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EUROPEAN COMMISSION FOR DEMOCRACY THROUGH LAW

(VENICE COMMISSION)

LAW ON PARTY FINANCING

(BOSNIA AND HERZEGOVINA)

LAW ON PARTY FINANCING

Article 1

This law shall regulate the methods and conditions under which political parties and members of political parties obtain their funds.

Article 2

For the purpose of this Law, the political parties shall be considered organizations into which citizens are freely and voluntarily organized *and registered* with the competent election commission in order to *participate in the elections*, to carry out political activities and pursue political goals.

Article 3

A party may obtain funds from the following:

1. Membership fees;
2. Contributions by private businesses, legal and natural persons;
3. Income generated by the property;
4. The budget;
5. Profit from the income of the enterprise owned by the party;

The enterprise referred to in Item 5 of the preceding paragraph may only carry out culture-related or publishing activity.

Membership fees referred to in Item 1 of Paragraph 1 shall only be regular payments a member pays by virtue of statutory provisions. Contributions shall be payments exceeding the aforementioned contributions.

Annual incomes of the party referred to in Item 3 and 5 of Paragraph 1 of this article may not exceed 20% of the amount of all annual incomes of the party.

The party must earmark the excess income of the party referred to in Item 3 and 5 of the Paragraph 1 of this article within 30 days from the receipt of the financial statement on the business operations of the party for the preceding year for charity organization and notify the relevant body thereof. The notification shall be published in the official gazette of Bosnia and Herzegovina.

Article 4 (Contributions)

Legal and natural persons and private businesses may give contributions to the political parties. For the purpose of this Law, a contribution for the party shall also be any gifts given to the political party, free service for the party or rendering of a service for the party or selling of products to the party under the conditions which provide a preferential treatment for the party in relation to other beneficiaries of the services of legal and natural persons and private businesses or buyers of the products of such persons.

A legal or natural person or a private business that render a service to the party or sell it a product must deliver a receipt to the party, irrespective of who the payer of the service is or the

price of the product, or, irrespective of the whether the service has been rendered or the product given free of charge.

Party work done by citizens shall as a matter of principle be unpaid work. Payments in kind and services provided by party members on a non-commercial basis and usually free of charge shall not be counted as income.

Article 5

The total amount of the single contribution referred to in Paragraph 1 of Article 4 may not exceed eight average worker's salaries according to the official information by the Bosnia and Herzegovina Agency for Statistics in a calendar year and may not be cumulated more than once a year.

Article 6

If the total amount of the contributions given by the single contributor referred to in Paragraph 1 of Article 4 exceeds 100 KM such payment must be recorded in the statement of account.
(note: discrepancy with the Election Law. Disclosure requirements provided in the Election Law is 1000 KM and more)

Article 7

In the case that the contribution to the political parties is provided by its member or a group of members, the origin of the money is to be reported in the same manner as the origin of the contribution given to political parties exceeding 100 KM.

Article 8

A State body, public institutions, public companies, local community bodies, humanitarian organizations, businesses which by virtue of its activity are exclusively intended and directed for non-profit, religious communities, anonymous contributions above 100KM, as well as economic association in which public capital has been invested to the amount of a minimum of 50% may not finance parties.

Private enterprises which, through government contracts, perform public services cannot financially support political parties.

Article 9

Exercising any form of political pressure on legal and natural persons when collecting contributions for political parties is forbidden.

Making promises of privileges or personal benefits of any kind to a political party donor is forbidden.

Article 10

A domestic natural person providing financial contributions to the party shall be entitled to a reduction of income tax. The right to income tax applies only to the donated sums which does

not exceed the spending limit set in the Article 5. The income reduction rate shall be provided in the Entity taxation laws.

Article 11
(Funding from the budget)

Budgetary financing of political parties represented in the Parliamentary Assembly of Bosnia and Herzegovina shall be distributed so that 30% of the total amount dedicated to political parties will be distributed equally, while 70% will be distributed proportionally according to the number of seats each party won in the last election.

Detailed distribution of funds will further be regulated by the Rules of Procedure of Parliamentary Assembly of Bosnia and Herzegovina.

Alternative

Budgetary financing of the parliamentary groups represented in the Parliamentary Assembly of Bosnia and Herzegovina shall be distributed so that 30% of the total amount dedicated to the parliamentary groups will be distributed equally, while 70% will be distributed proportionally according to the number of seats each parliamentary group holds.

Detailed distribution and facilitation of funds will further be regulated by the Rules of Procedure of Parliamentary Assembly of Bosnia and Herzegovina.

Article 12
(Obligation to Render A Public Statement of Account)

The executive committee of the party shall render public account of the origin and appropriation of funds received by the party or its members within a calendar year (accounting year) as well as of its assets in a statement of account.

The Election Commission of Bosnia and Herzegovina shall establish an Auditing Office, which duties will be to scrutinize statements of accounts submitted by the political parties.
(This was not provided by the Election Law. However this could be amended even at this point.)

Parties must present to the Auditing Office the statement of account for the preceding year by March 31st. The statement of account shall comprise a bill of receipts and expenditures, an account of assets, and the bank account. It shall be drawn up in accordance with the principle of proper bookkeeping and with due regard to the purpose of this law. The statement of account of the whole party shall incorporate separate accounts for the party's national headquarters, Entity branches, as well as statements of account of the cantonal, regional and municipal branches. Entity headquarters and their subordinate regional branches shall attach to their statements of account a complete list of all donations received, together with the names and addresses of the donors. The Entity branches shall keep the statements of account of their subordinate regional branches together with their own accounting statements.

The bill of income shall include:

1. Membership fees
2. Donations from natural persons
3. Donations from legal entities
4. Income from assets

5. Income from organized events, distribution of printed material and publications and other activities associated with income
6. State funds
7. Other income
8. Grants from party branches
9. All receipts from 1 to 8

The bill of expenditures shall include:

1. Personal expenditures
2. Business expenditures
3. Expenditures for general political work
4. Expenditures for election campaigns
5. Other expenditures
6. Grants to party branches
7. All receipts from 1 to 6

The statement of assets shall comprise:

I Capital assets:

1. Property in the form of houses or real estate
2. Office equipment
3. Financial investments

II Working capital

1. Claims on party branches
2. Claims on state funds
3. Monetary assets
4. Other assets

The financial statement referred to in Paragraph 3 of this article must be published in the Official Gazette of Bosnia and Herzegovina.

The statement of account shall be preceded by a summary covering the following items:

1. Income of the whole party in accordance with Paragraph 4, nos. 1 to 7 of this article, and their total.
2. Expenditure of the whole party in accordance with Paragraph 5, nos. 1 to 6 of this article, and their total.
3. Surplus or deficit
4. Items of possession of the whole party in accordance with Paragraph 6 of this article, and their total
5. Net assets of the whole party (positive or negative)
6. Gross receipts, gross expenditures, surpluses or deficits as well as net assets of the three organizational levels - national branch, Land branches and their subordinate regional branches.
7. The number of members at the end of the year must be indicated.
8. The party may attach brief explanations to the statement of account, especially to specific items.

Public grants appropriated for political youth organizations shall not count towards the absolute and relative upper limits. They must be indicated in a party's statement of account for information purposes but shall not be included in its bill of income and expenditure.

The political parties shall store their complete statements of accounts for at least last six years. The political parties shall be obliged to provide at any moment auditing authorities with any of needed information from the stored documentation.

Article 13
(Audit of the Statement of Account)

The audit of the statement of account stated in Article 6 shall apply to the party's national and Entity headquarters and to at least two subordinate regional branches chosen by the Auditing Office.

The auditor may require the executive committee and the persons authorized by them to furnish any information and evidence he may need to perform his auditing duty with due care. He must therefore also be allowed to examine the documents used to compile the statement of account, the books and written documents as well as the cash balance and existing assets.

The executive committee of the regional branch to be audited shall provide the auditors written assurance that all the receipts which are liable to account, expenditure and assets are included in the statement of account. Reference may be made to the assurance provided by the executive committees of subordinate regional branches. It is sufficient for the executive committee member responsible for financial affairs to provide this assurance.

Article 14
(Audit Report and Auditor's Certificate)

The result of the audit must be set out in writing in an audit report which must be delivered to the executive committee of the party and to the executive committee of the audited regional branch and signed by all auditors from the Auditing Office.

If no objections are to be lodged after the final result of the audit, the auditor must confirm by means of a certificate that, after a dutiful audit and on the basis of the party's account books and documents as well as the information and evidence furnished by the executive committees, the statement of account complies with the provisions of this Law. If objections are to be lodged, the auditor must refuse to provide this confirmation in its auditor's certificate or modify it accordingly. The names of the regional branches audited must be stated in the auditor's certificate.

The auditor's certificate must be attached to the statement of account to be submitted and published in Official Gazette of Bosnia and Herzegovina.

Article 15
(Auditing Office)

The Election Commission of Bosnia and Herzegovina will establish the Audit Office taking into consideration the professional qualifications of the auditors. The Election Commission of Bosnia and Herzegovina will be in charge of hiring and removing people from Auditing Office.

For the purpose of the preceding Paragraph a person appointed as auditor must not be a member of the executive committee, a member of a general party committee, an appointed accountant or employee of the party to be audited or of one of its regional branches or have been such during the last three years prior to his appointment.

In the event that the Audit Office holds that more precise financial scrutiny has to be conducted in order to ensure the validity of submitted statement of account, the Audit Office shall have a right of access to party premises. In the case of refusal to permit access to party premises, it shall be considered that party failed to submit statement of account and it will lose its right to stand for the next election.

Article 16
(Role of the Election Commission of Bosnia and Herzegovina)

All objections that the Audit Office had concerning the statement of account shall be submitted to the Election Commission of Bosnia and Herzegovina. In the case of failure to comply with the Law, the Election Commission shall have the authority to impose the financial penalties. The financial penalties shall not be exceeding ten thousand (10,000) convertible marks for a violation if:

- political party acquires funds in a manner not in accordance with Article 8;
- political party keeps accounting books not in accordance with Article 12;
- political party fails to comply with any other provision of this Law, which is not specifically enumerated.

If a political party has received funds in the amount that exceeds the amount of money set in the Article 5, the Election Commission shall fine the political party for this violation with a fine three times greater than the unlawfully received sum.

In the event that political party fails to submit required statement of account by the 31st of March, the Election Commission shall impose a fine not exceeding ten thousands (10 000) convertible marks and set a new deadline for submission of the statement of account no later than sixty (60) days after the Election Commissions' decision. In the event that the new deadline for submission is not met the Election Commission shall disqualified the political party from the first next election on any level.

Article 17
(Role of the Appeal Council)

The Appeal Council shall be competent to hear appeals from a decision of the Election Commission of Bosnia and Herzegovina, except in violations referred to in the third paragraph of the preceding Article. The Appeal Council shall have the authority to impose the financial penalties. The financial penalties shall not be exceeding ten thousand (10,000) convertible marks for a violation if:

- political party acquires funds in a manner not in accordance with Article 8;
- political party keeps accounting books not in accordance with Article 12;
- political party fails to comply with any other provision of this Law, which is not specifically enumerated.

If a political party has received funds in the amount that exceeds the amount of money set in the Article 5, it shall be fined for this violation with a fine three times greater than the unlawfully received sum.

Article 18

The Election Commission shall have to report to the Parliamentary Assembly of Bosnia and Herzegovina each year. The report shall be circulated as a Parliamentary printed paper.

Article 19

All the fines imposed by the Election Commission or the Appeal Council, as well as all illegal contributions collected shall be distributed according to the following:

- 70% of the sum shall be distributed to the budgetary financing of political parties as provided in the Article 11;
- 30% of the sum shall be allocated for the financing of the Election Commission of Bosnia and Herzegovina and its Audit Office and the Appeal Council.

**Article 20
(Transitional Provisions)**

As long as the Payment Bureau (ZPP) exists, the political parties shall include in their statement of account referred to in Article 12, a list of all annual financial transactions completed through the Payment Bureau.

Article 21

No later than three (3) months after this law comes into effect, the political parties are obliged to submit data about their assets, categorized by amount, kind and source to the Audit Office.