

Based on Article 95, paragraph 3 of the Constitution of Montenegro I hereby pass the

**ENACTMENT ON PROCLAIMING
THE LAW ON FINANCING OF POLITICAL PARTIES
("Official Gazette of Montenegro," no. 49/08 from the 15th of August 2008)**

I hereby proclaim the Law on Financing of Political Parties, passed by the Parliament of Montenegro at the seventh sitting of the first regular session in 2008, on the 29th of July 2008.

Number: 01-1548/2
Podgorica, 4 August 2008
The President of Montenegro
Filip Vujanovic

THE LAW ON FINANCING OF POLITICAL PARTIES

I. BASIC PROVISIONS

Subject area

Article 1

This Law regulates the manner of acquisition and provision of financial assets for the work and election campaign of political parties and the method of control of funding and financial operations of political parties in order to realize legality and transparency of their management.

Political parties may obtain funds for their regular work and election campaign from the public and private sources, in accordance to this Law.

Public sources

Article 2

Public sources in terms of this Law are funds that are being assigned from the budget of Montenegro and the budget unit of the local government (hereinafter: budget funds).

Private sources

Article 3

Private sources in terms of this Law are the following: membership fees, contributions, incomes from activities, property incomes, legacies, all kinds of non-lucrative actions and gifts.

A membership fee represents an amount regularly paid by a party member in a way and under the conditions stipulated by the Constitution or some other political party act.

A contribution represents temporary or regular payments that natural or legal entities voluntarily give to a political party in the amount, which exceeds the amount of the membership fee.

An income from activities is an income that a political party realizes from publishing activities, the sale of propaganda materials as well as organization of party events.

A property income is an income that a political party realizes throughout the sale or renting of the property in its ownership.

A legacy is a gift that may consist of money or portable property of artistic, cultural or historical value, or real estate that is being given at the disposal of a political party.

A non-lucrative activity is an activity aimed at satisfying of the public interests.

A gift represents securities or any other item that exceeds the value of 50 Euros.

Use of budget funds

Article 4

Budget funds may be used for financing of expenses related to:

- 1) Regular work of political parties;
- 2) The work of Members of Montenegrin Parliament (hereinafter: Parliament) or councilors from the local parliament or a city assembly (hereinafter: local parliament),
- 3) Election campaigns for the election of Members of Parliament, councilors, the President of Montenegro, mayors and presidents of local parliaments.

Right to budget funds

Article 5

A political party, coalition or group of citizens that participated in the elections and won one MP's or councilor's mandate (hereinafter: parliamentary party) shall have the right to budget funds specified in Article 4, item 1 and 2 of this Law.;

A submitter of a proclaimed and verified electoral list (hereinafter: submitter of electoral list) shall have the right to budget funds specified in Article 4, item 3;

Budget funds for financing of election campaign for the election of the President of Montenegro, mayor and president of local parliament are provided pursuant to a special law.

Use of funds from private sources

Article 6

In accordance with this Law, a political party, i.e. parliamentary party and submitter of electoral list may raise funds from private sources for the purpose of financing of its regular work and covering of the expenditures of its election campaign.

Supervision

Article 7

The organ of the state administration in charge of financial affairs shall exercise supervision over the implementation of the Law (hereinafter: Ministry).

II. FINANCING OF THE WORK OF PARLIAMENTARY PARTIES

Allocation of budget funds

Article 8

Budget funds for financing of the regular work of parliamentary parties within the Parliament may not be lesser than 0,2% or higher than 0,4% of the total budget funds, which are reduced for the funds of the capital budget and the budget of the state foundations – the current budget, for the year the budget is enacted.

Budget funds for financing of the regular work of parliamentary parties in the local assemblies may not be lesser than 0,5% or higher than 1% of the total budget funds, which are reduced for the funds of the capital budget – the current budget, for the year that the budget is enacted.

Funds from paragraphs 1 and 2 of this Article at the amount of 15% shall be allocated in equal portions to parliamentary parties in the Parliament, i.e. local parliaments, while the rest of the funds (85%) shall be allocated proportionally to the total number of MPs or councilors seats, depending on the number of mandates won at the moment of the allocation.

The Ministry or organ of the local government responsible for financial operations (hereinafter: organ of the local government) shall transfer every month the funds from Paragraph 1 and 2 of this Article to parliamentary parties not later than the 5th day of the current month for the preceding month.

Financing from private sources

Article 9

The amount of funds from private sources, except for funds obtained from membership fees, collected by a parliamentary party over the current calendar year for its regular work, may not exceed 100% of the funds received from budget funds.

A political party that is not entitled to budget funds may collect funds from private sources at the amount of 5% of the total funds from Article 8 paragraph 1 of the Law, except for the funds from membership fees.

A natural entity may give a contribution at the amount of not more than 2000 Euros for financing of the regular work of a political party, while the amount of a contribution given by a legal entity may not exceed 10.000 Euros at the annual level.

III FINANCING OF ELECTION CAMPAIGN

Election campaign expenses

Article 10

For the purpose of this Law, election campaign expenses are the expenses that are related to the following activities: pre-election rallies, posters, advertising, commercials and advertising materials, advertisements, publications, TV and radio shows, public opinion researches, overhead expenses and general administration, transport within the period from calling of the elections until election day.

Allocation of budget funds

Article 11

Budget funds for coverage of the election campaign expenses from Article 10 of this Law shall be provided in the year of regular elections at the amount of 0.15% of the current budget funds for the year for which the budget is passed.

The funds from Article 1 of this Law at the amount of 20% shall be allocated in equal portions to submitters of electoral lists, within eight (8) days from the day of verification of the electoral list.

The funds at the amount of 80% shall be allocated to submitters of electoral lists that have won seats proportionally to the number of mandates won.

The funds from paragraph 3 of this Article shall be allocated within 15 days from the day when submitters of electoral lists submit their reports on funds raised and spent to the competent Election Commission along with the audit reports prepared by a certified auditor from the Ministry.

Additional budget funds

Article 12

Apart from the funds from Article 11 of this Law, for the purpose of election campaign expenses coverage, the funds at the amount of 0.05% shall be provided within a year of regular elections and allocated to submitters of electoral lists who won mandates proportionally to the number of mandates won, under the condition that they raised twice the amount of funds, to which they are entitled in the sense of Article 11 paragraph 2 of this Law.

Submitters of electoral lists who raised, from private sources, the amount smaller than the amount from paragraph 1 of this Article, but who won mandates, are entitled to proportionally lesser amount of budget funds specified in paragraph 1 of this Article.

Decrease of budget funds

Article 13

The amount of budget funds from Article 11, paragraph 1 and Article 12 of the Law that are allocated for the election campaign financing shall be decreased for one third at all levels in a case if several elections take place at the same time.

Article 14

The Ministry or an organ of the local government shall transfer funds specified in Article 11 and 12 of this Law to submitters of electoral lists after receiving a notification from the competent Electoral Commission on the fulfillment of conditions provided in the Article 13 and 14 of this law.

Extraordinary elections

Article 15

In the event of early elections, necessary funds for coverage of electoral campaign expenses shall be provided from the current budget reserves.

Private sources funds

Article 16

The amount of funds raised from private sources by a submitter of an electoral list for financing of the election campaign may not exceed twenty-fold amount of funds set out under the Article 11 paragraph 2 of the Law.

A natural entity may give a contribution at the amount of not more than 2000 euros for election campaign financing and the legal entity not more than 10.000 euros a year.

The obligation to open a bank account

Article 17

For the purpose of raising election campaign funds, a submitter of an electoral list shall open a separate bank account at the organ authorized for payment operations and this bank account may not be used for other purposes.

All the funds aimed at funding of the election campaign expenses shall be paid into the account specified in paragraph 1 of this Article, and all the payments of election campaign expenses shall be carried out from this account.

Should the funds for financing of election campaign expenses obtained from private sources exceed the amount specified in Article 16, paragraph 1 hereof, the surplus of funds shall be transferred into the permanent bank-account of the political party .

Should the total amount of the funds at the permanent bank account of the political party exceeds the amount specified in Article 9, paragraph 1 and 2 hereof, a repayment of funds shall be conducted into the state budget or the municipality budget.

Responsible entity

Article 18

A submitter of an electoral list shall appoint a person who will be responsible for assigned spending of funds as well as for reporting.

The signature of the responsible person specified in paragraph 1 of this Article shall be deposited at the organ designated for payment operations.

The submitter of the electoral list shall inform the competent Election Commission within three days from the day of the appointment of the person from paragraph 1 of this Article and of each alteration that refers to the person's status.

V. PROHIBITIONS

Financing prohibitions

Article 19

It is not allowed to accept material and financial assistance from: foreign countries; legal and natural entities outside of Montenegro; anonymous donors; public institutions and public companies; institutions and companies with the state capital share; trade unions; religious communities; non-governmental organizations; casinos; bookmakers and other fortune games providers.

It is not allowed to accept material and financial assistance in cash.

Parliamentary parties and submitters of electoral lists are not allowed to accept donations from business companies and entrepreneurs, which pursuant to the contract with government organs, had performed public services within the previous

period of two years for the duration of that business relation as well as two years after its expiry.

Prohibition of putting pressure

Article 20

It is not allowed to exert pressure of any kind on legal and natural entities during collection of donations for a political party.

It is not allowed to promise or even to suggest a possibility of acquiring any kind of privilege or personal benefit to a donor of a political party or any other submitter of the proclaimed electoral list.

VI. SUBMISSION AND PUBLICATION OF REPORTS

Reporting on the budget funds spent for election campaign

Article 21

A submitter of an electoral list is obliged to submit a report on budget funds spent for the election campaign, along with all the documentation related to this report, to the competent Electoral Commission within 45 days from the election day.

The Municipal Election Commission is obliged to proceed the report to the State Election Commission within 3 days from the day of receipt of the report specified in paragraph 1 of this Article

The submitter of the electoral list is obliged to submit the report and all additional documentation specified in paragraph 1 of this Article to the auditor of the Ministry for the purpose of audit performance.

The auditor of the Ministry is obliged to submit the audit report to the submitter of the electoral list within 30 days from the day of receipt of the report and additional documentation from paragraph 3 of this Article.

The submitter of the electoral list shall put forward the audit report along with the report specified in paragraph 1 of this Article.

Reporting on funds spent from private sources for election campaign

Article 22

A submitter of an electoral list is obliged to submit, in electronic form, the report on origin, amount and structure of raised and spent funds from private sources for the election campaign, as well as all the additional documentation related to the report to the competent Election Commission within 45 days from the election day.

The Municipal Electoral Commission is obliged to proceed the report specified in paragraph 1 of this Article to the State Election Commission within three days from the day of receipt of the report.

Should the total amount of funds raised and spent for the election campaign from private sources exceed the amount of 50,000 euros, the submitter of the electoral list is obliged to engage and contract an authorized auditor within 15 days from the election day and to inform the competent Election Commission thereof.

Apart from the report and documentation from paragraph 1 of this Article, the submitter of the electoral list is obliged to submit alongside the report of the authorized auditor on the audit performed.

Submission of the final report

Article 23

Parliamentary parties are obliged to submit, in electronic form, a complete report on origin, amount and structure of funds raised and spent for the election campaign to the competent electoral commission within 45 days from the election day.

The Municipal Election Commission is obliged to submit the report specified in paragraph 1 of this Article to the State Election Commission within three days from the day of the receipt of the report.

The content and the form of the report referred to in Articles 21, 22, 25 and 28 shall be specified by the Ministry.

Publication of the report

Article 24

The State Election Commission is obliged to publish reports specified in Articles 21, 22, 25 and 28 of the Law in the "Official Gazette of Montenegro" as well as on its official website within 10 days from the receipt of the reports..

Submission of property statement

Article 25

Parliamentary parties are obliged to submit their annual property statements with regards to the type, amount and origin of their property to the State Election Commission by the 31 of March of the current year for the preceding one.

Disclosure of natural and legal entities' names

Article 26

The State Election Commission is obliged to disclose names of natural and legal entities that donated funds to submitters of electoral lists.

VII. FINANCIAL DEALINGS OF A POLITICAL PARTY

Legal regime of a political party's property

Article 27

The incomes acquired by a political party from membership fees as well as incomes acquired by performing non-lucrative activities (charities and others) are tax-free.

The incomes acquired by a political party from its property and from performance of a business activity shall be subject to the general taxation regime.

Mandatory Accounting Records and Financial Control

Article 28

A political party is obliged to keep the accounting on the revenues and expenditures in accordance with the positive legislation.

In line with the accounting regulations, a political party shall submit the annual financial statement to the competent organ.

A political party is obliged to submit an audit report on the annual financial statement specified in paragraph 2 of this Article to the State Election Commission.

The State Election Commission is obliged to publish the report referred to in paragraph 3 of this Article on its website and in the "Official Gazette of Montenegro" and on its web site within 10 days from the day of the receipt of the report.

Financial Operations Control

Article 29

A political party is obliged to regulate the internal audit of its financial operations by its Constitution.

The Constitution of a political party shall define an organ responsible for its financial operations as well as the rights of a party member to have insight into the revenues and expenditures of the party.

VIII. PENALTY PROVISIONS

Violations

Article 30

A legal entity shall be fined from one hundred-fold to two hundred-fold amount of the minimum wage in Montenegro if:

- 1) It raises funds contrary to Article 9, paragraph 1 and 2 of this Law;
- 2) It raises funds at the amount exceeding the amount from Article 16 paragraph 1 of this Law;
- 3) It fails to open a special bank account for the purpose of financing of the election campaign expenses and fails to carry out all further payments from that account (Article 17);
- 4) It fails to appoint the entity in charge of designated spending of funds and delivery of reports (Article 18, paragraph 1);
- 5) It fails to inform the respective Election Commission about the appointment of the person in the manner and within the deadline specified in Article 18, paragraph 3 hereof;
- 6) It puts any kind of pressure on natural or legal entities during the fundraising for a political party (Article 20, Paragraph 2);
- 7) If it promises or even suggests a possibility of acquiring any kind of privilege or personal benefit to a donor of a political party or any other submitter of the verified electoral list;
- 8) It fails to submit a report on origin, amount and structure of raised and spent funds in the manner and within the time limit specified in Articles 21, 22, 23 hereof;
- 9) If fails to engage a certified auditor in the manner proscribed by Articles 22 and 22 hereof;
- 10) It fails to inform the State Election Commission in accordance with Article 22, paragraph 3 hereof;
- 11) It fails to submit the report in accordance with Article 25 hereof;
- 12) It keeps accounting records contrary to Article 28, paragraph 1 hereof;

13) It fails to submit the report in accordance with Article 28, paragraph 3 hereof;

For the violation specified in paragraph 1 of this Article, the natural entity, i.e. submitter of electoral list shall also be fined from fifteen-fold to twenty-fold amount of the minimum wage in Montenegro.

Article 31

A legal entity shall be fined from one hundred-fold to two hundred-fold amount of the minimum wage in Montenegro, if:

- 1) the amount for coverage of expenses of the regular work of a political party exceeds the amount proscribed by Article 9, paragraph 3 hereof;
- 2) the amount for coverage of election campaign expenses exceeds the amount proscribed by Article 16, paragraph 2 of this Article.

For the violation specified in paragraph 1 of this Article, a responsible person within the legal entity and the natural person shall be fined from fifteen-fold to twenty-fold amount of the minimum wage in Montenegro.

Article 32

The Municipal Election Commission shall be fined from one hundred-fold to two hundred-fold amount of the minimum wage in Montenegro if it fails to put forward to the State Election Commission the reports pursuant to Article 21, paragraph 2 and Article 22, paragraph 2 hereof.

For the violation specified in paragraph 1 of this Article, a responsible person from the Municipal Election Commission shall be fined from tenfold to twenty-fold amount of the minimum wage in Montenegro.

Article 33

The State Election Commission shall be fined from one hundred-fold to two hundred-fold amount of the minimum wage if:

- 1) It fails to publish reports in accordance with Article 24 of this law;
- 2) It fails to disclose the names of natural and legal entities in accordance with Article 26 of this law;
- 3) It fails to publish the report in accordance with Article 28, paragraph 4 of this Law.

For the violation specified in paragraph 1 of this Article, a responsible person from the State Election Commission shall also be fined from tenfold to twenty-fold amount of the minimum wage in Montenegro.

IX. TRANSITIONAL AND FINAL PROVISIONS

Article 34

The content or forms of the report from Article 23 of this Law shall be passed within 30 days from the day of the enforcement of this Law.

Article 35

On the day this Law enters into force, the Law on Financing of Political Parties ("Official Gazette of the Republic of Montenegro", no. 21/04, 33/05) shall cease to be valid.

Article 36

The Law shall enter into force from the first day following its publication in the "Official Gazette of Montenegro".

SU-SK No. 01-853/11-07
In Podgorica, 29 July 2008