/coalitions that entered Parliament on national lists, and their presidential candidates. Violations and deviations for other parties, coalitions and citizens' groups are not included in the report.

⁷ It is possible that they accounted for these costs within the "other expenditure for marketing agency" section that should contain information on costs paid to that agency out of those already listed (TV, radio, press, internet, billboard advertisement).

- RBA presented results of their monitoring, including figures of air time of various lists, but no decision or analysis that would influence campaign finance issues yet. There is no information that either the police or prosecution is dealing with any violation of campaign finance or other electoral rules.

Given the amount of identified or suspected violations, further action of the relevant bodies is clearly needed. It is particularly important that the ACA perform its tasks well and makes a **comprehensive overview of the reported revenue and expenditure**, and also seeks to establish what has been hidden. Nothing other than **timely and effective sanctioning of any and all offenders** could bring substantial changes in behavior. A precondition for more effective control might be **encouraging witnesses of abuse** to come forward with information.

Serbia also needs a clearer and more comprehensive legal framework for campaign finance. Among other things, priority issues are:

- greater transparency during and after election campaigns;
- regulations on “third party” campaigning;
- a clear division between various elections’ funding (if they take place simultaneously) and a clearer division between regular party funding and campaign finance;
- improved provisions regarding campaign loans and their repayment;
- defined duties and more clearly defined authorities of the Agency in the control process;
- redefined criminal offence of illegal party financing and vote-buying;
- media ownership transparency law;
- better defined duties of the RBA and State Audit Institution (SAI) in the oversight process
- stronger link between campaign finance rules with electoral legislation;
- mechanisms for money allocation in budget rules; and
- prohibition of promotional activities of public officials/election candidates in their official capacity during the campaign.

3. Legal framework

Regulation

The main rules regarding campaign financing are included in the Law on Financing Political Activities, in force since July 1st 2011 (Zakon o finansiranju političkih aktivnosti ("Sl. glasnik RS", br. 43/2011)), and the rulebook on records of contributions and assets, annual financial report and reports on electoral campaign expenditures of political subjects, October 6th 2011, updated April 5th 2012. (Pravilnik o evidencijama priloga i imovine, godišnjem finansijskom izveštaju i izveštaju o troškovima izborne kampanje političkog subjekta ("Sl. glasnik RS", br. 72/2011 i 25/2012)). Other important rules are defined in electoral and media legislation, budget rules and the Criminal code.

The law makes a distinction between the regular financing of political subjects and campaign financing. Campaign finance relates to the period between the announcement of elections and the election date.

Income sources

The law limits the types of income that are allowed in relation to election campaigns.

According to Articles 12 and 14 of the Law on Financing Political Activities it is prohibited to finance a political entity by:

- foreign states;
- foreign natural persons and legal entities, except international political associations (who are not allowed to make cash donations);
- anonymous donors;
- public institutions, public enterprises, companies and entrepreneurs engaged in services of general interest, institutions and companies with state capital share, other organizations discharging administrative authority;
- trade unions, associations, and other non-profit organizations, churches and religious communities;
- the gaming industry;
- importers, exporters and manufacturers of excise goods,
- legal entities and entrepreneurs with due, and unsettled, public revenue obligations
- endowments or foundations
- natural persons or legal entities engaged in activities of general interest pursuant to contracts with bodies of the Republic of Serbia, autonomous province and local governments and public services founded by them and for a period of two years subsequent to the termination of any contractual relations
- from shares (acquisition of shares or stock in a legal entity by a political entity is prohibited)
- from promotional, and/or commercial activity⁸

According to Article 10, the annual maximum value of a donation or other income that a natural person may give to political entities for regular work shall not exceed 20 average monthly salaries.

⁸ One possible translation, in Serbian it is not so clear.

The maximum value of a donation from a legal entity is 200 average monthly salaries. Donations exceeding (during one year) one average monthly salary are published, on the political subject's web-site within eight days from the date the value of donations exceeded the amount of one monthly average salary. According to Article 22, a political entity may raise funds from private sources for election campaign costs. Natural persons and legal entities may give donations for election campaigns in a single calendar year in which elections are held, in addition to donations for regular work, up to a maximum stipulated in Article 10, regardless of the number of election campaigns in a calendar year. Donations may not be collected in cash, but must be paid from the donor's account to the campaign finance account.

Apart from donations, political subjects may finance their campaign from funds collected previously on their regular financing account (i.e. membership fees, donations, income from real estate renting, inheritance, income from property selling). However, they are not allowed to transfer funds received from the state budget aimed to finance regular work of the political subject.

Direct and indirect public funding

Direct public subsidies are regulated in Articles 20 and 21 of the Law on Financing Political Activities in the following way: funds from public sources for covering election campaign costs are allocated in the year of regular elections in the amount of 0.1% of the Republic of Serbia budgetary expenditure; of the autonomous province budgetary expenditure and/or the local government budgetary expenditure for the budget year. In the event of early elections the relevant authorities are required to provide funds from the budget reserve. There are two steps in the distribution - 20% is allocated in equal amounts to submitters of proclaimed election lists who at the time of submission declared that they would use funds from public sources to cover election campaign costs. These funds are transferred within five days from the date of proclaiming the election lists. The remaining 80% is allocated to submitters of election lists pro rata to the number of seats won, within five days from the date of proclaiming the election results.

In the event of elections held according to a majority system (presidential), 50% of the funds are allocated in equal amounts to proponents of candidates who declared at the time of filing their candidacy that they would use funds from public sources to cover election campaign costs. The remaining 50% is allocated to the proponent of the winning candidate within five days from the date proclaiming election results, regardless of whether or not the funds from public sources were used to cover election campaign costs. In the event of runoff elections, the remaining portion of funds is allocated in equal amounts to proponents of candidates participating in the runoff, within five days from the date of proclaiming election results of the first election round. Funds from public sources are allocated by the Ministry of Finance or the relevant authority of an autonomous province or local government. These funds should be fully accounted for and they must be spent only in the way laid down in the law (e.g. paid through bank accounts and not in cash) and for the purposes recognized by the law (i.e. it is not allowed to buy shares in companies, to buy real estate, to buy humanitarian aid etc.).

Should any public funds be left over after the elections, the remaining money should be transferred back to the state budget. Lists not winning a certain percentage of overall votes – 1% of votes for “regular” lists and 0.2% for national minority electoral lists – have to return any funds received.

Indirect public subsidies are regulated in Article 6. Bodies of the Republic of Serbia, autonomous province and local government, as well as other organizations founded by them may provide

services and goods from public sources to the political entities on the basis of internal regulations. It is obligatory to grant such services and goods to all eligible political entities under equal terms. These rules apply also for election campaigns. The provision could be further regulated through local government acts (e.g. to provide free of charge municipal premises to political parties during the campaign period).

The major non-financial contribution from public resources is free air time on public service TV and radio. It is further regulated through the General Binding Instructions (hereinafter: Instructions) of the RBA. During election campaigns, the Serbian Broadcasting Corporation (RTS), the Radio Television Vojvodina (RTV), and radio and television stations of local and regional communities whose founders are towns and municipalities, as well as civil sector stations shall observe the provisions of Article 68 paragraph 1 item 6a, Article 78 paragraph 1 item 6, Article 95 and Article 96 paragraph 8 of the Broadcasting Law and **provide free-of-charge and balanced, non-discriminatory broadcast of promotion of political parties, coalitions and candidates with accepted election lists.** As a matter of tradition, candidates and party lists are provided around one hour of free air time on central TV stations, with similar possibilities to present their program on public radio. They are also provided the possibility to participate in roundtable TV discussions during the pre-electoral period. For presidential elections it is common to organize TV debates between the two most successful candidates between the first and the second election round. This is also regulated to a certain extent through Articles 48-51 of Law on the Election of the Members of Parliament, providing, among other things, that agreement about the way of presentation should be reached within five days after elections are announced.

Expenditure and accounting rules

The law does not limit expenditures for election campaigns. It makes it mandatory for political subjects to pay all campaign expenditures through separate campaign bank accounts and to maintain their books in accordance with accounting regulations and special rules laid down in the Anti-Corruption Agency Rulebook. Political subjects should appoint responsible persons for reporting and accounting. Coalitions and citizens' groups have to regulate all issues related to campaign financing in their contract. Until the deadline for submitting campaign finance reports (30 days after elections), any unspent public funds should be returned to the state budget and all unspent funds left from private income sources should be returned to the regular party account.

Media promotion

There are rules aimed at guaranteeing access to the media to all participants in elections, including the promotion of candidates and parties outside of special election informative programs or paid advertisements, and to a certain extent the prevention of biased presentation of information. However, the weakest part of the current legislation and RBA Instructions is the fact that politicians in power may be presented in regular informative programs, aside from their campaign activities (while performing their "regular" work of public authorities). As a consequence, the amount of such "regular work" significantly increases during every election campaign period, in particular when activities might be considered popular (e.g. opening of infrastructure objects, concluding contracts and MoU with foreign investors, presenting information about future projects that would bring new employment, delivery of social care to marginalized groups, arresting criminals etc.)

Reporting

The report on the income and expenditure during campaigns should be filled in and submitted by the political subject or “proposer of the list”, (political party, coalition of political parties or citizens’ group). If several elections take place at the same time, the campaigns have to be accounted separately by the participating political subjects. The reports should be delivered to the ACA (which is also responsible for reviewing the data) within a month from the end of the election process (the publication of final election results).

According to the Anti-Corruption Agency Rulebook, the reports should be submitted first in electronic form, and eight days after in hard copy, signed and stamped. The content of the report is outlined in the Anti-Corruption Agency Rulebook. The report should cover all income and expenditure in an itemized format.

Regarding income, the reports should include:

- value of public funds obtained;
- value of private citizen donations (in money/in kind), with all donors listed;
- value of companies’ contributions (in money/in kind) with all donors listed;
- value of loans taken for the campaign; and
- value of political parties’ own funds used for the campaign (e.g. membership fees, previously collected donations, money from real estate renting, heritage).

Regarding expenditure, the reports should include items such as:

- Leaflets
- Books
- Posters
- Billboards
- Brochures
- Other material
- TV
- Radio
- Press
- Internet
- Rallies
- Conventions
- Conferences
- Renting of space
- Communication costs
- List verification costs
- Other

Oversight

According to the Law on Financing Political Activities, the main state institution in charge of overseeing political finances is the ACA. Its powers are described in Articles 32 – 34. The ACA has the right to direct and free access to bookkeeping records, documentation, and financial reports of a political entity. It can also engage relevant experts and institutions. The ACA is further entitled to

direct and free access to bookkeeping records and documents of an endowment or foundation founded by a political party. A political entity shall, at the ACA's request and within a time frame set by the ACA, submit to the ACA all documents and information necessary for the ACA to carry out its tasks. This also applies to election campaigns.

Bodies of the Republic of Serbia, autonomous provinces and local government, banks, as well as natural persons and legal entities financing political entities or performing particular services for or on their behalf, have the duty to provide all required data to the ACA upon its request for such information. The duty to provide information supersedes any other restriction or limitation that may appear in any other piece of legislation. The ACA may, after reviewing financial reports of a political entity, forward a request to the SAI to audit these reports, in accordance with the law governing competencies of the SAI.

Funds for performing oversight of election campaign costs for the election of the president of the Republic, election of members of parliament, deputies and councilors are provided to the ACA from the budget of the Republic of Serbia, in accordance with pre-set percentage of budget expenditure (i.e. for parliamentary campaign control 1% of what is distributed to the participating political subjects).

Furthermore, the ACA publishes electoral campaign finance reports on its web-site and is responsible for the initiation of misdemeanor procedures against violators of the law. It also imposes some measures after a party is sentenced for violations, such as the denial of public funds. According to Article 10 of the Law on State Audit Institution, the SAI may conduct an audit of political parties (including their transactions during campaigns). When doing so, the SAI has the same authority as in the case of any other subject of audit (budget beneficiary, user of public funds, etc.), including access to financial and other information, premises, accounts etc.

The above mentioned legal framework has serious gaps and unclear provisions, which is further commented on elsewhere in report. The Recommendations chapter of this report contains proposals on how to improve the existing legislation.

4. General context of election campaign

The May 2012 elections in Serbia included several election processes that ran simultaneously. Parliamentary elections were scheduled for this year in accordance with the regular cycle. This was also the case with the Vojvodina autonomous province elections and with local elections in most Serbian cities and municipalities (except in those where early elections were held after 2008). Although the date for these elections could have been different from the date for parliamentary elections, the majority of political actors opted to use the same election date, justifying this decision with savings in the budget.

Parliamentary and local elections are purely proportional; the system in the Vojvodina province is mixed (half of the deputies should be elected in electoral districts and half from the lists). This year's elections were the first after the changes of the electoral legislation, aimed to ensure greater independence of MPs and councilors from their party/coalition lists. Among other things, the change includes the "closed list system", without possibilities for the party leadership to decide who will get the post after elections.

Generally, this election was not expected to polarize voters about topics of historic importance, as was the case in previous processes (2000, 2003/2004, 2008), such as whether Serbia should join EU or not, as most of the influential political parties had a similar vision about these issues. However, a hot debate was expected and the main focus of the campaign was the clash between the leading Democratic Party (DS) and its greatest opponent – the Serbian Progressive Party (SNS), which participated for the first time in parliamentary elections and proved to be an important player on the scene through a series of early local elections and in public opinion polls.

There were other parties with their own calculations and goals. In the "anti-EU" block, the Democratic Party of Serbia (DSS), the Serbian Radical Party (SRS, significantly weaker than before due to separation of the Tomislav Nikolic group in 2008 and the long period of absence of their leader Vojislav Seselj) and citizens' group Dveri (Gates), based in a homonymous NGO that participated in elections for the first time. Other important players included the coalition of the Socialist Party of Serbia, Party of United Pensioners and United Serbia (SPS-PUPS-JS), member of the previous government coalition, coalition Upheaval (Preokret), led by the Liberal – Democratic Party (LDP), and coalition United Regions of Serbia (URS), led by G17Plus. SPS and G17Plus tried during the campaign to capitalize on their participation in the previous government (i.e. results of police work, contracts with foreign investors and other state subsidies) while at the same time claiming that they were not responsible for what was bad in their government's rule. LDP with their alliances tried to promote clearer EU prioritization of state policy and hoped to become a new coalition partner of DS after the elections.

Such context also influenced election campaign financing. The campaigns of DS and SNS were very expensive and long, as they were involved in both parliamentary and presidential elections. The campaigns of LDP and in particular URS were also much more costly than their election results, but that seemed to be necessary in order to pass the threshold, which was not guaranteed, according to the public opinion research in the pre-election period. Lists that spent much less in campaign did not reach the 5% census (SRS and Dveri). On the other hand, the coalition SPS – PUPS – JS entered the

campaign later than other main players, and achieved excellent results. A solid result of DSS also shows that huge investments in campaigning are not a necessary precondition for electoral success.

The campaign, aside from discussions about various topics promoted by competing parties, such as unemployment, the fight against corruption, and mutual accusations against political opponents, was tainted by claims of election process irregularities (between two election rounds), vote-buying and abuse of public resources. None of these claims have been investigated as of the publication of this report.

The results of parliamentary and presidential elections are presented as annexes to this report.

5. Abuse of public resources

The abuse of public resources in campaigning is related to those in power at some level of government. Serbia has a long tradition of various forms of public resources being abused for campaigns. In the past it included direct subsidies or providing assets of public enterprises for campaigns, using the time, vehicles etc. of public institutions and their civil servants, abuse related to the employment in public services and, more than anything else, the abuse of promotional power that office holders have in the context of their public posts and the related influence of politicians in power over the media.

The legal framework changed slightly with the Anti-Corruption Agency Law (in force since January 1st 2010) stipulating in Article 29, paragraph 2-4 that:

An official may not use the public resources and public meetings that he attends in capacity of an official for the promotion of any political parties.

As an exception to paragraph 2 of this Act an official may use public resources for personal security if use of such resources is governed by relevant regulations or decision of the services tasked with security of officials.⁹

An official is required at all times to unequivocally present to his interlocutors and the general public whether he is presenting the viewpoints of the body in which he holds an office or viewpoints of a political organization.

In spite of this, there were many problematic situations from the perspective of abuse of public resources in the most recent campaign. We will divide them into different categories.

Significant increase in activities of public officials

For quite some time there has been an impression that politicians in power significantly increase their promotional activities during campaign periods. However, there were no firm figures available, and we aimed at providing such information. For practical reasons only some activities were considered, namely:

- Conferences, round tables
- Visits to factories, construction sites
- Opening of new transport infrastructure
- Cultural, sport and entertainment events
- Signing of cooperation memos with investors
- Commemorating special dates

⁹ The most prominent candidates in this election campaign are within the category of persons entitled to use public resources (vehicles, bodyguards) whether they perform public or party work, due to security reasons (e.g. former president Tadic, Minister of Interior and presidential candidate Dacic, Vice-President of the Democratic Party (who was very active in the campaign), Sutanovac (as Ministry of Defense) etc.

- Award ceremonies

We did not take into consideration other factors that could potentially bias results, such as meetings with foreign officials and government and state bodies' sittings and press conferences on such occasions. We compared this sample with the same timeframe in the previous non-electoral year.

Table no 1. Activity level of selected public officials in the campaign period and out of campaign (announced to the press)

Public official's name	Position	Party	13.3.2011-25.4.2011	13.3.2012-25.4.2012	% (2011 = 100)
Mirko Cvetković	Prime Minister	DS	4	12	300
Milutin Mrkonjić	Minister – Infrastructure	SPS	1	6	600
Slavica Đukić-Dejanović	Speaker of Parliament	SPS	2	22	1100
Ivica Dačić	Minister – Interior	SPS	15	32	213
Žarko Obradović	Minister – Education	SPS	10	18	180
Dušan Bajatović	MP/Director of public enterprise	SPS	1	7	700
Oliver Dulić	Minister – Spatial Planning and Environment	DS	13	24	185
Dragan Đilas	Mayor BG	DS	5	18	360
Dušan Petrović	Minister - Agriculture	DS	5	21	420
Dragan Šutanovac	Minister - Defense	DS	6	20	333
Bojan Pajtić	Prime Minister of AP Government	DS	8	17	213
Boris Tadić	President of Republic	DS	4	20	500
Milan Marković	Minister – State Administration	DS	6	8	133
Milan Krkobabić	Deputy Mayor of BG	PUPS	0	3	300
Predrag Marković	Minister – Culture	URS	4	17	425
Zoran Stanković	Minister – Health	URS	8	7	88
Verica Kalanović	Deputy Prime Minister –	URS	10	9	90
Rasim Ljajić	Minister – Social Welfare	SDP	9	5	56
Total			111	268	241

On average, the activity level was 240% higher than in the previous comparable period, and only in three cases was it smaller than in the previous year. For the President of the Republic, the activity level increased five times, it increased 11 times for the Speaker of Parliament, 6 times for the Minister of Infrastructure, and 7 for Director of the "Srbijagas" public enterprise. This is a strong indication that promotional events **undertaken in their official capacity** are intentionally fit into the election campaign period.

One may ask why politicians would deal more with public affairs if they are already engaged in their political campaign with all the work that it entails. The explanation is simple – **media reports about such activities as part of their regular news sections and not in separate sections dedicated to the election process**. This way "equal media treatment" of political subjects becomes a charade. Naturally, none of these activities and their related costs is reported in campaign finance reports.

Political promotion entailing abuse of public resources

There are many subtypes of using public positions for political purposes. One is officials' mixing of party campaigning and "regular" duties during the same day, and probably using public resources for both. Here are three examples of that potential abuse:

On April 11th in the town of Stara Pazova at 12.00, there was presentation of "E-government in the municipality of Stara Pazova", with the guest - **Minister for Human and Minority Rights, State Administration and Local Self-Government - Milan Marković**. At 14.00, **member of the Democratic Party Presidency Milan Marković** visited the enterprise "Alegra" in Stara Pazova, in the context of the electoral campaign.

On April 5th in the city of Vranje, at 13.30 in the "Simpo" company, the **Minister of Agriculture, Trade, Forestry and Water Management Dušan Petrović** participated in a presentation of new products developed by young designers' that won a competition of the Ministry of Agriculture, Trade, Forestry and Water Management. On the same day, in nearby Vranjska Banja, **Vice-President of the Democratic Party Dušan Petrović** visited a farm at 14.45, as part of the election campaign for the list "Choice for Better Life - Boris Tadić".

On April 10th at 14.45, in the village of Bezdan, close to Sombor city, the **Minister of Interior Ivica Dačić** visited a narcotics laboratory discovered during a police investigation of the Ministry of Interior and Police Department of Sombor. A little earlier, **presidential candidate and first on the list of parliamentary Coalition SPS-PUPS-JS Ivica Dačić** visited Kula city (half an hour driving distance from Bezdan) and talked with the citizens of Kula. At 16.00 he participated in an election conference of the Coalition SPS-PUPS-JS in Sombor.

Another subtype might be examples of promotional activities that have nothing to do with the official capacity of a public official. Here are two examples of such activities:

On April 2nd, in Kostolac, from 11.55 to 13.35 **Minister of Interior Ivica Dačić visited the power plant Kostolac B** and the beginning of the reconstruction of Bloc B2.

On April 5th, in Novi Sad, at 14.00, **Minister of Interior Ivica Dačić visited the Police Department of Novi Sad, where the Director of PE "Srbijagas" Dušan Bajatović gave him uniforms for members of the Special Police Unit**. In this example, it is the Director of a public enterprise who did something that is clearly out of the scope of its work.

The activities of former president Boris Tadic deserve special attention. While he was still in office, there were a lot of activities allegedly organized in the context of public functions, including visits to farms and enterprises that were later used for campaign spots of his coalition and presidential candidacy. But an even greater problem occurred after he resigned from the post, as he continued to participate actively in events organized by various public entities, in the same way as when he was still holding public office. While he could not commit “abuse of office” (not having one), other officials who invited him did. Here are several examples of that practice:

On April 18th in Leskovac, at 13.00, on the highway route between Vladičin Han and Vranje an event was organized (by the relevant ministry and public enterprise) **marking the starting of work** on the construction of two routes of the south part of Corridor 10. Participants were the Minister for Infrastructure Milutin Mrkonjić, Director of “Koridori Srbije” Mihajlo Mišić and the **candidate of Democratic Party for President of Serbia Boris Tadić**.

On April 25th in Pancevo, at 11.00 in the Refinery of Pančevo a promotion was held for **putting into operation a facility** for regenerating used sulfide acid. Key people present were: the General Manager of NIS Company (previously a state oil company, sold to a Russian state company) Kiril Kravčenko, Minister of Environment and Spatial Planning Oliver Dulić and **candidate of Democratic Party for President of Serbia Boris Tadić**.

On May 3rd, the Minister of Interior and presidential candidate of SPS, Ivica Dacic, Minister Milutin Mrkonjic and presidential candidate Boris Tadic were “present at the opening of a new circular road around Belgrade” (the part of the road was closed after elections and works continued, because it was not really finalized before the opening ceremony)

On May 3rd - presidential candidate Boris Tadic, Minister Oliver Dulic and Minister of Defence Dragan Sutanovac were present at the ceremony of handing over the keys of new housing facilities in the Stepa Stepanovic quarter in Belgrade to the inhabitants (the housing facilities are built on former military owned land, and financed partly by the state) resulting from a project of the Ministry for Spatial Planning (Dulic).

On May 12th – Minister Milutin Mrkonjic and presidential candidate Boris Tadic visited the beginning of the work on the Zezelj bridge in Novi Sad; the Ministry of Infrastructure, on its web-site used the headline “Socialists are supporting Tadic” (Minister Mrkonjic is the Vice-President of SPS and openly supported the candidacy of Tadic for president, also making reference to his role in infrastructure development in the previous mandate).

Another problematic issue possibly constituting indirect abuse of public resources, and certainly non-financial support of private firms, are situations where big companies hosted visits by presidential candidates or party leaders. There is no trace that any of this support was included in campaign finance reports. For example, Boris Tadic, visited the Lafarge factory in Beocin on April 30th, and the Gorenje factory on April 24th as a presidential candidate. Aside from such visits, famous international firms that Serbia signed contracts with were directly used both in political speeches and in promotional campaign spots. One case was FIAT, used by both URS and DS, which presented state contracts with that firm as a result of their parties’ and good work.

There are many other examples of hidden campaigns, i.e. events used by top level politicians in order to promote lists or candidates. Here are just a few illustrative examples:

Beginning of the works on the industrial zone in Jagodina – Deputy Prime Minister Verica Kalanovic (URS) and Mayor of Jagodina (JS) Dragan Markovic Palma

In Prokuplje, April 28th, promotion of URS presidential candidate and Minister of Health related to the delivery of a new -X-Ray machine to the hospital.

In Kursumlija, on April 21st, Deputy Prime Minister Verica Kalanovic stated that URS “did what it had promised”, that the new road is built and the local forest factory works again.

Opening of a recreational park in Nis, on April 28th, with the participation of the head of the Medijana Nis municipality and Vuk Jeremic, Minister of Foreign Affairs and official of the Democratic Party

Campaigning of public institutions

Public institutions did not directly pay for advertisement of parties and presidential candidates. However, this type of campaigning was widespread when it comes to promotion of local leaders, whether mayors or directors of public enterprises. Such promotion occurred in both national and local press (e.g. Somborske novine). The list of PR costs of various local government bodies is presented in the table below. While the information presented in such a PR text was not a direct call to vote for specific political party, these events were promotions (through both picture and text) of current leaders and candidates for the new local leadership or parliamentary elections.

Table no 2. PR of local governments during campaign

Magazine	Date	Page	Product	Advertisement	Investment RSD (no VAT, no discount)
Nin (Ringier)	15.03.2012	63	RUMA municipality	Municipality Ruma PR text	70.000
Nin (Ringier)	15.03.2012	64	RUMA municipality	Municipality Ruma PR text	140.000
Press	18.03.2012	24	CITY of LOZNICA	Loznica open city	160.000
Nin (Ringier)	22.03.2012	61	CITY ASSEMBLY KRALJEVO	MA Kraljevo PR text	70.000
Nin (Ringier)	22.03.2012	62	CITY ASSEMBLY KRALJEVO	MA Kraljevo PR text	140.000
Press	25.03.2012	24	CITY of LOZNICA	Loznica open city	370.000
Nin (Ringier)	29.03.2012	70	VLADIMIRCI municipality	Municipality Vladimirci PR text	70.000
Kurir	02.04.2012	7	CITY ASSEMBLY BEOGRAD	City Assembly Beograd activities	93.000
Kurir	08.04.2012	43	CITY ASSEMBLY BEOGRAD	City Assembly Beograda activities	93.000
Yellow Cab	10.04.2012	12	STARI GRAD municipality	Let's see	33.498
Kurir	18.04.2012	insert	VOZDOVAC municipality	Municipality Vozdovac inserter	220.000
Nin (Ringier)	19.04.2012	63	SVILAJNAC municipality	Municipality Svilajnac PR text	70.000

Vecernje novosti	19.04.2012	26	MUNICIPAL ASSEMBLY V. GRADISTE	MA Veliko Gradiste PR text	126.000
Nin (Ringier)	26.04.2012	83	MUNICIPAL ASSEMBLY SID	MA Sid PR text	140.000
Nin (Ringier)	26.04.2012	85	MUNICIPAL ASSEMBLY SID	MA Sid PR text	70.000
Politika	28.04.2012	insert	CITY ASSEMBLY BEOGRAD	City Assembly inserter	520.000
Alo!	28.04.2012	insert	CITY ASSEMBLY BEOGRAD	City Assembly inserter	720.000
Danas	30.04.2012	1	CITY ASSEMBLY KRAGUJEVAC	MA Kragujevac activities	249.600
Danas	30.04.2012	3	CITY ASSEMBLY KRAGUJEVAC	MA Kragujevac activities	249.600
Kurir	03.05.2012	44	CITY ASSEMBLY BEOGRAD	City Assembly Beograda activities	140.000
Total					3.744.698

Employment and benefits distribution

In many instances, we obtained confidential information that other forms of abuse took place. Examples include the provisions of permanent jobs in public institutions (health centers, libraries, public enterprises) under the condition that the person who got employed or a relative would support the campaign and “bring a certain number of votes” of relatives and friends. Similarly, there were examples of distribution of various state aid (for example, help for self-employment) to people ready to support or vote for “the right” party. As this type of abuse is also related to vote-buying, it should be properly investigated by the police and Prosecutor’s office and by the SAI. The ACA control would also benefit from such information. However, the precondition for any serious investigation is an open call to all citizens willing to address the competent body, and providing firm assurances that cases will be investigated and witnesses protected. None of the institutions has made such an invitation yet, nor showed an interest in such control.

Increase of public expenditures?

During the first half of 2012, according to the available data of Ministry of Finance, the overall budget expenditure was within the plan, while the level of budget income significantly decreased. However, such a decrease in state income probably had some good consequences – there was less money available for promotional activities in the election period. As a result, the fiscal deficit probably saved some public monies from being spent in vain.

While the overall amount of budget spending was in accordance with the budget, there were significant discrepancies between the expenditure level in April 2012 (the central month of the campaign) in comparison to other months. The overall spending in April was 96 billion RSD compared to 70 billion in May, 79 billion in March, and 74 billion in February. Furthermore, spending for public procurement and subsidies were twice as high in April than in other months. It should also be noted that the government’s Directorate for Public Procurement informed the public in July that the first half of this year saw a three times increase of irregular “urgent procedures” in comparison

with the whole year of 2011 (these are cases where no tender is organized, just negotiations with potential bidders). The overall value of such procurements was 8 billion RSD, or 70 million EUR. If only 5% of that money went towards illegal campaign finance, it would be a significant source of unreported campaign income. This and other types of abuses should be further investigated.

6. About the activities of state institutions up to now

Several state institutions have a significant role in enforcing the law. The role of the **Ministry of Finance and the Government** is explained in chapter 6, dealing with planning and allocation of budget funds for campaign and oversight of financial reports.

The Anti-Corruption Agency at its first press conference after the elections in May stressed their impression that the campaign was “cheaper and more decent”, which could be true in regards to some types of costs (i.e. rallies), however certainly not for all of them. The ACA representatives stressed several times in public that all revenues and expenditure that participators indicated in their reports on campaign financing would be thoroughly examined and compared with the results of the conducted monitoring.

During June, the ACA posted the annual financial reports for 2011 of registered political parties that had been submitted no later than April 17th. At a July 19th conference, ACA published information that they issued “warning measures” against ten political parties, because of “failure to submit annual reports or because of submitting incomplete reports”. However, currently only 55 annual financial reports are posted on the ACA web-site, while in 2011, a total of 85 political parties were registered and at least 80 citizens’ groups had their representatives in local assemblies and were obliged to submit annual finance reports purely on that basis. This might mean either that other parties also submitted annual reports, but that these were not published by the ACA, or that the ACA did not check the full compliance with that legal provision, but chose to deal with the most important parties.

Neither during nor after the campaign has the ACA initiated misdemeanor proceedings for violations of the Law. The ACA did use its authorization three times to collect information from campaign participators regarding certain costs (R. Giuliani's visit - SNS, B. Tadić's visit to the fair in Hanover and the visit of the Minister and presidential candidate Z. Stanković to Denmark).

On June 21st the ACA started to publish campaign finance expenditure reports (i.e. ten days after the deadline for submission of parliamentary campaign reports expired). It is not known for sure whether the ACA published all received reports (for local elections) or not, as the data is only partially presented. What is very certain is that many reports are missing.

On June 18th the ACA provided information on parties and candidates that had submitted their reports up to that moment, information about the amount distributed from various budgets to the political subjects and information about election bonds for parliamentary, presidential and provincial elections.

On July 12th the ACA published a correction of the DVERI parliamentary campaign report. While the technical reasons that caused the mistake were not explained in detail, according to the information given to DVERI representatives, figures about donations they collected were accidentally changed during the scanning process (i.e. “8” turned to “0” thus creating an 800.000 RSD deficit in campaign revenues. DVERI reacted to that mistake after the Transparency Serbia conference, when they were listed as one of political subjects that spent more funds than they had at its disposal.

On the July 19th press conference, the ACA presented information about “reports received by July 17th), when “the deadline for submission of reports for provincial elections in hard copy expired”. Information was presented for seven major parties/coalitions only. According to that report, URS did not report for provincial elections’ funding, Upheaval did not report for any of the 23 bigger cities, while in the same sample, DS failed to submit its report in one case, DSS in 8, URS in 13 and SPS in 5. The ACA blamed political subjects for the mistake in filling in reports about advertisement placement, which was, according to our insight, a mistake in the electronic reporting form, not the mistake of party representatives. The ACA also announced that data in some reports for provincial election campaigns were in discrepancy with information received from relevant authorities. The ACA claimed that “in the context of formal correctness, there were no bigger omissions, due to software solutions that prevented it”. The ACA announced that it will ask political subjects to submit additional information, and explained that the “consequence of possible incompliance would be a warning measure, and consequence of further incompliance - filing for a misdemeanor procedure”. When “it is not possible to correct a mistake, “a misdemeanor procedure will be initiated” (i.e. without issuing a warning measure”).

In addition to these statements, the ACA published several charts presenting the structure of income and expenditure of various major political subjects. The document contains an obvious mistake – the Coalition Choice for Better Life (DS) is presented to have over 200 million RSD uncovered expenditures, which is in strong contrast with information from their published report, and is not further explained.

On the web-site of the ACA, there haven’t been any new opinions regarding the application of certain provisions of the Law that could be disputable, nor has TS received an answer to the official letter sent in February 2012 concerning this matter.

The Republic Broadcasting Agency did not address in detail the issues concerning election campaign financing. Its’ Instructions were published for the purpose of the campaign, and mandatory for broadcasters, contributed to the reduction of the scope of the so-called “paid air time” on television and radio stations, and by doing so probably indirectly contributed to the reduction of the entire cost of the campaign. There is also a duty in the instructions for broadcasters to provide advertising space under “equal technical and financial conditions”. However the compliance with this obligation is tracked only **based on complaints**, which does not make sense since the stakeholders cannot find out how much their opponents paid for the same service (or at least cannot find it out before the campaign finance reports are published). Regarding the previous election processes, there has been progress that is reflected in the fact that the RBA began during the campaign to publish data on the total time that certain election participators bought from broadcasters. Also, thanks to the RBA Instructions, other persons were prevented from advertising anything related to the election campaign, whereas the Law on Financing Political Activities did not prevent such activities. For now, there is no information on possible proceedings initiated by RBA in relation to the violation of other provisions of the Instructions (i.e. the presentation of election participators in entertainment programs, which is explicitly forbidden).

The RBA collected broadcasted material from national broadcasters and a number of other broadcasters (regional, local), and after analyzing the data presented it in a summarized form. From these statements, citizens can find out the length of commercials and rented space for each electoral list or candidate in each of the TV stations with national coverage, Radio Belgrade and

Radio B92, and the presence of lists, candidates and public officials in the news program of TV and radio stations. The RBA published four reports for various periods of the campaign.

Reactive monitoring is conducted by the RBA based on received complaints or information published elsewhere. The RBA presented its dealing with complaints in a dozen statements, some of them presented here:

- 23rd May 2012 about EU congratulations to the elected President of Serbia, which was published on the Internet **during the election silence** concludes that the **RBA is not competent to proceed in this case**, because it is "another form of electronic media" (Internet) and not on TV and radio stations
- 19th May stated "a gross violation of electoral silence" by the cable TV broadcasters K :: The World Plus 3 CN (in favor of SNS)
- May 11th informs about the letter of A. Stankovic (journalist working on Croatian public TV) which sought the protection of his copyrights (related to the anti-Tadic spot of SNS, the interview Stankovic made was used in this program)
- May 10th, which indicates a potential violation of RBA Instructions – remark that TV PINK, in the Eve before the election silence changed significantly its program schedule and broadcasted presentation of the presidential candidates in the last 4 hours before midnight, adding that "due to public interest to broadcast such program RBA will not treat this as violation of rules"
- May 10th analysis of TV "Prva", adding that the program "Informative Evening with Ivan Ivanovic," aired in a different time slot and with a changed title as compared to the standard program, and that after a detailed analysis the RBA will provide its final assessment, "a reminder of the duty of broadcasters to allow the presence of both candidates"
- May 7th, the RBA Council gave extensive interpretation of Article 16 of the Instructions, which inter alia, provide:
 - that the content of political advertising must be truthful and verifiable by the competent state authorities;
 - that only publicly broadcasted audio-visual recordings are allowed;
 - that it is forbidden to use unacceptable symbols, names, images, voice or persons who are not participants of the electoral process without their consent;
 - that information about prosecution of any person is allowed to use only if it comes from data provided by the competent authorities and being publicly available,
 - that statements from the investigation are prohibited for use if a person is liberated or indictment dismissed,
 - that discrimination, hate and violence are forbidden,
 - that it is forbidden to manipulate statements, press releases and related facilities in order to change its basic meaning (malicious editing, shortening or maliciously remove key pieces of content, etc.).

By giving allegedly principal interpretation of its own Instructions here, the RBA is effectively reacting to the content of spots broadcasted during the campaign already – i.e. taking of parts of Tadic and Nikolic statements from the past, for the purpose of anti-campaign organized by SNS and DS.

- April 9th on the occasion of complaints about the prices of rented time slots and a small number of parties that had broadcast such advertisements;
- April 2nd regarding the consideration of applications for company logos appearing in videos of URS
- March 26th in which the RBA, concerning petitions of SNS and URS, concluded that “no broadcaster to date has broken the rules by issuing reports on the activities of state bodies and public officials”. This relates to the broadcasting of the president at the time, Boris Tadic that were broadcasted in the news sections and later used in DS promo spots.

The fact that RBA tolerated the promotion of two presidential candidates in an entertainment show (“Evening with Ivan Ivanovic” on TV Prva) and found an excuse in the slightly changed title of the show and broadcasting time is at least disputable. Another problematic decision of RBA was to tolerate the content of TV spots presenting the work of former president Tadic in its political campaign and mentioning companies that Serbia signed contracts with in political campaigns of DS and URS.

The Supervisory Board is the body in charge for active monitoring of the election campaign. On the basis of the Law on the Election of the Members of Parliament, such a board should oversee activities of political parties, candidates and media during elections. It is the Parliament that should establish such a Board of ten members, out of which half should be elected by the Parliament on the basis of the Government’s proposal, while the rest should be elected on the basis of MP groups’ proposal. Members should be well known non-partisan people. There was, however, no attempt to elect the Supervisory Board for the purpose of the May 2012 elections.

7. Budget funding of electoral campaigns

The Law on Financing Political Activities brought a significant increase of budget funding for electoral campaigns and the overall work of political parties. While the legislature did not change the percentage of the budget that should be distributed (0.1% of the budget), the parameters to calculate the percentage are significantly changed. Instead of calculating the percentage against budget income (which is lower) the overall budget expenditures are now relevant; instead of excluding transfers to the Vojvodina province, the municipalities and the pension fund before calculation, now the whole budget is considered. As a result, the overall amount envisaged in the state budget for 2012 for the parliamentary election campaign financing was more than 843 million RSD (it was one-half this amount in 2008 – 420 million RSD).

The Ministry of Finance, however, planned no funds for presidential campaign financing in this year's budget. They justified that omission by noting that presidential elections might be organized in 2013 (January 15th 2013 was final date). However, it is obvious that even in that case, some funds for campaign funding would have to be distributed in the year 2012. Furthermore, there weren't sufficient funds in the budget reserve to rectify that mistake and to ensure funds for presidential elections, meaning that the Ministry had to withdraw funds from other budget items (payment of debt interest) in order to respect the Law on Financing Political Activities. In the end, the Ministry/Government ensured the same amount as for parliamentary elections.

The funds for control of election financing, that had to be set aside for the ACA (app. 17 million RSD in total for presidential and parliamentary elections) were not planned in the 2012 budget. In the end, the Ministry of Finance/Government provided the ACA with 43.475.000 RSD from the budget reserve, upon the ACA's request. This sum should cover not only expenditures of oversight of the presidential and parliamentary campaign finance, but also the Vojvodina province campaigns and local election campaigns, and it is clearly determined in contrary to the provisions of the Law. The ACA is entitled by the Law to receive, for the purpose of oversight, 0.1% of what is distributed to political subjects for both presidential and parliamentary elections (i.e.: 8.3 million RSD per elections), half of that amount for each provincial and city elections (in total, at least 105 million RSD, or more than 350 million if every provincial district election is calculated separately) one and a quarter of that amount for each municipal elections (in total, more than 300 million RSD). As the ACA received far less than the Law stipulated for, the conclusion is that the ACA would either lack funds to perform oversight of all election campaign reports or that the Law itself provided for more funds than was actually needed.

The funds received from the budget before elections were conditioned by depositing electoral bonds. According to the available information, various types of guarantees were used, including bank guarantees, real estate mortgage, depositing of cash etc. Information about the type of election bond was not shared with the public proactively (by the Ministry of Finance or political parties), but rather on the basis of free access to information requests and journalists' questions. What could be highly problematic are situations in which the party is not guaranteeing for received funds with its own property (and that is mostly the case) and the fact that the electoral bond could be used by the Ministry of Finance to reimburse the budget. In such instances, the electoral bond becomes a gift, i.e. donation for the campaign and has to be in line with all rules regulating such

donations. This would make such donations illegal; having in mind that the value of an election bond for both parliamentary and presidential elections is above the limit for donations. Luckily, that problem did not occur after these elections as it seems that small parties that would have to transfer money back to budget due to poor election results (gaining less than 1% of votes) did not actually spend what they received.

However, providing a service to the party by mortgaging property or depositing cash for their campaign could be treated as a service, even if the bond itself is given back to the depositor. Such services should be accounted for either as paid or “free” services. No campaign finance report records that type of free service, but there is still some possibility that such services were paid and accounted for within the “other expenditure” category.

According to the available data, all budget funds, once ensured in the budget were distributed in a timely manner to the participants in the elections, in correct amounts. A part of the budget funds wasn't used, in cases where parties didn't want to deposit election bonds (e.g. SVM for presidential elections, NOPO for parliamentary). That fact did not influence the amount received by other candidates / lists due to the fact that the “surplus” remained in the budget.

However, a lot of irregularities occurred on the local level of government, where Transparency Serbia established that funds in the 2012 budget were only in rare exceptions planned in accordance with the Law on Financing Political Activities, they were either higher or lower than they should have been, not distinguished from regular party financing, or not planned at all. At least, this indicates poor preparation for implementation of the new Law, even if the time was quite sufficient. However, it could also be interpreted as recklessness regarding campaign finance rules as there are no sanctions, or as intentional unclarity in order to manipulate the amount of funds that would be distributed to the election campaign participants.

The amounts that each list/candidate proposer received from the budget are presented in annexes, along with other sources of campaign income.

8. Donations

The only provision providing transparency of funding during the election campaign process is the one that makes it mandatory for “political subjects” (parties, coalitions, citizens groups) to publish all donations they received, whether in money or in free services or discounts if they are greater than the average salary in the Republic in the previous year. This information should be published on the “political subjects’” web-site. However, as already noted, many of the coalitions participating in these elections did not have joint web-sites at all, while others did not present financial information on joint coalition web-sites, but did so on separate party web-sites.

Transparency Serbia compared financial reports of presidential and parliamentary elections with what could be found of financial information on party’s web-sites.

While DS and LDP respected the rule, DSS, SPS and URS largely violated it, whereas SNS reported no bigger value donation that should be published during the campaign whatsoever. In total, donations unpublished on web-sites make vast majority of all donations reported in campaign finance reports (179 million RSD). According to the information published on party’s web-sites, the amount of collected funds from donations and membership fees significantly increased in the first months of 2012 in comparison to the entire year of 2011. Bigger contributions published on web-sites of all parties in 2011 were valued less than 60 million RSD, while those published up to Election Day in 2012 were valued over 170 million RSD. That is partly the consequence of greater compliance with the rules in 2012 and misunderstanding of the Law in 2011, but also a sign that some political parties planned their campaign costs in advance and wanted to ensure funds in a timely manner. The distribution of collected and published bigger donations was unequal. As it could be seen, almost two thirds were collected by members of the Coalition Choice for Better Life.

Table no. 3. The value of bigger donations and membership fees collected in 2012 and published on party web-sites (per coalitions)

List	donations	Share
DS/LSV/SDPS	110.706.657,02	64,99
SNS/NS/PSS	3.895.000,00	2,29
SPS/PUPS/JS	12.257.700,00	7,20
LDP/SPO	14.857.800,00	8,72
DSS	7.536.644,00	4,42
SRS	8.356.500,00	4,91
SVM	473.609,00	0,28
URS	12.267.284,00	7,20
Total	170.351.194,02	%

As usual, these campaign reports did not present any financing by tycoons, which is largely suspected by the Serbian public. On the contrary, most donors, including firms, are unknown to the public or are top party officials and their spouses and relatives. Having in mind limits for individual donations (app. 760.000 RSD or less than 7.000 EUR per person and app. 7.600.000 or 70.000 EUR per firm), if there was any significant tycoon funding of an electoral campaign, it had to be hidden.

9. Income from the previous period

According to the annual financial reports of the 18 most significant political parties in Serbia for 2011, their overall income and expenditures were close to 900 million RSD, with public funds taking around 2/3 of the overall reported revenues. This information is not checked by any state agency in this or in the previous years and therefore its accuracy seems to be rightfully suspected. Among examples of suspicious data, the most problematic might be the report of SNS, the biggest opposition party at the time. SNS reported costs of work only for 44 organizational units (only a few months later the party participated in local elections in more than 150 municipalities), including only 324 thousand RSD for organizing rallies (even though they had two gatherings in Belgrade with thousands of participants) etc. The reason may be that SNS was not eligible for budget funds, regardless of the fact that they did have MPs, because it was established after the 2008 elections, through separation from SRS.

As can be seen from the tables (in annex), most political parties had balanced revenues and expenditures or at least tried to present things in that way. However, there are significant exceptions:

SRS (with 52 million RSD in plus), G17Plus (with 37,9 million RSD in surplus), and SPS (that spent 63 million RSD more than obtained).

Other parties with any surplus of any significance were LDP (4,6 million RSD) and SNS (2,2 million RSD), while a significant lack of funds was reported by SDU (-11,1 million RSD), NS (-8 million RSD), LSV (-6,9 million RSD), JS (-5 million RSD) and DSS (-1,7 million RSD).

However, it does not mean that all surpluses could have been used for the campaign financing. Namely, money obtained from budget funds for other purposes would not be eligible. Having those additional criteria in mind, SRS had only 15.6 million eligible funds (out of 52), LDP only 30 thousand dinars, while G17Plus and SNS could safely use the whole surplus they had, as it was justified by private income sources (membership fees and donations).

So, the list of usable funds for previous years includes G17Plus (37.9 million), SRS (15.6), SNS (2.2), DS (0.7), PSS (0.45) and SVM (0.16). In total, this amounts to the sum of around 500.000 EUR.

Having in mind that political parties reported bigger donations in 2012, whose value was around 1.5 million EUR and that they probably (on the basis of previous years' annual reports) collected in addition up to 500.000 EUR from small membership fees in the pre-election period, the maximum of legal funds that participants of elections had at their disposal during the campaign was not higher than 2.5 million EUR. The sum planned for all types of elections to be paid from the budget was higher than 17 million EUR, but only 3.5 million of it was distributed during the parliamentary campaign when the majority of expenditures occurred.

As it could be seen from campaign income structure, some parties used their funds from previous years (URS/G17Plus, SRS). DS could easily find justification in reported donations since the beginning of this year. The claims of DSS and SPS could possibly be problematic because, they used their "own funds" regardless of the fact that they were in deficit in 2011. However, it is not enough to draw

conclusions about any violation of the rules as the amount of “own funds” used are not high (up to 5 million RSD) and could have been easily collected in accordance with law (i.e.: by collecting membership fees on one side and by delaying existing debts payment).

10. Sources of election campaign revenues as presented in submitted reports

Parliamentary elections

For the parliamentary elections, the 15 (out of total of 18) most successful electoral lists collected close to 1.5 billion RSD in total (app. 13.3 million EUR). However, these totals cannot account for all revenue, as some of the electoral lists reported higher expenses than revenue. Significant discrepancies are reported by URS (316 million RSD), Upheaval/LDP (152 million RSD), PRS (15 million RSD), Let's Move Serbia/SNS (5 million RSD) and SRS (8 million RSD). **In fact, approximately one quarter of reported expenses is not covered by the recorded income (including loans) and sources of financing such costs are not known at present.** This is not a unique phenomenon of these elections in Serbia - for the parliamentary elections in 2007, approximately one fifth of the expenditure shown were not covered in the reported revenue of the campaign. Furthermore, all campaign costs should be paid from a separate campaign funding account, but that account has to be emptied before the submission of the election campaign finance report, preventing parties could from collecting and paying campaign debts after submitting the report.

Most of the reported revenue came from the state budget (56.5%). This share of state funding for election campaigns is similar to the one we have seen after previous elections, but the total sum is far greater. For example, in the longest-ever parliamentary campaign (2007) 322 million dinars was given from the budget with reported total revenue of 626 million. Even when taking into account the fall of the value of the dinar in the last five years, the amount of reported revenue (budgetary or otherwise) **is double than in 2007.**

The second most widely used form of income is bank loans (29.3%). According to the old (Political Party Financing, 2003) law, taking loans was not regarded as "income", because it is not an independent source of income (any loan must be repaid with funds from other allowed sources of income). In other words, **in addition to the fact that one quarter of the expenditure shown is not covered by available revenues, over 20% of the expenditure is initially financed from loans and at present it is not known from which funds these costs will be paid in the end.** According to this indicator, the election of the 2012 brought less transparency of data about the sources of campaign financing.

The contrary could be argued: that increased transparency is still achieved through the increase of a total sum of reported income - in other words, that the 2012 campaign was not so much more expensive than those from previous years, but there's just more income and expenses reported. Such a conclusion might be derived from the previous campaign monitoring findings and in particular from the ratio between official prices for TV advertisement and the publicized price lists of TV stations. For example, the reported expenditures for commercial TV stations' advertisements in 2007 made between 16 and 30 % of their full price (without discount), i.e. an average discount should be as much as between 70 and 84 % of the full price in order to make campaign finance reports correct. For the 2012 elections, the reported costs of TV advertisements are largely in line with the published discount price-lists (not published in 2007), ranging from 15 to 70 % for various TV stations.

Financing a campaign from a loan may be controversial for various reasons, mostly due to the fact that some loans are partly gifts in essence (e.g. no interest, interest below market rates, if the payment can be delayed for a long period of time). Loans obtained under conditions more favorable than market rates should be reported as a contribution (no party has reported to have received such a loan for this campaign). It is also doubtful from which sources loans will be repaid and when it will be done. Repayment from the budget subsidies intended for the regular work of political entities would constitute a misuse of budget spending. Even when the loan is properly repaid for example from private sources, there remains a "technical" problem in that any income intended for the election campaign should be paid into the special account and displayed in the report - however, reports have been submitted and additional deadlines do not exist. Finally, there is a specific problem with the loans taken from banks that are partially owned by the state. The Law treats loans as a type of "private funds" of funding in one provision, while in the other it prohibits the parties to be financed by companies with state capital. This could be interpreted to mean that it is illegal to take a loan for the campaign from banks with even partial state ownership, as banks are just one sort of these "companies". Such loans were indeed used during this campaign - DS is indebted to the Development Bank of Vojvodina; G17Plus and SRS to the Commercial Bank.

Genuine private sources (i.e. excluding loans) make up only about 15% of the parliamentary campaign revenue. From these sources, more than half comes from the donations by individuals (8%), followed by contributions from legal entities (3.2%) and a surprisingly small amount of transferred "own funds" (2.8%) - that is, membership fees, contributions and other income that the parties had during the previous years and by the beginning of the campaign.

Table no. 4 Ratio of fund sources for main election competitors – parliamentary elections

List	Budget	%	Private sources	%	Loans	%	Not covered costs	%	Total income + not covered
SNS	212.691.910	70	43.397.886	14	48.096.000	16	4.883.294	2	304.185.796
DS	196.025.753	40	31.999.000	7	260.000.000	53	0	0	488.024.753
SPS	132.138.617	71	55.135.410	29	0	0	0	0	187.274.027
DSS	68.239.939	89	8.175.600	11	0	0	0	0	76.415.539
LDP	62.696.495	80	15.996.000	20	0	0	151.927.874	193	78.692.495
URS	54.363.417	36	33.695.287	22	62.426.470	41	315.854.639	210	150.485.174
Total	726.156.131	57	188.399.183	15	370.522.470	29	472.665.807	37	1.285.077.784

The following coalitions had significant revenue from contributions: Let's Move Serbia (Pokrenimo Srbiju), Choice for Better Life (Izbor za bolji život), SPS-PUPS-JS, Upheaval (Preokret) and SRS. SNS stated 2.283 names of donors who almost all paid the same amount (19.000 dinars) and were grouped by municipality. These facts seem to indicate that this was an organized collection of contributions for this purpose and that probably every municipal party committee was tasked to collect a certain amount (for example, the ordinal numbers from 1227 to 1326 are all stated donors from the city of Pozarevac or nearby Kostolac, except one). For 8 donors from Sombor, in addition to cash, a non-monetary donation is listed with an equivalent value, but it's not visible what comprises

this non-monetary contribution. The Choice for Better Life (Izbor za bolji život) reported 22 donors from only a few cities - Belgrade, Vranje, Čačak, Vranjska Banja and Sombor. Only one donation of free services has been reported. The coalition gathered around SPS gathered a sum similar to the sum of the coalition Let's Move Serbia (Pokrenimo Srbiju) but from only around a hundred donors, some of which were near the upper limit of contributions. LDP, as well, generally reported higher contributions and all 24 donors were from Belgrade. Their report, also, contains the dates when contributions were received. Likewise, SRS opted for higher donations, and had a total of 22 individual donors. Donations from legal entities can be found in four reports. Only a few donations are close to the legal maximum (200 average monthly salaries in Serbia, or app. 7.5 million RSD).

Related to donations, both from individual and legal entities, there are several questions to be further examined in the oversight process. The main question is: **are all donations that should be reported by the Law really reported?** The answer to that question partially depends on the control of costs of election campaigns - if it turns out that there were some costs that are not reported, there will be a question from which sources they are paid. The sections of this report presenting monitoring of various elections costs clearly indicate that some of them were not reported, and consequently that some revenue sources were hidden as well. On a second question regarding **were all free services donated shown**, even now it can be said with a great degree of certainty that they are not. In fact, the Law obligates parties to register each service that is provided free of charge or below market value and in this respect makes even no exception to the voluntary work of members and sympathizers of the party. Since the reports of larger parties do not contain a large number of small contributions of this kind, and no indication that activities such as putting up posters and distributing leaflets were paid for, it can be concluded that these actions are left out of the report. The third question is **whether the contributions come from legitimate sources and were paid in accordance with law?** In this respect, nothing can be said without access to documentation and additional verification; because the Law prescribes a range of illicit sources of income and requires that all contributions are paid from the payer's account to the account for financing the campaign. The fourth question is: **are the larger contributions published in a timely way on the web-sites of political entities** as the Law requires? This obligation has certainly been violated.

For example, "Political subjects" that participated in elections are the coalitions and not individual political parties that constitute them. Therefore, data on contributions that exceed the average earnings in Serbia should be published on the web-sites of the coalition, not individual parties. However, for these parliamentary elections, some major coalitions did not have a common site at all (e.g. Let's Move Serbia (Pokrenimo Srbiju), SPS-PUPS-JS), and others have not published the data on the contributions received on the coalition site but rather on the regular site of the main political parties (DS, G17Plus, LDP). It should be pointed out, though, that LDP's web-site provides information on whether the contributions were provided for the election campaign or for other purposes. The fifth question is **whether the money given as a contribution really belonged to the donor** or suddenly appeared in his/her account before he/she paid for the campaign? Such inquiries could be performed by the ACA, which has the authority to collect data from individuals who funded the campaign.

Presidential elections

In the structure of reports of eleven candidates (out of 12) that submitted campaign finance reports, the state budget participates with 805 million RSD, genuine private sources with 39 million RSD,

loans with 112.5 million. The sum of uncovered expenditures is 71.38 million RSD. So, if only the reported income is calculated, it was 84% from the budget, 12% from loans and only 4% from donations and parties' own funds. However, if uncovered expenditures are calculated as well, the ratio of known vs. unknown income sources (i.e. loans and uncovered expenditures) is 82/18 %, which is significantly better than for parliamentary elections.

Greater expenditure than income is reported in significant amounts by Upheaval (16 million RSD), URS (8.5 million RSD), SRS (13 million RSD), PRS (22.5 million RSD), and SPS (0.6 million RSD).

The new legislation rectified a problem that occurred in the previous elections, where the winner of the second election round received 80% of all available budget funds, while the second round elections loser shared budget funds equally with all the other candidates. Another important change is the possibility for candidates not to use budget funds (and so not to deposit a related election bond), which was used only by Istvan Pastor (SVM) this time.

The change in distribution of funds certainly increased veracity of campaign finance reports. Namely, in previous elections it was obvious that the election winner presents all expenditures of the campaign or even more than that in order to prevent paying money back to the budget. On the contrary, the second candidate reported much less, even if their campaigns were not so different in costs, thus probably hiding illicit private source funding. For example, at the presidential elections in 2008, the winning candidate reported costs of 347 million RSD, paid in total from the budget, the second candidate only 75 million RSD (with loans presented as a dominant funding source), while the third and fourth candidate reported 33, i.e. 11 million RSD of expenditure respectively. Now, the difference in income and expenditure of the two candidates from the second election round is significantly smaller and perhaps much closer to reality (373 and 255 million RSD income and 353 and 254 million RSD expenditure), and seven other candidates presented income and costs of campaign in the 40-70 million RSD range.

Budget funds available to all candidates were four times higher than those available to all lists on parliamentary elections (38 vs. 9 million RSD). That probably influenced decisions of some lists/candidates that participated in both elections where to put the focus of their campaign and where to account for their costs (e.g. Dveri). For other candidates/lists, that anyhow spent much more than what they received from the budget, this fact influenced decisions on where to transfer their other income (donations, own funds, loans).

As shown above, donations used for the presidential campaign were insignificant. SPS and LDP were the only ones to report more than 3 million RSD. While SPS had 9 bigger donations from natural persons, mostly from Belgrade, LDP reported 4 million that came from one firm. DSS had a total of 36 donors from Belgrade with small amounts, while Dveri collected similar amounts from just 8 people. The report of SDS mentions 4 bigger donors and SVM 22 contributions of 30.000 thousand RSD. URS reported two corporate donors. However, the main impression is that the two candidates who ran the most the expensive campaigns collected almost no donations at all. The list of SNS donors contains only 17 names with amounts up to 19.000 thousand RSD, and coalition Choice for Better Life reported only one non-financial contribution (by the famous musician Goran Bregovic).

Use of parties' own funds was also insignificant, except in the case of Choice for Better Life (DS), where 23.8 million RSD might have come from membership fees and donations collected before the election campaign. URS and SRS reported funds that could have come from the previous year's

surplus. DSS and other parties, having in mind rather small amount transfers could also probably use funds collected during the year 2012, even if they did not have previous year's surplus on their party accounts.

While four candidates reported commercial bank loans, almost 90% of that amount was used by the Coalition Choice for Better Life (100 million RSD). Similarly to what is mentioned in the part dealing with parliamentary elections, the problematic issue is the choice of bank from which they obtained the election loan – the Development Bank of Vojvodina in the case of Choice for Better Life coalition and the Commercial Bank in the case of SRS, both of them at least partly state owned.

Table no. 5 Ratio of fund sources for main election competitors – presidential elections

List	Budget	%	Private sources	%	Loans	%	Not covered	%	Total income + not covered
SNS	249.135.601	97	176.137	0	6.506.600	3	0	0	255.818.338
DS	249.135.601	67	23.870.000	6	100.000.000	27	0	0	373.005.601
SPS	38.328.554	92	3.260.000	8	0	0	519.334	1	41.588.554
DSS	38.328.554	93	2.771.500	7	0	0	0	0	41.100.054
LDP	38.328.554	90	4.070.000	10	0	0	8.421.110	20	42.398.554
URS	38.328.554	98	672.010	2	0	0	16.935.835	43	39.000.564
Total	651.585.418	54	188.399.183	16	370.522.470	31	25.876.279	2	1.210.507.071

11. Campaign spending

Parliamentary elections

As presented in Table no. 8 and in more details in Annex no. 3, for 15 (out of a total of 18) analyzed campaign finance reports¹⁰, the value of the total reported costs of the parliamentary election campaign was 1,907,779,320 RSD. Even with consideration that the value of the dinar has fallen, this is more than twice it was in the parliamentary elections held in January 2007, when the total reported costs were 730 million dinars.

Table no. 6 Expenditures by type – Parliamentary and presidential elections

Type	Amount reported RSD parliamentary el.	share in %	Amount reported RSD presidential el.	share in %
Promotional leaflets	17.739.293,00	0,93	5.759.814	0,59
Promotional brochures	10.212.844,00	0,54	2.232.827	0,23
Promotional newspapers	5.303.600,00	0,28	3.357.553	0,34
Posters	18.682.019,00	0,98	5.564.709	0,57
Billboards	110.630.592,00	5,80	66.026.384	6,77
Other promotional material (e.g. lighters, pens)	40.939.420,00	2,15	3.434.915	0,35
Rallies	44.060.051,00	2,31	19.534.390	2,00
Conventions	52.274.456,00	2,74	13.363.134	1,37
Other events	12.525.902,00	0,66	252.393	0,03
TV	1.462.991.724,00	76,69	526.882.326	53,99
Radio	10.586.092,00	0,55	5.113.555	0,52
Press	55.234.697,00	2,90	72.912.541	7,47
Internet	23.832.395,00	1,25	7.374.458	0,76
Other ads	1.194.576,00	0,06	0	0,00
Verification of signatures	10.252.188,00	0,54	8.713.671	0,89

¹⁰We did not include in this analysis reports of electoral lists of the Communist Party, Reformist Party and Montenegrin Party which did not pass the threshold and did not have significant expenditures. Furthermore, some table overviews are without national minority lists Sve zajedno and NOPO.

Other travel expenditure	7.182.208,00	0,38	3.772.947	0,39
Electricity, water supply etc.	175.145,00	0,01	0	0,00
Renting of working premises	936.200,00	0,05	389.900	0,04
Communication costs	2.461.393,00	0,13	7.669.813	0,79
Additional work	673.449,00	0,04	4.056.684	0,42
Marketing agency cost	12.524.261,00	0,66	212.356.648	21,76
Equipment	1.644.700,00	0,09	1.600.000	0,16
Public opinion polls	11.183.548,00	0,59	1.994.200	0,20
Other	8.705.704,00	0,46	3.437.262	0,35
Total	1.907.779.311,00	100,00	975.800.124	100,00

In the reported campaign spending, the largest category (by far) is for TV advertising (77%). The costs of advertising on billboards and all expenses related to the organization of public events (meetings, conventions, conferences, street promotions) are of similar size (around 6%). Ads in printed media accounted for 3% of the expenses and all other categories, from the verification of signatures to the lease of premises, printing leaflets and posters, advertising on radio and the Internet to public opinion research and communication costs, together amounts to 9%.

This data leads to a conclusion that –the advertising on TV or other media is the essential part of campaign financing, and/or the participants in the elections were more honest in respect of these expenses, because the cost for something that was so visible was much harder to hide. It is also quite probable that our monitoring and press statements from April and May 2012, and presentation of high costs of TV campaigns according to the official price-lists influenced election participants to report high costs of such advertisements, even if some of them complained (with no ground) that our estimations were exaggerated.

Substantial increases in reported costs of the campaign compared to earlier elections are clearly associated with an increase in budgetary investments for this purpose. However, besides this factor, the fact that the **law no longer recognizes any limitations in terms of campaign expenses** probably had an impact. The introduction of such limitations for all or some expenses would not be contrary to European standards and will certainly ensure (if determined on a reasonable level and if the holders of public functions should not be privileged in public promotions such as now) that the participants in the elections do not run campaigns beyond their financial capability, thus increasing the risk of dependency of financiers and the of abuse of public resources. If there is a possibility to choose an expense that should be limited, by all means, it would be advertising on TV stations, since these costs dominate.

In the absence of legal restrictions, the RBA (RRA) Instructions had a certain role in limiting the “leased time slots”, i.e. the amount of time that can be rented by participants in the campaign daily for their paid promotion. However, this limitation concerns the leased time slots, not the price, so TV stations were allowed to sell their advertising time at any price (as long as it is equal for all election participants). As a result, TV advertising costs significantly increased (in 2007 it was about 60% of the costs associated with making video spots) and the share of all other types of costs (of ones that could be compared, since the reporting form was different) has decreased.

Other types of expenditure were also indirectly limited by the availability of resources. For example, political billboard campaigns, although consuming most of the available resources and almost all of them in the final weeks of the campaign were limited by the number of billboard places (even if the number increased during the campaign).

When estimating expenditures that are not reported, there are several “usual suspects” or suspicious areas, based on the presented information:

1. Expenditures of vote-buying, whether direct (bribing of people to vote for certain lists) or indirect (providing various resources from public funds, employment in public service etc.).
2. Expenditures related to the buying of media influence: out of purchased media advertisements, it includes biased reporting of media, opportunities to present a party or a candidate in an informative or entertainment program, through “neutral” analysis etc.
3. Public promotion of lists and candidates paid directly from public funds and accounted as a regular promotional or other work of public institutions and their officials.
4. Expenditures related to volunteer work of party members and other supporters, e.g. in organizing public events, posting posters, distribution of leaflets and other material.
5. The support of various famous people from Serbia and abroad to the campaigns, taking various forms (e.g. calls to vote for a certain list or candidate, participation in rallies or joint promotional actions) and may have various forms of kickbacks on expenses of public resources.
6. Expenditures paid directly by donors or not invoiced by service providers.
7. Direct use of public resources, such as the work of civil servants and officials for the campaign purpose, using government or public enterprise vehicles etc.
8. Direct use of funds received for regular party financing, if it was possible to account it there (e.g. renting of premises, paying of employees and associates, printing etc.).
9. Direct use of other organizations’ funds, such as NGO’s for the purpose of campaigning that is not included in reporting.
10. Costs paid in cash.

11. Costs related to anonymous anti-campaigns (posters and leaflets, mostly printed against opponents Democratic Party and URS, suspected, on the basis of content to be financed by SNS, but without signature marks of any party and a counter-campaign against SNS).
12. Costs that occurred before the official beginning of the electoral campaign (e.g. billboard campaign of URS).

On the other hand, it is probable that some false expenditure was reported as well:

1. Cost of previous campaigns' debts (for example, Belgrade city TV, STB informed us about outstanding debt of four parties (26 million RSD) from previous elections).
2. Where the amount of real costs was insufficient to spend all money received from the budget.
3. Costs related to another election process, where no sufficient amount of money exists.

In the following chapters, we would present information at least indicating that some of the above mentioned irregularities occurred.

Presidential elections

As presented in Table no. 8 and in more details in Annex no. 3, for 11 (out of total of 12) analyzed campaign finance reports¹¹, the value of the total reported costs of the presidential election campaign is **975.800.124** RSD. Even with consideration that the value of the dinar has fallen, this is almost twice the amount it was in the presidential elections held in January 2008, when total reported costs were about 500 million dinars, and four times more than 170 million RSD reported for the presidential elections in 2004.

According to this information, around 54% of expenditure was used for TV campaigns, 22% for "other marketing agency costs", 7% for printed media advertisement, 7% for billboards, 3% for public events and 7% for all other expenditures. At first glance it may seem that the structure is significantly different from the one presented for the parliamentary elections. However, the difference is not significant in reality. The "other marketing agency costs" category refers almost entirely to the TV campaign of SNS for their winning candidate Tomislav Nikolic, which was wrongly presented in that column. With that correction, small differences remain in favor of the printed media and billboard advertisements in comparison to the parliamentary elections.

Smaller overall expenditures for presidential elections might be the consequence of several factors:

- Smaller number of participants, which did not have significant effect, as costs of lists without presidential candidates (NOPO, Montenegrin Party, Reform Party, Communist Party, Albanian Coalition, SDA) were not high in comparison to the overall cost
- Lower interest of all parties but two for the presidential campaign, as it was assumed that the winner would be either Boris Tadic or Tomislav Nikolic

¹¹The report for presidential candidate Muamer Zukorlic is either not submitted at all or not published on the ACA web-site.

- Later starting date of the presidential campaign and lack of preparations due to the sudden decision of Boris Tadic to resign from the post, which might also be the explanation for the much greater share of budget funds in the overall structure of reported income

Other remarks, already mentioned in the context of parliamentary campaign costs are relevant for presidential elections as well. Some issues that can be added are:

- Parties that had presidential candidates, except those fighting in the second round (SNS and DS), generally tended to report lower costs of the presidential campaign (i.e. to shift part of the costs related to the presidential campaign to the account for parliamentary elections) as they received less funds for that purpose from the budget
- Promotion of party leaders that were at the same time presidential candidates was accounted either in the parliamentary or in the presidential elections' report, based on available funds and a lack of a clear distinction of two election types

12. Comparison of reported and monitored costs – TV

Knowing from previous election monitoring that TV campaigns would be the most significant expenditure type, we paid special attention to these costs. We collected precise information about the amount and regular cost of advertisements on major TV stations in Serbia. Furthermore, we collected information about advertising on several regional and local TV stations, in particular those being publicly owned. Finally, we collected information about officially published discount rates on major TV stations and special discount lists if published for the purpose of the electoral campaign. All this data provided us a solid basis to make comparisons with what election participants reported to the ACA.

An important factor for the monitoring was that in accordance with RBA Instructions, broadcasters should only publish ads related to the area they are covering (have broadcasting license for). This means that local and regional broadcasters were obliged to broadcast local and Vojvodina province elections ads only and not those related to the presidential and parliamentary elections. However, the Instructions were not entirely clear in that regard, and political parties were not obliged to follow it. So, if some party actually advertised its presidential candidate on local media, it might be a violation by the broadcaster, but not by the party itself.

However, there were some obstacles to monitoring. The ACA formulated an electronic version of a reporting form in the way that does not allow for changes of important fields – name of media where an ad was broadcasted, while it defined in its Rulebook that information about service providers should stay hidden. Another obstacle for comparison is the fact that some parties failed to disaggregate data of TV advertisements so it could not be compared on media basis, but only reported general amounts.

The data electoral participants provided regarding spending on TV advertisements are significantly different in various and unexpected ways from the estimates that TS made and published in the period after the elections. The last estimation that TS published included the price for advertising with maximum discounts that TV stations provided and includes advertising on the national frequency broadcasters, Vojvodina RTV and STB. Given that the parliamentary and presidential elections were held simultaneously, and that there are still no clear criteria for the classification of campaign spending between these two types of elections, we will be analyzing information on advertising on both of these types jointly.

Table no. 7 Comparative expenses of advertisements for elections by parties

List	Total/ TS estimate	Total/parties reports	Difference
Choice for Better Life (Za bolji život)	599.256.435	563.289.835	-35.966.600
Let's Move Serbia (Pokrenimo Srbiju)	203.005.822	343.859.454	140.853.632
SPS/PUPS/JS	72.586.110	152.770.491	80.184.381
DSS	46.368.002	68.356.879	21.988.877
URS	389.965.521	437.077.608	47.112.087
Upheaval (Preokret)	199.060.788	214.693.053	15.632.265

SPS	43.397.700	76.630.274	33.232.574
Dveri	16.674.600	29.368.688	12.694.088
SVM	0	4.684.420	4.684.420
PRS	21.675.600	81.191.627	59.516.027
SDS	6.831.300	9.556.264	2.724.964
total	1.598.821.878	1.981.478.593	382.656.715

It is visible from the table that the TS calculations were more modest than those shown by the parties in their reports, in all cases except for the list of Choice for Better Life (Izbor za bolji život), where we estimate that the presidential and parliamentary campaigns spent about 5% more than what was reported by this party. The differences are especially large in a relative sense in the campaigns of Let's Move Serbia (Pokrenimo Srbiju), SPS - PUPS - JS, PRS, DVERI, SVM and SRS, while significant in the absolute sense but less significant in percentage for URS and Upheaval (Preokret) (about 11 and 7 percent respectively).

Explanation for these differences could be the following:

- 1) The TS estimation of costs for TV advertisements refers to the price of broadcasting video spots and rented time slots. The reports of the parties contain the costs of production of the video spots, which lead to small increases.
- 2) The lists that have reported higher costs of TV advertising had paid also ads on TV stations other than those covered by the TS monitoring.
- 3) The lists that have reported higher costs of TV advertising had lower discounts than the one that was supposed to be by the calculation of the TS; since we used the published price lists, this could indicate a violation of the rules on enabling advertisement to participants in the elections under the same financial terms.
- 4) Lists who reported higher costs of TV advertising in the financial report next to parliamentary and presidential elections also displayed advertising costs related to the provincial or local elections; since the cost of the campaign must be reported in the reports relating to a particular campaign, inclusion of the "wrong" kind of advertising in the report would be a violation, and thus made the report incorrect.

Since the published expenditure reports do not contain data about on which television video spots were broadcasted, and since reports from the local elections were not fully disclosed, it is currently not possible to find a correct explanation for these discrepancies. However, we made an effort in that sense and established the following findings:

Table no. 8 Comparison of parliamentary campaign finance report data about the number of TV stations where spots were broadcasted with AGB Nielsen original data on broadcasted ads and rented time

No.	Party	Report of political subject		AGB Nielsen information on the number of TV stations involved in advertisement	
		Spots	Rented time	Spots	Rented time
1.	DS	5	5	8	5
2.	SRS	1	1	4	/
3.	URS	? (19)	? (19)	9	5
4.	LDP	3	/	5	2
5.	SNS	?	?	8	4
6.	DSS	5	/	3	/
7.	SPS	11	/	/	1
8.	Dveri	?	?	/	/
9.	SVM	? (13)	? (13)	1	/
10.	PRS	1	/	1	1
11.	SDS	4	/	1	/

This table should be interpreted with some caution. As explained above, we were not able to infer from the campaign finance reports exactly where certain parties broadcasted particular spots or rented time. We inserted in the table information that contains the biggest number of TV stations per individual TV spot/rented term. On the other hand, the “AGB Nielsen” data shows the number of TV stations where certain parties had mentioned the type of advertisement for parliamentary elections. It is still possible, although not very probable by our estimation, that some parties broadcasted one parliamentary campaign spot on e.g. 4 TV stations while another TV spot for the parliamentary campaign on another 4 TV stations.

With the mentioned disclaimers, the following conclusions about possible false reporting may be reached:

- DS did not report campaign spots of parliamentary elections on three TV stations.
- SRS did not report campaign spots of parliamentary elections on three TV stations.
- URS reported parliamentary elections expenditures which are related to local or regional elections, or URS broadcasted parliamentary campaign ads on regional and local TV stations as well.
- LDP did not report campaign spots for the parliamentary campaign on two TV stations and for rented terms on two TV stations.
- SNS did not report campaign spots of the parliamentary campaign on eight TV stations and rented time slots on four TV stations, or SNS reported these costs but did not disaggregate them in the campaign finance report.
- DSS reported campaign spots of parliamentary elections for two TV stations which were broadcasted on local or regional TV stations.
- SPS did not report campaign rented time slots of parliamentary elections on one TV station and did report for such campaigning on eleven regional and local media.

- SVM reported 12 instances on campaigning for parliamentary elections on regional and local TV stations and 13 rented time slots on such TV stations.
- PRS did not report rented time slots campaigning on one TV station.
- SDS reported campaigning on three local and regional TV stations for parliamentary elections.

Besides discrepancies that occur when we observe the Republic elections (parliamentary and presidential) together, there are significant discrepancies in some cases, observed by the type of election, as shown in tables no. 11 and 12, thus indicating the shifting of costs between various campaigns and making financial reports inaccurate. This is particularly noticeable in the following examples:

- the list of Choice for Better Life (Izbor za bolji život) where, in our estimation, some presidential election campaign expenses are included in the report on parliamentary elections;
- in Let's Move Serbia (Pokrenimo Srbiju), where for the presidential election less than we estimated is presented and for the parliamentary much more.
- for SPS-PUPS-JS, SVM and the Dveri, parliamentary TV campaigns have been reported, although we found no advertisement of such kind on national TV stations;
- at the Upheaval, which by our estimate underestimated the cost of its presidential campaign and overstated the cost of its parliamentary campaign ; and
- presidential campaigns of PRS and SDS which we as assessed of being much more modest than they displayed (which in the case of SDS apparently was reported among the costs of the parliamentary campaign).

Table no. 9 Difference in reported and estimated costs of TV advertisements for presidential elections

	Presidential/ estimation of TS	Presidential/reports of political parties	Difference
Za bolji život	326.434.522	207.116.877	-119.317.645
Pokrenimo Srbiju	74.723.620	38.000.000	-36.723.620
SPS/PUPS/JS	72.586.110	38.306.022	-34.280.088
DSS	19.859.942	30.888.847	11.028.905
URS	32.401.815	31.616.783	-785.032
Preokret	84.513.430	47.812.032	-36.701.398
SRS	18.193.800	34.126.792	15.932.992
Dveri	16.674.600	29.100.088	12.425.488
SVM	0	0	0
PRS	4.346.400	60.634.054	56.287.654
SDS	3.012.100	9.280.830	6.268.730
total	652.746.339	526.882.325	-125.864.014

Table no. 10 Difference in reported and estimated costs of TV advertisements for parliamentary elections

	Parliamentary /estimation of TS	Parliamentary/ reports of political parties	Difference
Za bolji život	272.821.913	356.172.958	83.351.045
Pokrenimo Srbiju	128.282.202	305.859.454	177.577.252
SPS/PUPS/JS	0	114.464.469	114.464.469
DSS	26.508.060	37.468.032	10.959.972
URS	357.563.706	405.460.825	47.897.119
Preokret	114.547.358	166.881.021	52.333.663
SRS	25.203.900	42.503.482	17.299.582
Dveri	0	268.600	268.600
SVM	0	4.684.420	4.684.420
PRS	17.329.200	20.557.573	3.228.373
SDS	3.819.200	275.434	-3.543.766
total	946.075.539	1.454.596.268	508.520.729

One of our concerns after the adoption of the Law on Financing Political Activities was that other subjects (e.g. NGOs, firms) would be used for the purpose of campaign financing in order to circumvent the rules. However, it did not happen in these elections, at least not in TV advertising. There were only two TV campaigns broadcasted on monitored media where the advertiser was not one of the election participants. In both cases these were campaigns aimed at greater participation in the elections and the overall value was 15.48 million RSD without VAT and discount. The promotion was paid for by the NGO "Belgrade Fund for Political Excellence" in one case, and broadcasted for free in another. While the message of the campaign was not controversial, the general idea to initiate such a campaign (between two election rounds) might be, in particular since public opinion polls envisaged that the chances of Boris Tadic would be greater if a larger number of voters participated in the second round of elections.

13. Comparison of reported and monitored costs – Press

The cost of advertising in printed media, as we noted, was not large in relative terms and Table no 12 shows the reported spending and the TS calculations which includes **price without a discount, according to the official price lists by most of the Belgrade dailies and weeklies.**

Table no. 11 Comparison of reported costs of advertising in printed media for the parliamentary and presidential elections

Category / name of the party	DS	SNS	LDP	URS	DSS	SPS	SRS	PRS
Parliamentary according to TS	56.422.192	22.346.132	3.162.400	5.760.760	3.469.672	5.427.393	2.258.992	6.079.360
Parliamentary according to parties' reports	33.310.449	0	6.109.656	6.805.030		4.071.000	1.904.992	1.533.782
Presidential according to TS	31.470.502	9.827.635	0	0	1.417.652	0	0	0
Presidential according to parties' reports	63.817.864	0	0	0	5.052.392	0	2.042.285	2.000.000
Total by TS (parliamentary + presidential)	87.892.693	32.173.767	3.162.400	5.760.760	8.522.064	5.427.393	4.301.277	6.079.360
Total by parties' reports (parliamentary + presidential)	97.128.313	0	6.109.656	6.805.030	5.052.392	4.071.000	2.042.285	3.533.782
Difference	9.235.620	- 32.173.767	2.947.256	1.044.270	- 3.469.672	- 1.356.393	- 2.258.992	- 2.545.578

The table shows that the spending monitored by TS is in most cases higher than what the participants reported. This can in some cases be explained by discounts on the amounts of advertising (e.g. in the case of SPS), which we did not incorporate in the calculation. However, the discrepancies are significantly higher in the case of SRS, PRS and DSS, and in these cases the discounts would need to be close to 50% in order for these reports to be credible. The biggest difference can be seen in the coalition around SNS, where advertising in printed media was not reported at all, and according to our data, such ads were placed with an overall value of over 30 million dinars for the parliamentary and presidential elections.

On the other hand, some lists have reported more expenses related to print media than we monitored (DS, LDP, URS). This could be explained by the fact that they advertised in daily and weekly newspapers that were not included in our sample. However, it is impossible to make a definitive judgment since the media outlets in which the parties advertised are not visible in the reports.

14. Comparison of reported and monitored costs – Billboard

Billboard advertising was reported as the second biggest expenditure item for both the presidential and parliamentary campaigns. This is in line with the Transparency Serbia evaluation of campaign costs. However, there are differences between what TS observed and what the parties reported. We found problems when attempting to compare the official reports on billboard campaigns. For TV and press campaigns, the problem was the hiding of service providers' names. Here, the problem was different. Parties were expected to itemize expenditures (renting, printing, design) relating to the each billboard ("billboard no. 1, no. 2 etc."). This could be interpreted in two ways – that all billboard types should be included, using their size as criteria, or to itemize all billboards on the basis of the picture/message on it. The second option seems more reasonable, but some combination could also be possible (e.g. same picture/message, various billboard formats). Another obstacle for monitoring was the possibility of assigning specific billboards in various categories (e.g. billboard with the photo of the party leader who was at the same time presidential candidate could be both a parliamentary and a presidential campaign billboard; having in mind that party slogans were the same on the local level, it could be interpreted as local campaign promotion as well).

The number of billboards in Serbia is estimated to 5,600 "faces" (one billboard may have "faces" on both sides or even three faces on one "roll"). There are also more than 1,000 city lights (small illuminated billboards, posted on electricity pillars). More than half of the overall number was in the city of Belgrade. The exact number could not be determined as there is no organized monitoring. Official license information, issued by city authorities proved irrelevant – for example, the city of Belgrade, has around 1,000 billboard places according to the licensing plan, i.e. no more than 2,000 faces, while the actual number is around 3,100. The rest of the billboards are almost equally distributed between the Vojvodina province and the rest of Serbia.

Transparency Serbia succeeded in covering a sample during 8 campaign weeks that included around 30% of the Belgrade city sample and 9% of the rest of country. It should be noted that the billboard campaign began before the official election campaign. It was in particular used by URS and SRS, but also to a smaller extent by several other political subjects. Legally speaking, the campaign of URS was not a campaign of the coalition participating in the election but of the NGO registered with the same name, while the SRS campaign was officially signed by the Committee for the Defense of Vojislav Seselj (chair of SRS).

The campaign intensified over time. As shown in table no. 14 it included around 1/3 of all billboards at the beginning of our monitoring, increased to more than 70% in the last two weeks of the parliamentary and local campaigns, and fell back to one third during the two weeks of the second election round.

Table no. 12 Political campaign vs. overall number of billboards in Belgrade city

	Overall number of faces on observed territory	No. of political billboards
first week	863	285
second week	933	435
third week	1007	574
fourth week	1080	656
fifth week	991	713
sixth week	948	671
seventh week	948	332
eight week	948	323
	7718	3989

Based on the monitoring sample, information about usual unit prices for printing and posting of various billboard types, information about prices in bigger and smaller cities, and information about usual discounts (we calculated it at 25%), we were able to roughly estimate the value of the billboard campaign of various political subjects. As the sample differs, the information is presented separately for Belgrade and other cities (in annex)

As the distinction between two election types was not always clear, we treated these costs jointly in this analysis. The value of the presidential and parliamentary campaigns vs. other types is also estimated and not exact. The percentage is not the same for all parties, but based on what we observed in the sample for Belgrade and other cities; to which extent the campaign was “localized” or centralized, with the messages dominantly oriented to promote presidential candidates and parliamentary lists. Generally, cities in Vojvodina had a greater share of other campaign types, due to provincial elections, but the situation was similar also in other cities with strong local leaders. However, it should be treated with due caution as the sample might be biased in various ways (e.g. some parties campaigned more in cities covered by the sample and some less, due to their priorities and strength of local branches).

Table no. 13 Comparison of billboard campaign costs

List	Report pres. el.	Report parl. el.	Total reported RSD	Reported EUR	TS estimation all elections EUR	TS estimation pres. and parl. el. EUR	% of coverage of estimation in reports	Discrepancy in EUR
SNS	7.680.000	0	7.680.000	67.965	1.309.672	654.836	10	-586.871
DS	33.065.540	19.262.815	52.328.355	463.083	1.106.853	553.426	84	-90.344
SPS	1.541.912	14.781.630	16.323.542	144.456	254.311	190.733	76	-46.277
DSS	1.746.161	15.146.075	16.892.236	149.489	393.181	216.249	69	-66.761
URS	13.649.580	17.766.180	31.415.760	278.016	684.157	342.079	81	-64.063
Preok.	3.444.774	30.546.818	33.991.592	300.811	381.026	285.770	105	15.041
SRS	2.660.052	8.382.156	11.042.208	97.719	206.858	144.801	67	-47.082
DVERI	1.329.241	2.060.869	3.390.110	30.001	50.938	35.657	84	-5.656
SVM	0	1.717.582	1.717.582	15.200	45917,7	18.367	83	-3.167
Total	65.117.260	109.664.125	174.781.385	1.546.738	4.432.914	2.441.918	63	-895.180

All but one party reported lower billboard costs than our estimation of spending in this category, which strongly indicates underreporting. Some other reasons could possibly explain the discrepancy level in part – that parties obtained greater discounts than the ones we incorporated in our calculations (i.e. more than 25%); that printing costs were lower; that some costs were transferred and paid from local campaign budgets, which are not currently available. While for almost all parties discrepancies from our estimation might be perhaps explainable with the above mentioned disclaimers (i.e. that parties reported between 67 and 84 percent of what we estimated they should have), the discrepancy in the case of SNS could not be interpreted in any other way except that their billboard campaign cost was underreported. Even if we overestimated their campaign by one third, there would still be more than 400,000 EUR of unreported costs.

15. Comparison of reported and monitored costs – Public events

TS monitored the costs of organizing public events (rallies, conventions, etc.), and it is interesting to compare the data we obtained with that presented in the financial reports. The reporting form asked political subjects to disaggregate costs by type (i.e. rallies, conventions, conferences, other) and per category of expense (e.g. rent of space, transport etc.). As a result we established the following main findings:

- None of the parties reported within the public events expenditures separately costs related to the visits of their representatives to various cities during the campaign, meetings with citizens and similar activities.
- SNS did not report any spending on public events, although it organized several large-scale events within its presidential/parliamentary campaign.
- We identified underreported costs of supporters' transportation to the rallies and conventions for all major lists/candidates except LDP
- We identified discrepancies for all major lists/candidates in prices presented in finance reports with information we obtained from premises renters.

Overall, parties reported the following:

Table no. 14 Public events in reports of list for parliamentary elections

List	Rallies	Conventions	Other	Sum of public events
Let's Move Serbia / SNS	0	0	0	0
Choice for Better Life / DS	7.399.636	764.200	694.813	8.858.649
SPS PUPS JS	0	39.470.667	0	39.470.667
DSS	3.632.903	1.154.760	329.910	5.117.573
Upheaval LDP	1.763.056	1.134.501	5.727.776	8.625.333
URS G7 Plus	10.323.601	9.449.929	71.390	19.844.920
SRS	18.257.901	35.400	0	18.293.301
DVERI	23.681	0	3.319.672	3.343.353
SVM	0	0	1.068.573	1.068.573

PRS	86.244	0	0	86.244
SDA	2.136.414	264.999	760.952	3.162.365
SDS	0	0	0	0
KAPD	371.615	0	129.736	501.351
SZ	65.000	0	423.080	488.080
NOPO	0	0	0	0
Total	44.060.051	52.274.456	12.525.902	108.860.409

Table no. 15 Public events in reports of presidential candidates

Nominator of candidate	Rallies	Conventions	Other	Sum of public events
SNS T Nikolic	0	0	0	0
DS B Tadic	2.514.933	11.805.954	158.700	14.479.587
SPS I Dacic	0	638.080	0	638.080
DSS V Kostunica	50.000	658.700		708.700
URS Z Stankovic	0	0	0	0
LDP C Jovanovic	3.321.684	94.400	26.391	3.442.475
SRS J Seselj	9.357.148	0	0	9.357.148
DVERI V Glisic	4.204.381	0	67.302	4.271.683
SVM I Pastor	0	0	0	0
PRS Z Dragisic	86.244	0	0	86.244
SDS D Grujicic	0	166.000	0	166.000
Total	19.534.390	13.363.134	252.393	33.149.917

The first question is whether political subjects reported the expenditures of their campaign activities within this category. Although definite answers depend on the analysis of local campaign reports costs as well (as costs of public events could be accounted for there), it is safe to say that some events were not. It is easiest to draw the conclusion regarding the second election round for the presidential elections, where no local elections costs could be incurred. For example, SNS held a

convention in Belgrade in Sava Center on May 14th, organized a series of protests between two election rounds, a discussion in Belgrade in Dom Omladine on May 10th, and a visit of the presidential candidate to Stara Pazova on May 8th. However, SNS did not report costs of any of these activities in its presidential campaign finance report. DS did not report costs for some of its activities during the same period, such as a visit of the presidential candidate to the scientific park in Zvezdara; a visit to Novi Sad and various other cities in Vojvodina on May 12th (this may have been reported in the Vojvodina province report); street action of the Democratic Youth “Let’s move investigation” held in Belgrade on May 10th; a visit to Bor and other cities on May 9th; a visit to Jagodina and other cities on May 8th, and visits to Pancevo and Kovacica on May 7th.

Among the reported expenditures (for the six major lists and candidates – DS, DSS, SPS, LDP, URS, whereas SNS reported no cost of public events whatsoever), the dominant costs are organizational – 25.1 million RSD for a total of 99 events. The second highest costs are technical – 18.39 million RSD, then transportation with 16.29 million RSD, renting of premises with 11.86 million RSD and other with 4.54 million RSD.

DSS, according to data collected in monitoring, rented 8 premises in the period of the election campaign. For gatherings in Belgrade in Sava Center, Cacak, Prijepolje and Uzice, the sum reported by the party is the same as the figures we obtained, while slight differences occur in the case of renting Hala Sportova in Novi Beograd for a convention. On the other hand, small expenditures for premises renting in Raska and Jagodina were not reported at all (10,900 RSD in total) while expenditures were reported for the gathering in Kraljevo (while we received information that it was free of charge). For URS, out of the 8 events for which we had other sources of information about renting of premises cost, “exact matches” are found in the cases of Uzice, Pancevo, Vranje and Prokuplje. For the Novi Sad event, the reported rental costs were three times higher than our information, costs were reported for Kraljevo, while we have information that it was made available for free, and no costs were reported for Zrenjanin and Bojnik, while the sum of these was 27,600 RSD according to our information.

For DS, in the sample of 15 events for which we had information about the cost of premises, we found no information for the parliamentary and presidential election campaigns, for the Cacak, Raska, Bojnik, Jagodina, Sombor, Kraljevo, Subotica, Nova Varos, and Kostolac gatherings (some of them might be reported in local campaign reports) at a total value of 94,000 RSD. Reported costs are similar to our information in the cases of two Novi Sad events and the Belgrade Arena, and there is an exact match in the case of Uzice. In Prokuplje, no renting cost is reported while we have information of about 6,000 RSD and for the Belgrade Sava Center, where costs of renting were significant (120,360 for March 21st event, 40,120 for May 10th event plus 540,000 for food and drinks) we found no trace in the parliamentary and presidential campaign reports.

SNS did not report for premises renting in the Novi Sad Master Center – 15,000 RSD, for Prokuplje Sokolski Dom (3,000 RSD paid in cash), for Prijepolje Culture House 15,000 RSD, Raska Culture House 11,800, Kragujevac Sports Center 100,000 RSD, Uzice Peoples Theater 48,375 RSD, Nova Varos Culture House 8,500 RSD, and Belgrade Sava Center 765 thousand RSD (related to the events held on April 27th April 30th and May 15th).

For LDP, out of four premises for which we have exact amounts, no information is presented in the reports for Raska, Uzice and Nova Varos events as well as for the Sava Center Belgrade conference. While other expenditures might be covered in what LDP presented as the caravan of truth in various

Serbian cities, the cost of Sava Center renting and additional services on March 25th is 528 thousand RSD. For SPS we found the exact data about the rental of premises for 13 public events. There is an exact match in price with what SPS reported in Prokuplje, Uzice and Nis, while differences for the Belgrade Arena and Vranje Sports Hall might be explained in presentation of VAT. However, there is no information about costs of renting of the Novi Sad Master Center, Petrovac na Mlavi Sports Center, Raska and Zrenjanin Culture House, Kikinda Sports Center, Sombor City Hall Mostonga, Pancevo Hall Mladost, and Belgrade Sava Center gatherings (April 19th, May 9th, total of 208.5 thousand RSD).

Another cost we tried to track during the campaign was the cost of transportation for participants of meetings and conventions. We compared our monitoring results with what was reported and identified the following major cases where transportation costs (buses transporting supporters from other cities to the rally) were not reported at all or being seriously underreported:

- DS: final convention of presidential candidate in Novi Sad, SPENS; Prokuplje rally on May 6th; Novi Sad rally on April 30th.
- SNS: Belgrade rally on April 28th; Promotion of list in Novi Sad.
- SPS: promotion of coalition in Novi Sad, April 28th.
- SRS: Final rally in Belgrade, May 3rd.
- DSS: rally in Sports Hall, New Belgrade; final conference in Sava Center, May 2nd.
- URS: convention in New Belgrade Bell Expo Center; convention in Prokuplje, April 23rd; convention in Vranje Sports Hall, April 10th.

16. Recommendations for reform

The monitoring findings indicate that significant action has to be taken by various public institutions to control irregularities of election campaign financing. Further legislative reforms are also necessary to prevent mistakes and abuses in the future.

Recommendations for actions of public institutions of the Republic of Serbia

Anti-Corruption Agency (ACA)

1. To publish electronic versions of election campaign finance reports instead of scanned paper copies, so data could be further searched by interested citizens
2. To publish information that is currently hidden (names of media that parties advertised on)
3. To file misdemeanor procedures against parties that did not submit reports for some election processes at all, even before going into more in-depth control of campaign finance reports
4. To file misdemeanor procedures against parties that did not publish names of their bigger donors on their web-sites
5. To ask for reports to be properly verified (stamped) by all coalition members in cases where such verification is missing
6. To ask for additional information from the parties that presented only a summary of their expenditures in certain categories and had not properly disaggregated data (e.g. summary of all TV advertisement costs and not disaggregated per service provider/type of expenditure), and to publish that information in addition to the official financial report of the party/coalition/citizens' group
7. To invite all persons that have information that some participant in the elections did not report all income or all expenditures or that the law was violated in another way to share their findings with the ACA in a confidential manner
8. To publish results of ACA's monitoring of election campaign expenditures
9. To ask for cooperation of other bodies in the context of campaign finance reports' control, including: the Tax Administration (e.g. to check income of persons indicated as bigger donors of the campaign), the RBA (equality of conditions for media advertisement), the Police (e.g. information about vote-buying), public enterprises and municipalities (e.g. providing of premises for free) etc.
10. To monitor whether loans used to finance campaigns are repaid in accordance with loan contracts, and the source of income from which such repayments were financed; to publish that information and to initiate sanctioning procedures in case the loan is repaid from budget funds aimed for regular party funding
11. To follow whether campaign debts are paid after the campaign, and the source of income from which such repayments were financed; to publish that information and to initiate sanctioning procedures in case the loan is repaid from funds aimed for regular party funding, or if the debt is canceled.

Republic Broadcasting Agency

12. To make findings of their monitoring of regional and local media publicly available
13. To collect information from the broadcasters about paid advertisement, discounts and other financial terms of contracts in order to check whether all participants in the elections were provided the same financial conditions as RBA laid down in the General Instruction, and to share the received information with the ACA and the public
14. To issue instruction to broadcasters related to the payments for broadcasting that is still pending, in cooperation with ACA

Police/Prosecutor's Office

15. To invite citizens to report vote-buying and promise making
16. To investigate all cases where abuse of public office or public funds was suspected
17. To investigate all cases where vote-buying was reported or indicated
18. To inform the ACA about its findings, in the context of ongoing control of financial reports

State Audit Institution

19. To include in its audit program for the 2012 budget audit expenditures related to the public promotion of government ministries, municipalities and public enterprises, and any other increased expenditure that occurred during the campaign process

Parliamentary Committee in charge of the fight against corruption

20. To discuss the annual report of the ACA for the year 2011 as soon as possible and to declare its support to ACA's work in the thorough control of electoral campaign finance reports

Recommendations for legislative changes

Constitution

21. To consider linking the verification of MP mandates procedure with the submission of complete reports on electoral campaign revenues and expenditures; currently, parties hiding their campaign income and expenditures could be penalized financially but they would still have power in parliament

Law on Financing Political Activities

22. To establish clear rules on whether the law sets an exhaustive list of bans while any other behavior is allowed, or whether the law sets permitted behavior in electoral campaign finance while any other behavior is forbidden
23. To regulate "third party" electoral campaigning
24. To decrease the level of budget funding for campaigning, in particular for situations where several electoral processes are ongoing simultaneously
25. To provide clear rules for situations where several electoral processes are ongoing simultaneously in the area of bookkeeping and reporting
26. To regulate more clearly the distinction between election campaign financing and financing of the regular work of political parties

27. To regulate mandatory elements of loan contracts for the purpose of campaign financing (loan to be repaid by the time that election participant submits its campaign finance report)
28. To excuse some types of volunteer work of party members/supporters from duty to report “free services” (e.g. posting of posters, distribution of promo – material)
29. To define clearly whether providing of election bonds should be treated as a service to the party and who could provide such a service (gift if service is free of charge)
30. To limit expenditures and collection of funds to the period of election campaign only, with the possibility to pay invoices submitted until election day, no later than the reporting date
31. To define more clearly the tasks of the ACA in the process of control of campaign finance reports and deadlines to perform such control
32. To clearly regulate when the ACA has the duty to file misdemeanor procedures and when “warning measures” could be issued
33. To redefine criminal offences and to transfer them to the Criminal Code
34. To establish misdemeanor liability for coalition and citizen groups (now only registered political parties are liable)
35. To provide sanctions against violations of all paragraphs of Article 12 of the Law and (forbidden sources of income) and violations of Article 24, paragraphs 1 and 2 (using the campaign finance account for other purposes and failure to open a separate bank account for campaign financing)
36. To clarify provisions related to the denial of public funds to parties sentenced for violation of rules

Rulebook of the ACA

37. To erase the rule providing that information about firms providing services to campaign participants are exempted from publication
38. To regulate as mandatory the duty to provide information about the date of each donation

Law on media ownership transparency (not existing now)

39. To lay down the duty of the media to publish information about their income related to the electoral campaign funding and their income from public institutions (advertisement, subsidies)

Other media regulation

40. To establish the duty of the RBA to check whether media enabled political campaigning under the same conditions to all parties

Budget system law and other budgetary rules

41. To provide rules that would limit expenditure level, commitments and loans in the period of election campaign and explicitly forbid any form of PR costs of budget beneficiaries in that period
42. To provide for mechanisms to ensure that funds for electoral campaign financing and funds for the control performed by the ACA are ensured in percentages laid down in the Law on Financing Political Activities

43. To provide for pro-active publishing of campaign finance information possessed by the Ministry of Finance (distribution of budget funds for campaign, information about election bonds)

Anti-Corruption Agency Law

44. To regulate clearly that public officials standing as candidates or as officials of a political party running in the elections are not allowed to have promotional activities in any form during the campaign

Electoral legislation

45. To provide rules that parties/coalitions/citizen groups' lists or candidacy may be pronounced only if they submit proof that a campaign finance account is opened, responsible person nominated and coalition/e.g. contract verified

Criminal Code

46. To redefine the criminal offence of "active and passive bribery related to the voting" in order to make possible to sanction all participants in organized vote-buying, and to align terminology with electoral legislation

Misdemeanor Law

47. To provide for longer statute of limitation for misdemeanors laid down in the Law on Financing Political Activities and to enable misdemeanor liability of all political subjects (coalitions and citizens groups)

State Audit Institution Law

48. To clarify further the subject of oversight when political parties are considered and to include some aspects of political party financing as mandatory part of SAI annual audit

17. Main conclusions

The new campaign finance rules introduced through the 2010 Law **brought greater transparency, but the situation is still far from the expectations of citizens and drafters. The results of the legal reforms will depend on the comprehensiveness of oversight to be performed by the ACA and the effects of subsequent sanctioning procedures.** The improvements until now are a consequence of increased budget funding for political subjects, the advent of the ACA, and more detailed reporting forms.

However **Serbia needs a clearer and more comprehensive legal framework for campaign finance** that would include among other things:

- regulations on “third party” campaigning;
- a clear division between various elections’ funding (if they take place simultaneously) and a clearer division between regular party funding and campaign finance;
- improved provisions regarding campaign loans and their repayment;
- greater transparency during and after election campaigns;
- defined duties and more clearly defined authorities of the ACA in the control process;
- redefined criminal offence of illegal party financing and vote-buying;
- a media ownership transparency law;
- stricter duties of the RBA and SAI in the control process
- link of campaign finance rules with electoral legislation;
- mechanisms for money allocation in budget rules; and
- prohibition of promotional activities of public officials/election candidates in their official capacity during the campaign

Both the findings of our monitoring and the official campaign finance reports indicate that this was the **most expensive campaign Serbia has ever had**. The state budget was the dominant source of income. However, it should also be noted that for almost half of the reported expenditures (loans, committed services) **the ultimate source of income is still unknown**, which hinders transparency. Parliamentary parties with unpaid services (URS, LDP) would probably have to violate the law when re-paying. Tycoon financing is still largely suspected by the public and in mutual accusations of parties, but bigger businessmen and firms are not listed as donors. This means that one of the aims of the legislative reform – greater confidence in campaign finance reports – is still far from being achieved. The share of the reported private source income (donations, parties’ own funds) is not higher than 15%. On the expenditure side, TV advertisements account for three quarters of all costs, followed by billboards and public events costs.

The reports were published on the ACA web-site 40 days after the elections. **Crucial information for the monitoring of expenditures is hidden** (advertisement media and service providers), due to rigid provisions of the Rulebook and a mistake in the electronic form. While all but one participant in the presidential and parliamentary elections submitted their reports, **key competitors failed to do this for the simultaneously organized provincial (LSV, SNS, URS) and local elections in Belgrade and Novi Sad (DS, SNS, URS)**, which is important for the central government elections as some costs could be accounted for in one or another campaign.

Allowing for limitations in the possibility of data comparison, several violations of rules could be clearly identified or reasonably suspected through our monitoring:

1. Failure to publish bigger donors' names (reported later for campaign finance) in timely manner on parties' web-sites– DSS, URS, SPS
2. Failure to submit unique reports for coalitions (separate report of one coalition member) – Upheaval/Preokret (LDP)
3. Taking campaign loans from state owned banks to finance political parties – DS, URS
4. Failure to report costs of transportation for at least one bigger rally/convention – DS, URS, DSS, SPS; SNS failed to report costs of any public event, including costs of an app. 60.000 people rally in Belgrade
5. Failure to report advertisements in the press, or at least to report it in the proper place – clearly identified for SNS parliamentary and presidential campaigns and suspected in several other cases
6. Failure to report a part of billboard advertisement costs in the proper place – clearly identified for SNS
7. Reasonable suspicion that costs of TV advertisements were partly hidden and/or incorrectly accounted for the campaign they related to (shifting between presidential and parliamentary or other election type) or that TV advertisements were broadcast on regional and local TV stations – DS, URS, LDP, SNS, DSS, SPS

The campaign also included situations where violation of other rules is suspected, including:

1. Violation of RBA rules by enabling presentation of presidential candidates in entertainment programs, tolerated by RBA
2. Abusing of promotional resources of public offices – DS, SPS, URS; in particular noticeable for the campaign of the former president (and just one presidential candidate during the campaign), DS's Boris Tadic, who was invited/enabled to participate in several promotional events organized by public institutions lead by DS and SPS leaders of these institutions
3. Vote-buying, publically known for one case in Novi Sad and suspected in many others; indirect vote-buying (through employment and various other benefits) suspected in many other cases and not investigated

While no large-scale abuse of state financial resources were detected, **public offices were abused in another way – by using all possibilities of promotion through public office**. This was not necessarily done in order to decrease campaign costs, but rather to ensure additional coverage during what are supposed to be neutral parts of news broadcasts. Even if politicians holding public positions usually avoided openly speaking about the elections on such occasions (and thus directly violating the rules from the ACA Law), they abused their power by increasing the intensity of promotional activities during the campaign period by participating in events not related to their scope of work, combining state and party work during the same visit, and by using contacts and cooperation with foreign investors. Overall, it seems that the most important factor that prevented broader abuse of public resources was a lack of budget revenues, not legal prohibitions.

The ACA presented partial information about submitted reports, but it is still not known when the oversight will be finalized. Results of the ACA's own monitoring have not been published and no sanctioning procedure has been initiated until now. The RBA presented results of their monitoring,

including figures of air time of various lists, but no decision or analysis that would influence campaign finance issues have been published yet. There is no information about whether police or prosecution are dealing with any violation of campaign finance or other electoral rules.

Having all that in mind, and in particular given the amount of the identified or suspected violation of rules, further action of the relevant bodies is clearly needed. It is particularly important that the ACA perform its tasks well and makes a **comprehensive overview of the reported revenue and expenditure**, and also seeks to establish what has been hidden. Nothing other than **timely and effective sanctioning of all offenders** could bring substantial changes to the system. A precondition for more effective control might be encouraging witnesses of abuse to share their information with the state oversight body.

Finally, it could be concluded that tight CSO monitoring of campaign finance is still needed in Serbia in order to ensure that the process is independently overseen. Even when public institutions that are not party-biased are performing oversight of campaign finance, they are inevitably limited to their specific scope of work. Furthermore, the public also needs to have independent views of achievements of these institutions.

Annexes

Abbreviations

Political parties, coalitions and citizens' groups

1. SNS- Srpska napredna stranka (Serbian Progressive Party), also used for electoral coalition "Let's move Serbia"
2. DS – Demokratska stranka (Democratic Party), also used for electoral coalition "Choice for a better life"
3. SRS – Srpska radikalna stranka (Serbian Radical Party)
4. URS – Ujedinjeni regioni Srbije (United Regions of Serbia)
5. LDP – Liberalno demokratska partija (Liberal Democratic Party), also used for electoral coalition "Turnover"
6. DSS – Demokratska stranka Srbije (Serbian Democratic Party)
7. SPS – Socijalistička partija Srbije (Serbian Socialist Party), also used for electoral coalition "SPS-PUPS-JS"
8. PUPS – Partija ujedinjenih penzionera Srbije (Party of United Retirees of Serbia), also used for electoral coalition "SPS-PUPS-JS"
9. JS – Jedinstvena Srbija (Serbia United), also used for electoral coalition "SPS-PUPS-JS"
10. Dveri - Dveri za život Srbije (Gates for life in Serbia)
11. SVM – Savez vojvođanskih Mađara (Union of Hungarians from Vojvodina)
12. RS – Reformistička stranka (Party of Reforms)
13. PRS – Pokret radnika i seljaka (Movement of Workers and Farmers)
14. SDS – Socijaldemokratski savez (Socialdemocratic union)
15. NOPO – Nijedan od ponuđenih odgovora (None of the Answers Offered)

Institutions:

ACA – Anticorruption Agency

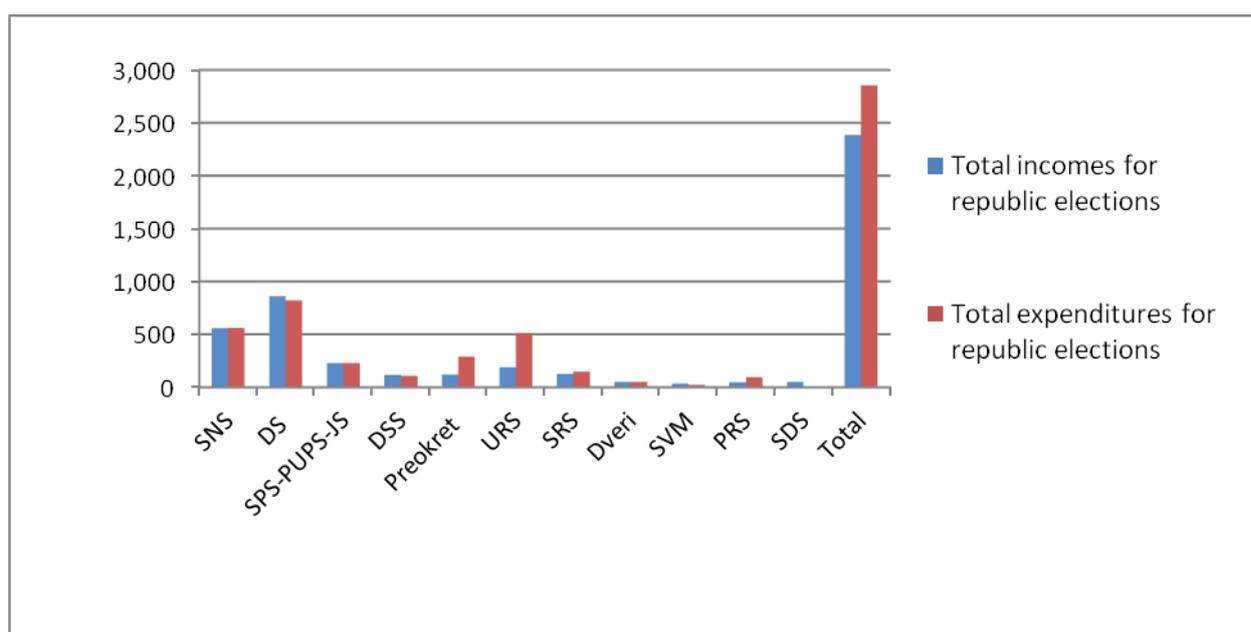
SAI – Supreme Audit Institution

RBA- Republic Broadcasting Agency

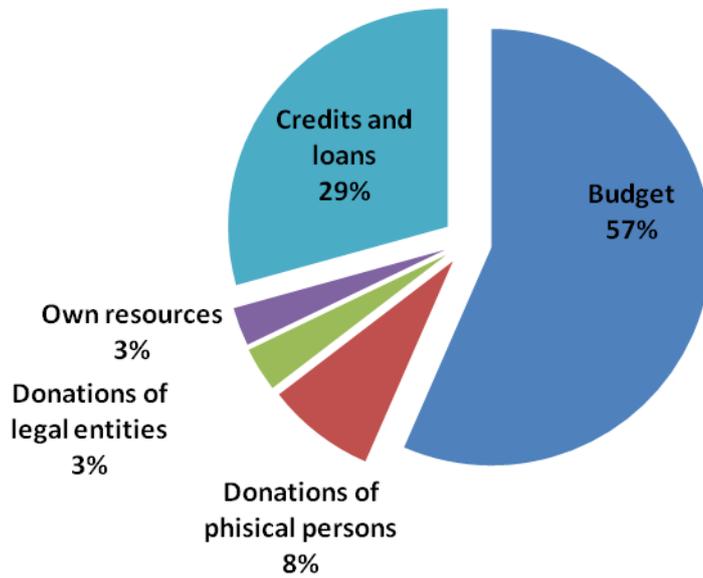
REC – Republic Electoral Commission

Reported income

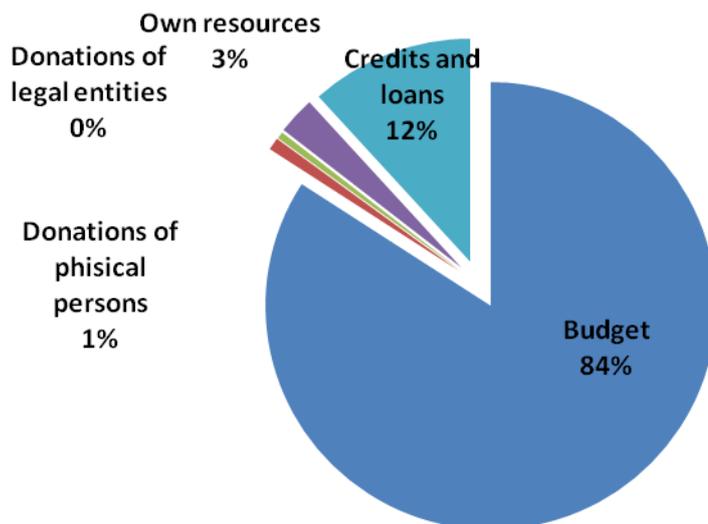
Lists and candidate proposers	Total incomes for republic elections	Total expenditures for republic elections
SNS	560.004.134	562.877.916
DS	861.030.354	820.787.910
SPS-PUPS-JS	228.862.581	229.153.178
DSS	117.515.593	107.212.394
Preokret	121.091.049	289.954.758
URS	189.485.738	513.761.487
SRS	125.515.385	146.880.972
Dveri	50.980.710	51.780.787
SVM	34.427.664	24.070.151
PRS	48.248.885	96.249.355
SDS	49.368.293	11.924.217
Total	2.386.530.386	2.854.653.125



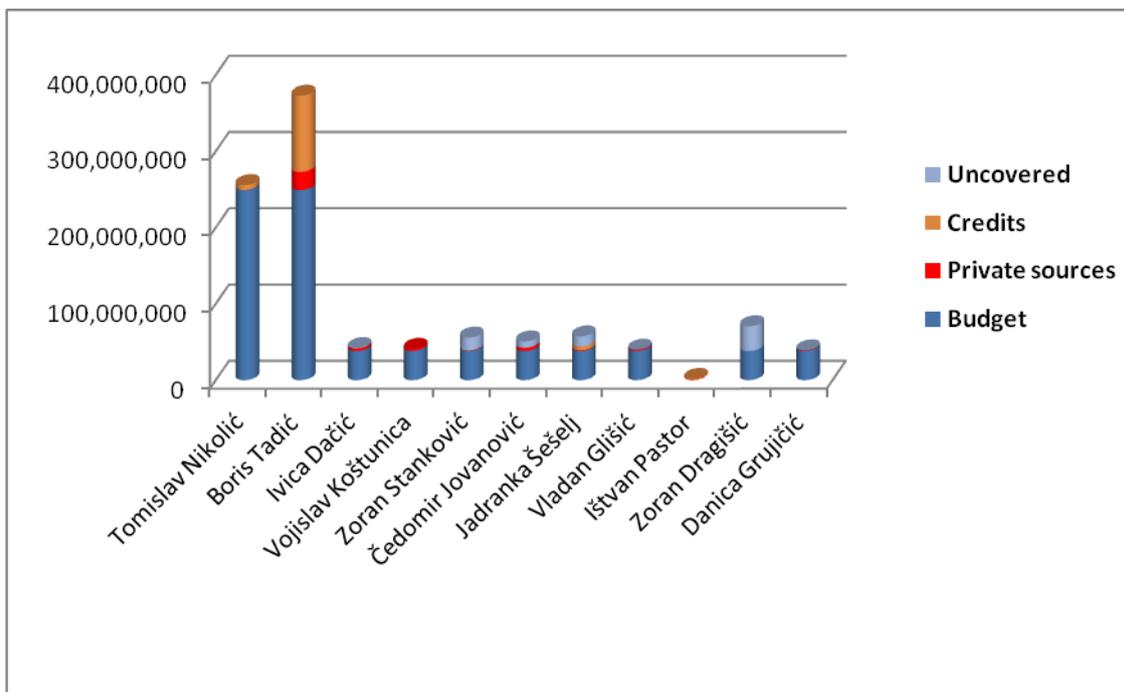
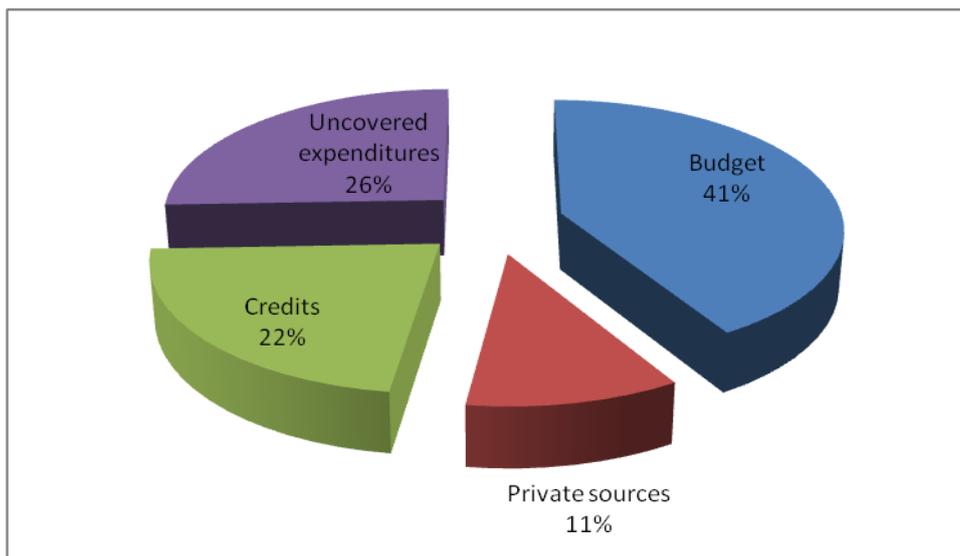
Structure of incomes in parliamentary elections



Structure of incomes in presidential elections

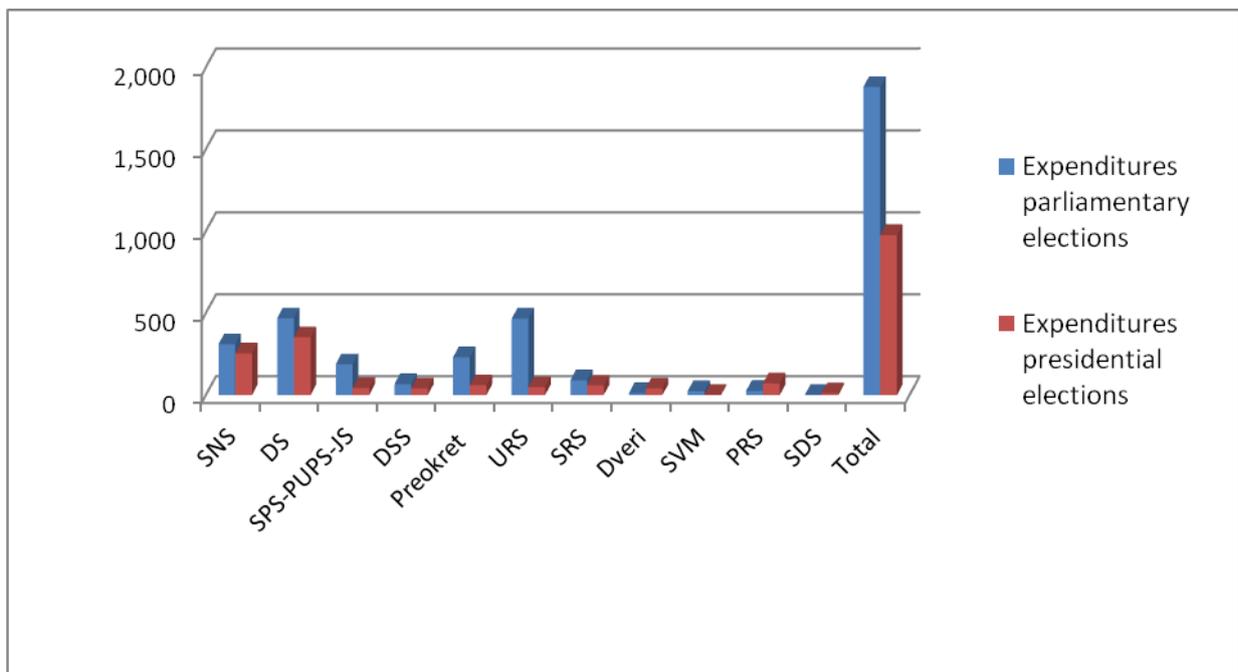


Structure of incomes in parliamentary elections with uncovered costs included

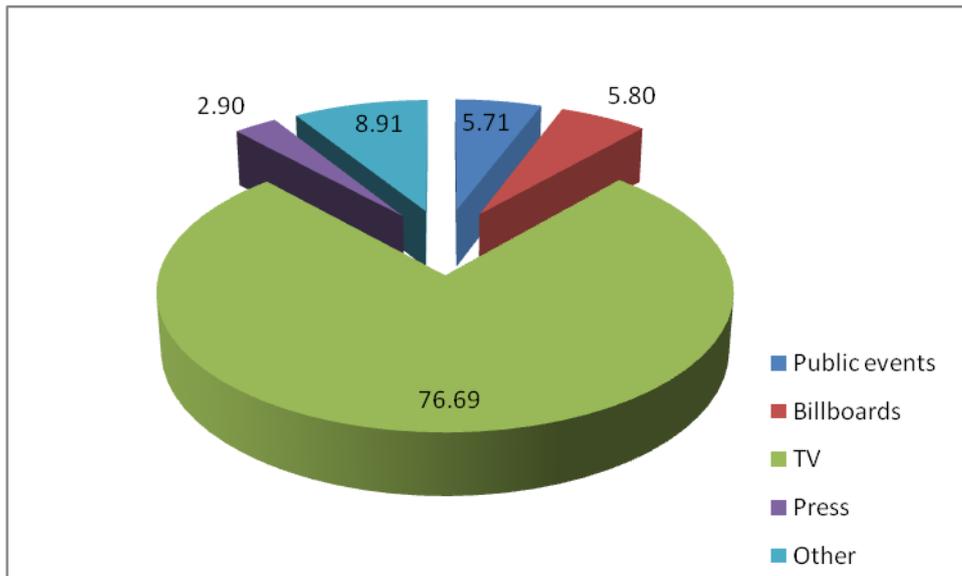


Reported expenditures

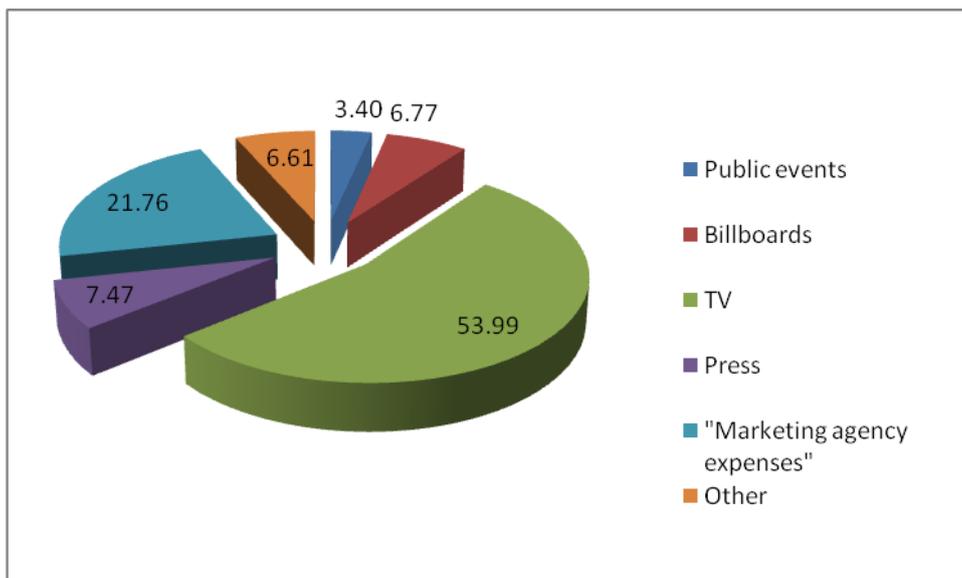
Lists/candidate proposers	Expenditures parliamentary elections	Expenditures presidential elections
SNS	309.069.090	253.808.826
DS	467.878.306	352.909.604
SPS-PUPS-JS	187.045.290	42.107.888
DSS	66.612.689	40.599.705
Preokret	230.620.369	59.334.389
URS	466.339.813	47.421.674
SRS	89.450.683	57.430.289
Dveri	11.810.339	39.970.448
SVM	23.350.161	719.990
PRS	25.516.169	70.733.186
SDS	1.160.013	10.764.204
Total	1.878.852.922	975.800.203



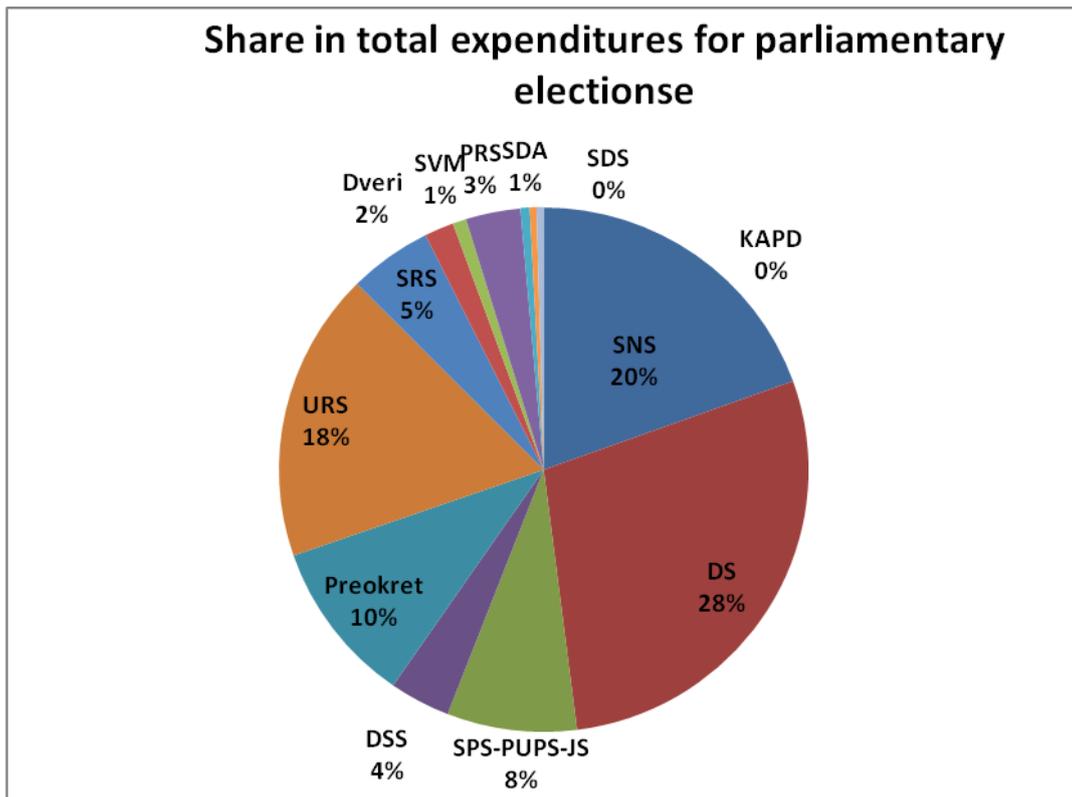
Structure of expenditures in parliamentary elections



Structure of expenditures in presidential elections



List/candidate proposers	Share in total expenditures for parliamentary elections	Total expenditures
SNS	19,5	562.877.916
DS	28,5	820.787.910
SPS-PUPS-JS	7,9	229.153.178
DSS	3,7	107.212.394
Preokret	10,1	289.954.758
URS	17,8	513.761.487
SRS	5,1	146.880.972
Dveri	1,8	51.780.787
SVM	0,8	24.070.151
PRS	3,3	96.249.355
SDA	0,6	16.258.575
SDS	0,4	11.924.217
KAPD	0,4	12.667.823
Total	100	2.883.579.523



“Value of votes”

Value of vote in presidential elections

		Reported expenditures' amount (RSD)	Number of votes per candidate	Value of individual vote (RSD)
1 .	Boris Tadić - Izbor za bolji život	353.103.607	989.454	357
2 .	Tomislav Nikolić - SNS	255.808.826	979.216	261

Value of vote in parliamentary elections

		Reported expenditures' amount (RSD)	Number of votes per coalition	Value of individual vote (RSD)
1 .	Izbor za bolji život	467.910.196	863.294	542
2 .	Pokrenimo Srbiju	309.089.150	940.659	329