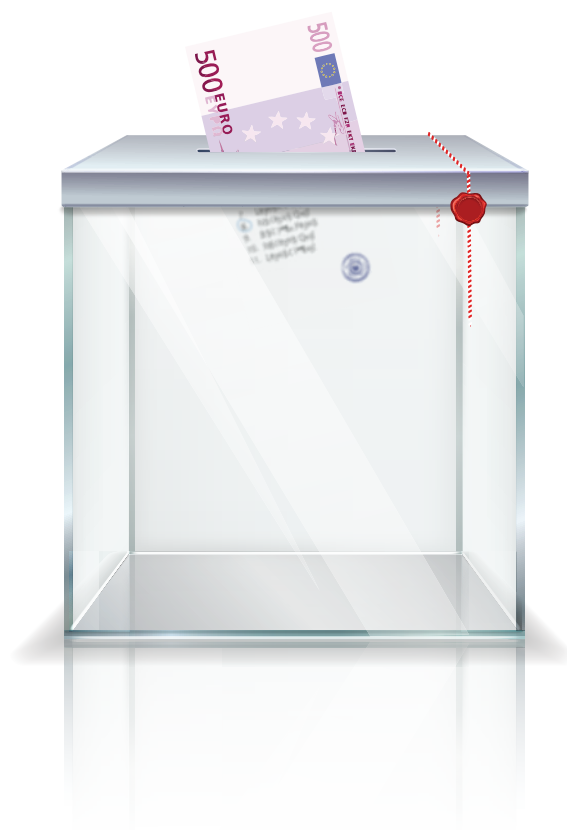




FINANCING OF ELECTION CAMPAIGNS

Implementation of the Law on Financing of Political
Entities and Election Campaigns (2016 - 2018)



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INTRODUCTION

Financing of election campaigns has long been the cause of affairs triggering political crises in Montenegro. The current Law on Financing of Political Entities and Election Campaigns was adopted in response to the crisis triggered by the “Recording” affair that concerned a pre-election abuse of public funds by the ruling party. After the amendments to the Law were adopted, a government of electoral trust was formed, tasked with providing greater control over the use of state resources ahead of the 2016 parliamentary elections.

On the day of the elections, charges were made against an opposition entity, related to, among other things, financing from abroad. This affair has sparked a political crisis, and relevant court proceedings are still ongoing.

Meanwhile, ahead of each election, the media and civil society have published information on various illegalities in the financing of election campaigns of the ruling party. These allegations culminated in the recently published “Envelope” affair that refers to unannounced donations for election campaign. This affair has also sparked a political crisis that is still ongoing.

At the time of making this publication, there is a special committee in the Parliament in charge of drafting new legislation, but the opposition is, mostly, in a boycott and does not participate in the work of this body. However, all actors agree that it is necessary to amend the legislation. A particular problem is control and supervision over the implementation of the Law out into the hands of the Agency for Prevention of Corruption, which is perceived as biased and favoring the ruling party.

The purpose of this publication is to contribute to a better overview of the problem of electoral campaign financing, leading to amendments to electoral laws that will precede the upcoming parliamentary elections.

We highlight numerous problematic practices of political entities and state institutions in financing election campaigns ever since the adoption of the new Law, i.e. from 2016 to 2018. During that period, elections at all levels were held at various intervals: parliamentary, presidential and local elections in all municipalities.

This publication consists of two parts: in the first part, we have analyzed the available financial documents of the political entities that participated in the elections, and in the second part pre-election spending of public funds. It lists the most important legal provisions, analyzes available statistical data and presents case studies. Particular attention was given to the analysis of control and supervision over the implementation of the Law in both segments as well as to access to information necessary for the public control of election campaign financing.

In the process, we have used data collected through detailed monitoring of parliamentary, presidential and local elections in several municipalities, but also subsequently collected information on all elections held in the course of the three years that were observed.

EXECUTIVE SUMMARY

According to the official data, there were various sources of funding of the election campaigns held over the past three years. While the ruling parties report large donations made by natural persons, the opposition claims they use almost exclusively the funds they receive from the state. Both very rarely report donations by private companies.

Numerous inconsistencies in the official reports of political entities on the financing of their election campaigns suggest that some of them either do not report or misrepresent the costs, and compensate the difference out of the funds for regular operation or through unrecorded cash payments. Such doubts are further aggravated by the extremely worrying practice of involving companies affiliated with the parties in the process of brokering when purchasing goods and services for election campaigns.

It is not possible to determine at what prices some media have advertised political entities. Some media have agreed hidden discounts with the parties, giving free space only to some parties or openly discriminating against the others.

The production costs of promotional videos are disproportionately low in relation to their quality and representation in election campaigns. Specific cases show that some parties have not reported or significantly undervalued the costs of video production.

There are obvious cases in which the parties have not reported all the real costs of fieldwork, and these costs were covered from other sources that are not known to the public. Some cases indicate that political entities present lower costs of pre-election rallies and conventions than the real ones.

Pre-election abuses of state funds also continued, including intensive pre-election employment at all levels of state administration, for the most part in education. Before elections, the Government and some municipalities granted state aid to private companies in order to open up new jobs.

In the pre-election period, institutions made unusually large social assistance payments to the poor, as well as millions of subsidies and loans to agricultural producers. The expenditures for construction of local infrastructure have risen ahead of each election in the state and municipal budgets.

Before elections, the Ministry of Finance redirected more aid to municipalities, and distributed from the budget reserve a much larger amounts of state aid to legal entities than before the start of election campaigns.

Before elections, tens of millions of euros from the state budget have been spent far from the public eye, as many institutions have declared information on their finances to be a business secret. Some parliamentary parties from the government and the opposition publish detailed information on their finances, but in the past year the largest party refuses to publish any financial documentation other than that submitted to the Agency for Prevention of Corruption.

During the election campaigns, the Agency most often examined only formal fulfillment of obligations prescribed by the Law and did not resort to checking the content of the information provided by political entities and state institutions. Agency's control was selective and had different approach to opposition parties, where it demonstrated that it could control the suspicious financing of election campaigns in much more detail.

A - FINANCING OF ELECTION CAMPAIGNS OF POLITICAL ENTITIES



A.1. LEGAL FRAMEWORK

Revenues of political entities

Political entities receive funds for regular operation from the state budget or units of local self-government, according to the number of MP and councilor seats, and raise funds from private sources [1] that may not be higher than the amount they receive from the budget [2]. The Law stipulates that budgetary assets for financing the cost of the election campaign shall be provided in the amount of 0.25% of the current budget [3], or 0.07% in the case of election of the President of the state [4].

Political entities may raise from private sources up to the thirty-fold the amount of funds they receive by submitting an election list for parliamentary and local elections [5]. A candidate for president may not raise more money from private sources than the total cost of presidential campaign allocated from the budget. [6]

The total value of donation of a natural person must not exceed 2,000 euros, while legal entities may donate up to 10,000 euros for regular operation of a political entity [7], or for a specific election campaign. [8]

Political entities may only receive donations from natural persons who have the right to vote in Montenegro and are not sentenced for criminal offenses with elements of corruption and organized crime. [9] The Law explicitly prohibits funding from abroad.

Political entities may not received donations from state-owned companies, nor companies that perform activities of public interest or have concluded contracts through the public procurement procedure [10], or companies that have a tax debt or fail to meet the outstanding obligations towards the employees.

In-kind contributions to the campaign include products and services provided without adequate compensation or debt write-off, and political entities have to calculate them as income at market value. [11].

Expenditures of Political Entities

The Law defines the types of costs of the election campaign [12] and stipulates that provision of services and products, as well as borrowing from banks and debt write-offs, whereby the entity is placed in a privileged position compared to other consumers, shall be considered in-kind contribution. [13]

The Law obliges the media to submit price lists for the services of media advertising of political entities during the election campaign to the Agency for Prevention of Corruption (APC), which shall publish them on its website. [14] Each political entity has an obligation to submit to the Agency the prices, as well as the amount of the possible discounts for media advertising. [15].

[1] Private sources include donations of natural persons as well as legal entities or companies.

[2] Law on Financing of Political Entities and Election Campaigns, Article 12.

[3] States or local self-government units, Article 14 of the Law on Financing of Political Entities and Election Campaigns

[4] Law on Financing of Political Entities and Election Campaigns, Article 20.

[5] Law on Financing of Political Entities and Election Campaigns, Article 17. At the start of the campaign, political entities receive 20% of the funds allocated in the budget which are distributed in equal amounts.

[6] Law on Financing of Political Entities and Election Campaigns, Article 21.

[7] Ibid., Article 12.

[8] Ibid., Article 21.

[9] Ibid., Article 24.

[10] Ibid.

[11] Ibid., Article 6.

[12] Ibid., Article 13. Pursuant to the Law, political entities shall be entitled to the costs relating to: campaign rallies, commercials and promotional material, media presentations, advertisements and publications, public opinion polls, engagement of authorized representatives of political entities in bodies in charge of conducting elections, transportation costs, overheads and general administration costs.

[13] Ibid., Article 6.

[14] Ibid., Article 13.

[15] Ibid.

A.1. LEGAL FRAMEWORK

Control and supervision

The Agency for Prevention of Corruption (APC) is responsible for controlling and supervising the implementation of the Law on Financing Political Entities and Election Campaigns. [16]

The Agency has an obligation to regularly collect data on activities of political entities during election campaigns to track the spending of funds. [17] The media are obliged to submit to the Agency the price lists for the services of media advertising, while political entities shall submit the prices and information on discounts. [18]

During the election campaign, political entities shall submit to the Agency on a fifteen-day basis reports on the contributions of legal and natural persons, and the Agency shall publish it within 24 hours from the time of receipt. [19]

Political entities shall submit to the Agency interim and final reports on revenues and expenditures in the election campaign five days before the election day, or within 30 days from the day of holding of the elections. The Agency is obliged to publish these reports within 24 hours or seven days from the day of receipt. [20]

Along with the final report, political entities shall submit to the Agency bank statements of a separate giro account opened for the purpose of raising funds for financing of the election campaign. [21] Only after submitting this report the political entities may receive the remaining funds from the budgetary assets for financing of the costs of the election campaign. [22]

Political entities are obliged to provide all necessary data and notifications at the request of the Agency. [23] If it considers that the Law is violated, but the shortcomings can be remedied, the Agency shall issue a warning to the political entity, otherwise it will file a motion for misdemeanor procedure. [24] The Agency shall adopt a decision on temporary suspension of transfer of budgetary assets to the political entity until the adoption of the enforceable decision in the misdemeanor procedure. [25]

A fine from 5,000 euros to 20,000 euros shall be imposed on a political entity and legal entity, i.e. 200 to 2,000 euros on a natural person for a violation of the Law. [26] However, based on Agency's decision, a political entity may lose, in part or in whole, the right to budgetary assets for financing the cost of an election campaign when it gains income or uses funds contrary to law. [27]

Finally, the Agency is obliged to publish a report on exercised control and supervision of financing of the election campaign within 60 days from the day of proclamation of the final election results. [28].

Access to Information

Political parties which are predominantly financed from the budget are obliged to act in accordance with the Law on Free Access to Information. [29] Pursuant to that law, all parliamentary parties are obliged to respond to requests for free access to information [30], and against their decisions a complaint, [31] or a lawsuit [32] may be filed.

[16] Law on Financing of Political Entities and Election Campaigns, Article 14. The Agency was established on the basis of the Law on Prevention of Corruption.

[17] Ibid., Article 46. During the election campaign, the Agency shall perform control and supervision over the calculation of in-kind contributions, paid-for media advertising, prohibition of financing of political entities or running campaigns on their behalf and other prohibitions and restrictions prescribed by the law.

[18] Ibid., Article 13.

[19] Ibid., Article 42.

[20] Ibid., Art. 39, 40, 41 and 42a. The form and content of these reports shall be prescribed by the Agency.

[21] Ibid., Article 39.

[22] Ibid., Article 14.

[23] Ibid., Article 45. Political entities shall submit the requested data and notifications within the period of maximum 15 days. Article 46 of the same Law stipulates that in case of control and supervision during the election campaign, the deadline for submission of information to the Agency shall not be longer than three days.

[24] Ibid., Article 48.

[25] Ibid.

[26] Law on Financing Political Entities and Election Campaigns, Art. 51 - 57.

[27] Ibid. In the event that the funds for election campaign are not used to finance the election campaign costs in accordance with Article 13, as well as in case of acquisition of funds contrary to Art. 18 and 22 of the Law.

[28] Ibid., Article 46.

[29] Law on Free Access to Information, Article 9, paragraph 1, item 1: public authority shall mean a state authority (legislative, executive, judicial, administrative), local self-government authority, local administration authority, institution, company and any other legal entity founded or co-founded by the state or in majority ownership of the state or local self-government, legal entity mainly financed from public resources, as well as a natural person, entrepreneur or legal entity having public responsibilities or managing public funds;

[30] Ibid., Article 31. The deadline for making a decision on the request for access to information shall be 15 working days.

[31] Ibid., Article 34.

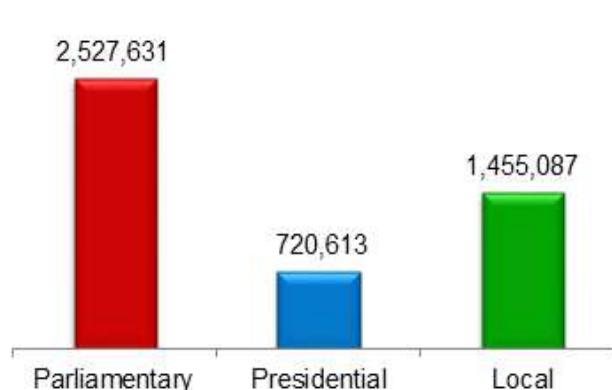
[32] Ibid., Article 44.

A.2. REVENUES OF POLITICAL ENTITIES

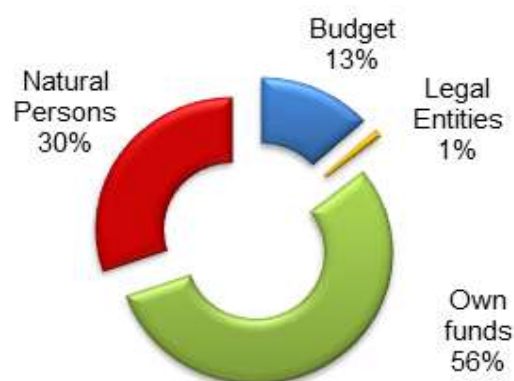
According to the official data, political entities use different sources of funding for election campaigns. The ruling parties report large donations by natural persons, while the opposition claims to use almost exclusively the funds they receive from the state. Private companies rarely participate in financing the elections, judging by the official data of all parties.

Donations to the ruling party were subject of numerous suspicions, and are now in the spotlight of the current “Envelope” affair. In that proceeding, the State Prosecutor’s Office reacted only partially after the strong public pressure, while it conducts much more agile proceedings against the opposition party accused of illegal financing from abroad.

According to the official reports, political entities earned a total of 4.7 million euros during all election campaigns held after the amendment to the Law, i.e. during local, parliamentary and presidential elections [33]. Most revenue was reported for parliamentary elections, while three times less money was raised for the presidential election.



Graph 1: Total reported revenues of all political entities (2016 - 2018)



Graph 2: Structure of total reported revenues of all political entities (2016 - 2018)

Reports of political entities show that over half of the revenue for election campaigns comes from the money the parliamentary parties received from the state for their regular operation. Competent institutions have a different attitude towards the legitimacy of such funding, which is characteristic for campaigns of all parliamentary parties.

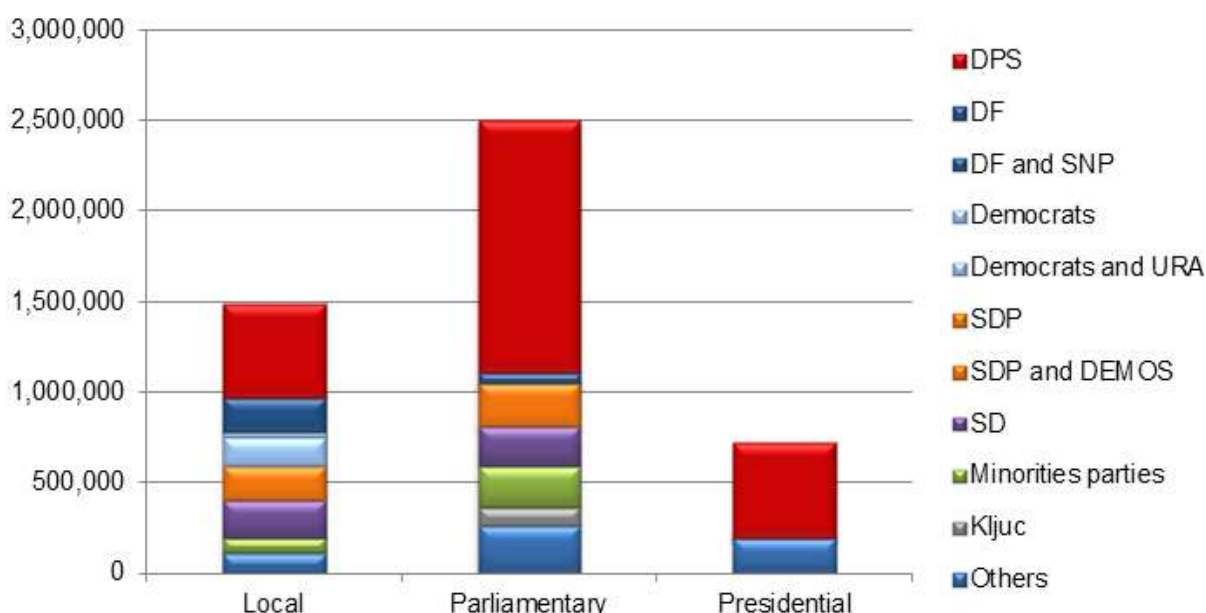
Another important source of funding are donations by natural persons, dominantly reported by the ruling parties. Donations were the subject of numerous accusations and prosecution investigations that were much more effective in the proceedings against the opposition than against the ruling party.

In the third place are the funds that are given in advance to all participants of the election race from the state or local budget for financing the cost of the election campaign. Donations of legal entities are extremely rare in the official reports of political entities. Smaller amounts of donations by companies were reported for parliamentary and local elections, and there were no donations for presidential election.

[33] Local elections in some municipalities were held in 2014, parliamentary elections were held in 2016, and presidential and local in most other municipalities were held during 2018.

A.2. REVENUES OF POLITICAL ENTITIES

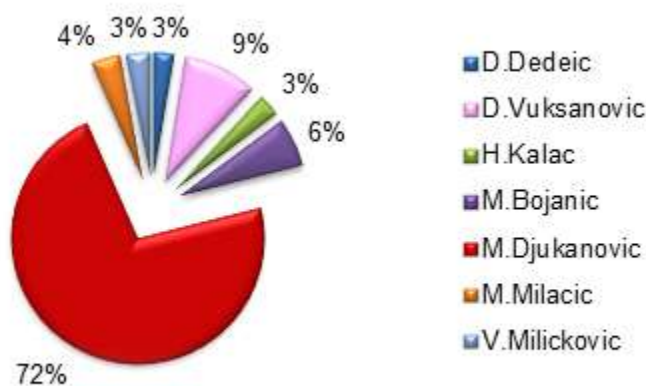
Official data shows that the largest party, the Democratic Party of Socialists (DPS), had more revenue during every election than all other political entities together. In the presidential election, this party's candidate reported over 70% of the total money officially raised for the campaign.



Graph 3: Structure of the reported revenues for 2016 and 2018 elections, by political entities [34]

At the local level, the situation is different, so DPS only accounts for a third of the total revenues reported in the campaign.

For the presidential election, besides Djukanovic, only Vuksanovic reported a slightly higher revenue for the campaign. According to official figures, other candidates were largely dependent on the initial funds they received from the state.



Graph 4: Structure of the reported revenues for the presidential election in 2018, per candidate

[34] *Democrats and URA have participated in a coalition in the local elections in Podgorica and four other municipalities, so the data for these two parties are presented together for other local elections. The same case is with the DF and the SNP, as well as the SDP and Demos. For the 2016 parliamentary elections, the Coalition Kljuc was made up of the SNP, URA and Demos, so data for that coalition are only given for parliamentary elections, because the parties that make up the coalition have participated in other alliances in all the other election cycles. Others include numerous extra-parliamentary parties that mostly participated only in local elections.

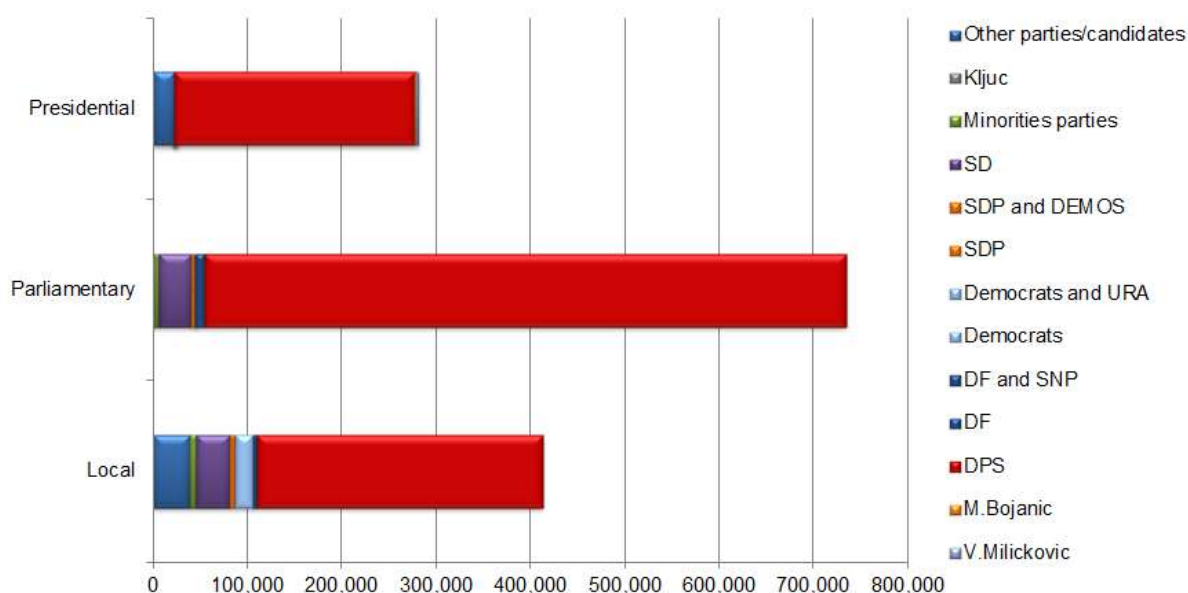
A.2. REVENUES OF POLITICAL ENTITIES

A.2.1. Donations by Natural Persons

Almost 90% of all donations given for financing of the election campaigns ended with the DPS, while other political parties had a somewhat greater share in the donations given for the local election campaign.

All political entities have raised about 1.4 million euros from natural persons who have donated for election campaigns in the last three years. Out of this, the ruling party and its candidate in the presidential election have raised 1.24 million, and over fifty other participants in the elections at all levels have raised about 150,000 euros.

Out of this, SD reported nearly 70,000 euros of donations, Montenegrin Party 20,000 euros, Democrats 18,000 euros, and DF about 10,000 euros. The next on the list is the presidential candidate Marko Milacic, who reported nearly 10,000 euros of donations by natural persons.



Graph 5: Reported donations by natural persons for financing of the election campaigns (2016 – 2018)

Donations by natural persons to the ruling party were the topic of numerous affairs, into which the State Prosecutor's Office launched an investigation which is still ongoing.

On the other hand, a court proceeding began before the High Court in Podgorica against the leader of an opposition party due to accusations of illegal financing of the election campaign through donations for the parliamentary elections.

A.2. REVENUES OF POLITICAL ENTITIES

Case study 1:

Donations made both by the ones who have money, and the ones who have no money

This study shows suspicious donations of DPS officials as well as individual welfare cases, in the amount of over 130,000 euros, for the 2016 parliamentary election campaign. After disclosing this information, the party changed the practice of presenting donations, but allegations for the “Envelope” affair opened additional questions.

Organized payments of party officials

On the same day, 22 senior officials of DPS paid over EUR 20,000 for financing of the election campaign of their party through individual donations [35]. They all paid cash donations, the same day at the same branch of the same bank [36] in Podgorica, including officials who do not live in the Capital City.

The financial records of the DPS show that local officials from the four cities donated, according to the same principle, more than EUR 80,000 to that party, and that there were “booked” dates for payments from certain municipalities [37].

The DPS from Bijelo Polje collected more than EUR 20,000 by allowing 24 members of the municipal board of that party to pay individual donations in cash in the same branch of the same bank on the same day. About EUR 12,000 were collected in Niksic in the same manner.

In Berane, over 40 members of the municipal board of DPS paid a total of EUR 30,000 in two hours of the same day, at the counter of the same bank, all in cash. The delegates in Danilovgrad paid over EUR 20,000 in two days exclusively through giro accounts that had been opened in the same bank.

[35] On that day the party received “donations” from Milutin Simović, Filip Vuković, Melvudin Nuhodžić, Milorad Vuletić, Predrag Sekulić, Vuk Roćen, Šefkija Murić, Halil Duković, Nikola Gegaj, Mirsad Mulić, Husnija Sabović, Branko Čavor, Zoran Jelić, Veljko Zarubića, Radivoje Nikčević, Željko Aprčović, Branka Tanasijević, Žana Filipović, Maida Bešlić, Marta Šćepanović, Marija Čatović and Saša Pešić. www.mans.co.me/donacije-gradana-ili-crni-fondovi/

[36] It is the branch of the Societe General Bank in Moskovska 2, in Podgorica.

[37] www.mans.co.me/donacije-gradana-ili-crni-fondovi/

A.2. REVENUES OF POLITICAL ENTITIES

Payments of the so-called “welfare cases”

Locals of the settlement Vrela Ribnička, one of the poorest suburbs of Podgorica, paid at least EUR 30,000 for the campaign of that party in just a few days. Individual donations were not less than EUR 500, while certain families allocated even EUR 2,000 for donating the DPS.



A map of the settlement Vrela Ribnička in Podgorica, whose inhabitants made donations to the DPS (DPS collected a minimum of EUR 30,000 in Vrela Ribnicka during the campaign for parliamentary elections)

The data show that several local officials of DPS who received social assistance paid donations to the party in the amount no less than EUR 400 [38].

After MANS published the information on suspicious donations, the Prosecutor’s Office announced plans to launch an investigation [39], but did not inform the public on the results of that investigation.

Change of practice

The reports of DPS for presidential and local elections show that there has been a change of practice after MANS has published information on the donations for the parliamentary elections. The dynamics of donation payments have been changed so that there are no more organized payments from the same municipalities, while the level of individual donations varies, including payments as low as ten euros, which was not the case before.

[38] <https://www.mans.co.me/socijalni-slucajevi-finansirali-kampanju-dps-a/>

[39] Dan, The Special State Prosecutor’s Office investigates donations to DPS, 14 April 2018, <https://www.dan.co.me/?nivo=3&rubrika=Vijest%20dana&clanak=642531&datum=2018-04-14>

A.2. REVENUES OF POLITICAL ENTITIES

The “Envelope” affair and donations of businessmen

Donations of this party were again brought into the spotlight when the Director of the Atlas Group, Dusko Knezevic, released a footage showing him giving an envelope to the former mayor of Podgorica, Slavoljub Stijepovic, that allegedly contained EUR 97,500 for financing a campaign of the DPS.

Responding to these allegations, DPS President Milo Djukanovic said that many business people, including Dusko Knezevic, made donations to that party, the records of which are being kept in the accounting of DPS, as well as that it represented a “voluntariness out of interes” [40].

However, in the official reports of that party, on the list of donors, there are no names of Dusko Knezevic or other individuals who are publicly recognized as business people or owners of large companies [41].

Case study 2:

Criminal proceedings for illegal donations

The State Prosecutor’s Office runs proceedings against two political entities for illegal financing of election campaigns. These cases have been linked since the beginning, but the public is still awaiting the outcome of judicial proceedings.

There is an ongoing trial against the leader of the opposition party accused by the State Prosecutor’s Office of laundering money received from an entrepreneur from abroad, and several officials of that party have been arrested and interrogated. However, this proceeding is from the very beginning intertwined with the main actor of the current “Envelope” affair, and the State Prosecutor’s Office was not as agile in that proceeding as in the case of the opposition party.

At the end of 2017, the Special State Prosecutor (SSP) accused the member of parliament from DF and leader of the Movement for Change (PZP), Nebojsa Medojevic, that he was at the head of a criminal group that was laundering money in the campaign for parliamentary elections. [42]

According to the allegations of the State Prosecutor's Office, Medojevic and his associates were laundering money received from a business person from Bosnia and Herzegovina (BiH), who received nearly one million euros from the former Soviet republics [43]. The trial was adjourned several times, and the proceeding is still ongoing.

In the official report on election campaign costs, DF reported around 10,000 euros of donations by eight people, among which there is no Bosnian businessman [44].

[40] Press Conference at Villa Gorica, 22 January 2019. Transcript in the Annex 4

[41] The list of business people covered by the research is found in the Annex 2

[42] Dan, Indictment against Medojevic filed, 15 November 2018. <https://www.dan.co.me/?nivo=3&rubrika=Hronika&clanak=623271&datum=2017-11-15>

[43] It is suspected that these money transfers were done via Russian companies based in Lithuania. Antena M, Investigation on money laundering in the PZP, 6 September 2017, <https://www.antenam.net/drustvo/49637-istraga-o-pranju-novca-u-pzp-cije-je-dolare-mijenjao-prijatelj-skaljara>

[44] According to official reports, the DF campaign received donated by: Anđela Petrović, Vuksan Bulatović, Strado Turović, Čel Ismailisufi, Dražen Medojević, Radoje Karadžić, Krsto Đuro Šubara and Marko Petrović.

A.2. REVENUES OF POLITICAL ENTITIES

Before the indictment was filed, several PzP officials were arrested under suspicion of laundering money for the party [45]. For the same reasons, several employees of the Atlas Bank were also arrested. One of them, allegedly, stated that at the order of Dusko Knezevic, the owner of that bank, they converted money for the needs of then-mayor and DPS official Slavoljub Stijepovic [46].

The State Prosecutor's Office stated that Stijepovic was not mentioned [47], and he firmly denied any connection with the case. These media allegations were then denied by Dusko Knezevic as well. [48]

A year and a half later, Knezevic has released a video showing him giving an envelope to Stijepovic, which he claims to contain some 100,000 euros for financing the campaign of the ruling party. [49]

Stijepovic has been interrogated as a citizen only eight days after the video was published, but he was not arrested [50]. The State Prosecutor's Office has interrogated several other persons from the party, but said it would only pursue proceedings against Stijepovic for helping Knezevic in laundering money [51]. Stijepovic continues to perform the function of the Secretary General of the President of Montenegro.

According to the law and the Statute of the DPS [52], Stijepovic is not the person in charge of managing the party's finances. At the same time, the DPS official report on the funding of this election campaign does not contain information about the controversial donation.

On the other hand, the media published the admission of one of the local DPS officials who said Stijepovic had distributed half of that money to local headquarters and party activists [53]. Another local party official said that the money that Stijepovic had brought was distributed to local committees, for which he also held the receipts [54]. However, there is no announcement from the State Prosecutor's Office that the investigation will be extended to other responsible persons in that party.

[45] "Apart from Medojevic, the indictment includes the director of PZP, Dejan Vujisić, technical secretary, Željko Šćepanović, Goran Konatar, Iva Pavlović, Petar Drašković, Luka Radunović, son of a member of the presidency of DF Slaven Radunović, Vladislav Bulatović, nephew of a member of the Presidency of DF Predrag Bulatović, Nikola Jovanović, Mladen Jovanović and Aleksandar Sekulović." Dan, Indictment against Medojevic filed, 15 November 2017. <https://www.dan.co.me/?nivo=3&rubrika=Hronika&clanak=623271&datum=2017-11-15>.

[46] This was stated by the arrested Vlatko Rašovic, according to "Vijesti". Vijesti, Baja took \$ 100,000 from Stijepovic?, 12 October 2017, http://www.arhiva-medija.com/docs/59df4dca55e67_main.pdf

[47] Fosmedia, SSPO: Suspect for money laundering did not mention Stijepovic, 7 October 2017, <https://fosmedia.me/infos/hronika/sdt-osumnjiceni-za-pranje-novca-nije-pomenuo-stijepovica>

[48] Fosmedia, I have nothing to do with DF, Stijepovic is my friend, 13 October 2017, <https://fosmedia.me/infos/drustvo/knezevic-nemam-veze-sa-df-om-stijepovic-je-moj-prijatelj>

[49] In4s.net, Youtube recording, 11 January 2019, <https://www.youtube.com/watch?v=R8OuKONle2I>

[50] Vijesti Online, Stijepović interrogated in the Special State Prosecutor's Office, <https://www.vijesti.me/vijesti/crna-hronika/pocelo-saslanje-stijepovica-u-sdt-u>, 18 January 2019.

[51] Vijesti Online, Stijepovic suspected of laundering money, 1 February 2019. <https://www.vijesti.me/vijesti/crna-hronika/stijepovic-optuzen-za-pranje-novca>

[52] <https://s3.eu-central-1.amazonaws.com/dps.website/media/files/1519122015-statut.pdf>

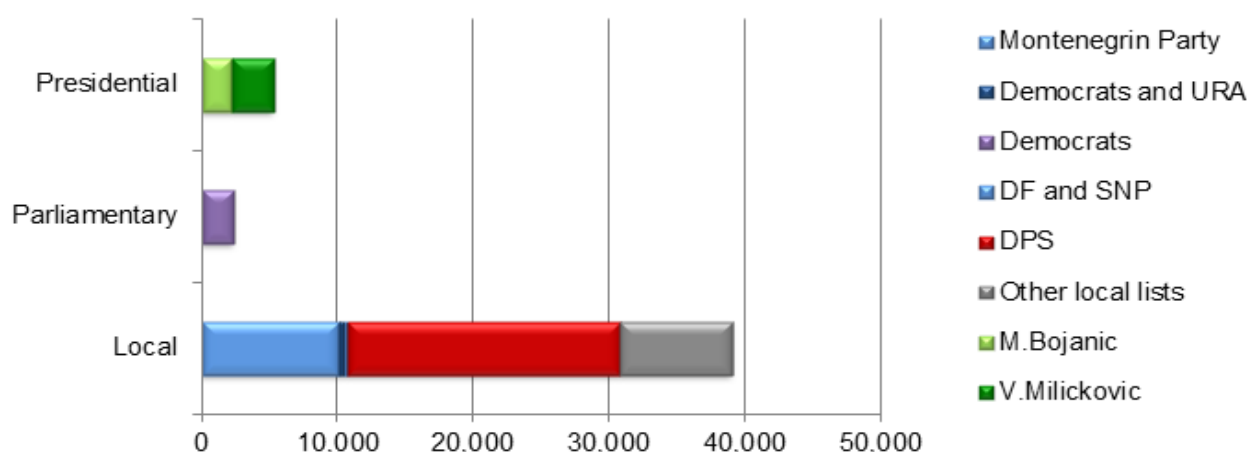
[53] Daily newspaper Dan online, Maraš: Migo gave 47,500 euros and that was distributed to local headquarters, 9 February 2019, <https://www.dan.co.me/?nivo=3&rubrika=Vijest%20dana&clanak=682960&datum=2019-02-09>,

[54] Signing cash receipts for DPS for the money from the "Envelope" affair, www.dan.co.me/?nivo=3&rubrika=Vijest%20dana&clanak=687559&datum=2016-08-01&najdatum=2019-03-13

A.2. REVENUES OF POLITICAL ENTITIES

A.2.2. Donations by Legal Entities

Judging by the official reports of political entities, legal entities rarely finance their electoral campaign, and most of the reported donations by companies are in services rather than in money.



Graph 6: Reported donations by legal entities in all election cycles (2016 - 2018)

In the last three years, all participants in the election cycles have received a total of around 45 thousand euros from legal entities. It is mainly about the services that the companies provide free of charge to local election lists, and are reported as in-kind contributions [55].

The largest amount of donations by companies was reported by the DPS, registered only at the local elections held in 2018 when three companies made donations to the party in the total amount of EUR 20,000. [56] Among those companies is the company Igma Energy llc, that was registered in Andrijevisa, a municipality where no elections were held during that period. This company has a concession for construction of small hydropower plants, and electricity production is regarded as an activity of public interest [57], while the Law prohibits companies performing activities of public interest from making donations to political entities. [58]

For the parliamentary elections, only the Democrats reported a donation of about two thousand euros. In the case of presidential elections, candidate Bojanic reported that three companies donated a total of two thousand euros, while the candidate Milickovic had a donation by one company in the amount of three thousand euros. Other candidates in the presidential election, including Djukanovic, did not report donations made by legal entities.

[55] Election lists: Biram Bar Radomir, Šule and Mikan with the citizens of Kolašin, the list Izbor Herceg Novi, Crnogorska Budva. Of the local lists, the highest amount was reported by Crnogorska for the local elections in Budva, a total of EUR 10,000, out of which EUR 9,000 were in-kind contributions made by legal entities. i.e. companies.

[56] Igma Energy llc from Andrijevisa and Građevinar llc from Podgorica paid EUR 5,000 each, and BGH PC Iberostar Bellevue Hotel llc from Budva paid EUR 10,000. The payments were made on 23 and 24 May 2018.

[57] Article 3 of the Law on Energy

[58] Article 24 of the Law on Financing of Political Entities and Election Campaigns.

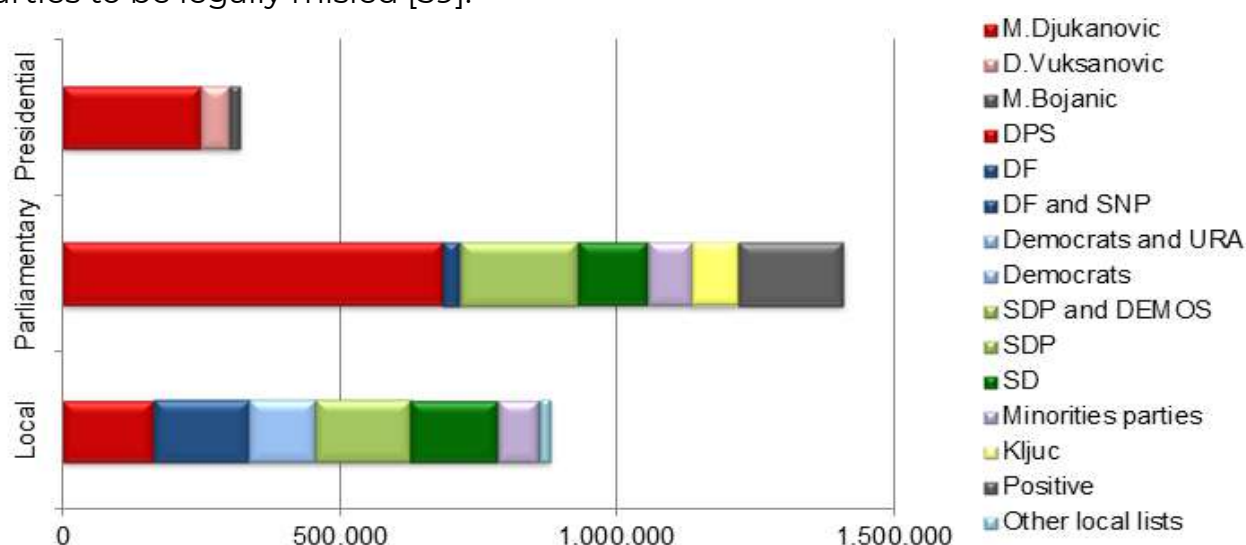
A.2. REVENUES OF POLITICAL ENTITIES

A.2.3. Own funds

All parliamentary parties abundantly use their own funds and finance more than half the official costs of the election campaigns with this money. For the last three years, the parties spent 2.6 million euros for the elections, which they received from the budget for regular operation.

The Law does not prescribe precisely that it is prohibited for a party to use own funds to finance the election campaign, but it defines the permitted sources of funding, among which there are no parties' own funds.

The competent institutions interpret these legal provisions differently. The Agency does not dispute such practice, and accepts own funds as a private source of funding for the election campaign, while the State Audit Institution thinks differently and states in its reports that such a practice is in conflict with the Law. The Board of the State Audit Institution took the view that this interpretation the Agency for Prevention of Corruption is causing the political parties to be legally misled [59].



Graph 7: The amount of own funds used for financing of election campaigns (2016-2018)

During the previous election cycles the parties used their own funds in different manners. DPS [60], SDP and SD took the so-called revolving loans, based on their own funds that they had previously deposited into the bank. On the other hand, Positive Montenegro has directly transferred money from the regular account to an account for campaign financing. The coalitions Ključ and DF used their members' own funds who then made donations. Democrats paid part of the cost of an election campaign from the account for regular financing [61].

[59] The SAI Press Release, 31 July 2018. www.dri.co.me/1/index.php?option=com_k2&view=item&id=529:saop%C5%A1tenje-za-javnost&lang=sr

[60] DPS took each revolving loan with the Societe Generale Bank, through which all cash payments of the party's officials were made, as described in the Case Study 1.

[61] Democrats paid part of the cost of an election campaign from the account for regular financing

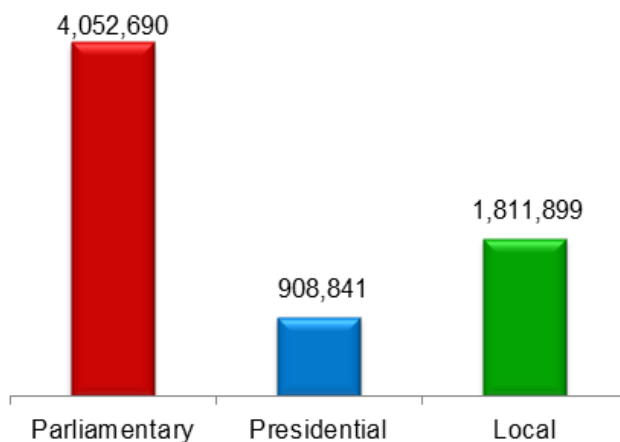
A.3.POLITICAL ENTITIES' EXPENDITURES

According to official data, all election campaigns that took place in the past three years, cost close to 6.8 million euros. The highest expenditure reported relates to the parliamentary elections, while the presidential elections, officially, cost four times less.

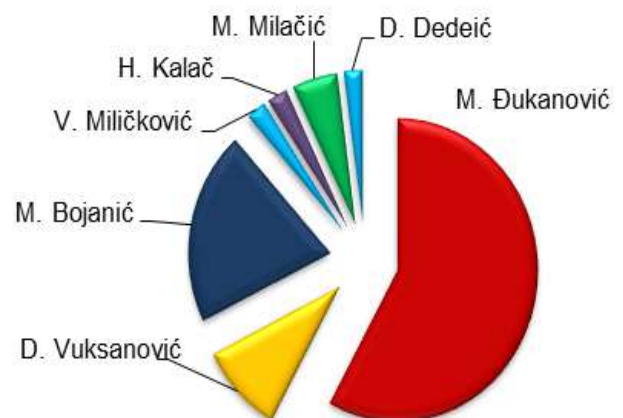
Most money was spent on advertising in the media and production of various promotional materials, while the costs of field campaigns and pre-election conventions were significantly less represented in the total share.

A number of illogical statements in the officially reported expenditures related to the election campaigns lead to the conclusion that political entities do not report or make false reports of expenditures, and that the difference comes from regular financing or from unrecorded cash payments. Such doubts further deepen the extremely worrying practice of involving party-favoured companies in mediation when purchasing goods and services for election campaigns.

Political entities reported the highest expenditures for parliamentary elections, amounting to 4 million euros. The reported expenditures of all local elections are two times lower and amount to less than 1.8 million, while presidential candidates reported that their campaigns led to the combined expenditure of about 900,000 euros.



Graph 8: Reported election campaigns expenditures of all political entities (2016-2018)

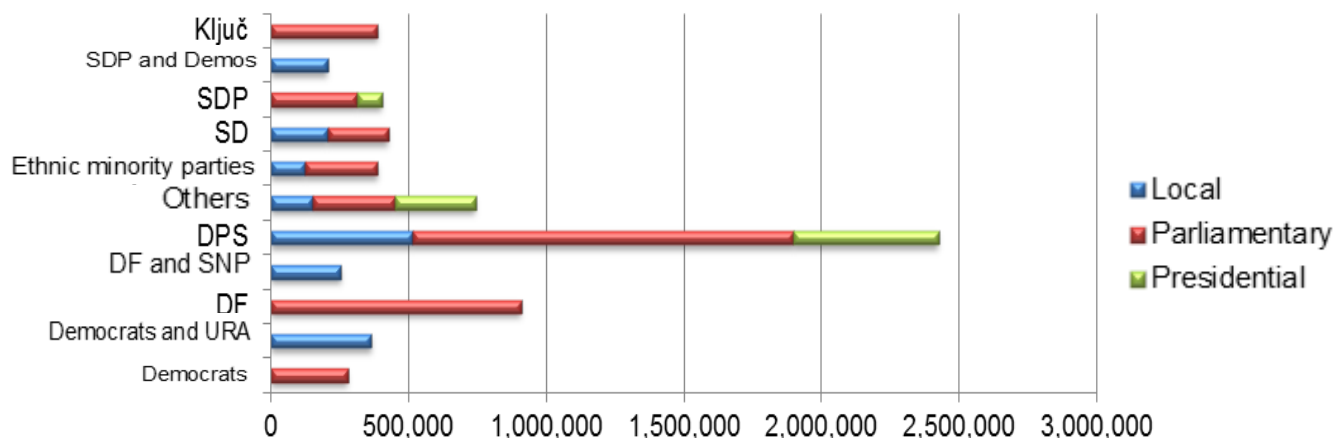


Graph 9: Reported presidential elections expenditures, by the candidate

Almost 60% of all presidential election expenditures were reported by the ruling party candidate. His party reported the highest total election campaign expenditure standing at over 2.4 million euros. Half of that, about 900,000 euros for parliamentary elections, and an additional 250,000 euros for local elections they entered in the coalition with the SNP was reported by the DF.

The Democrats occupy the third place. Together with the URA, they reported about 640,000 euros spent on parliamentary and local elections. The SDP holds the fourth place. Together with Demos, they reported about 600,000 euros. Officially, the SD spent 420,000 euros during the election campaign, while minority parties reported a total sum of about 380,000 euros.

A.3.POLITICAL ENTITIES' EXPENDITURES



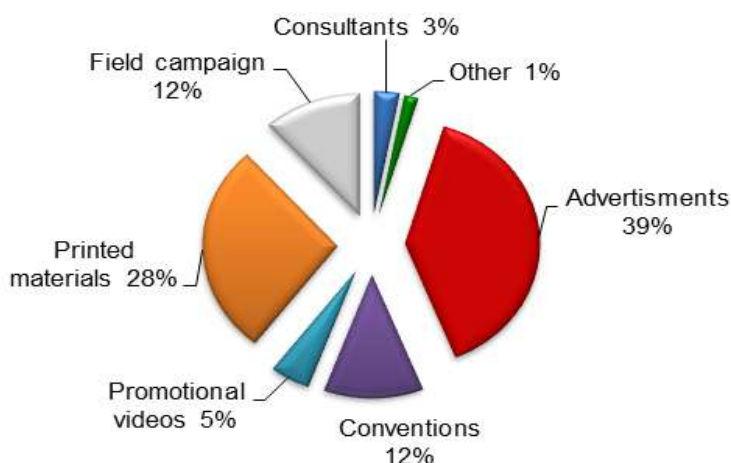
Graph 10: Reported election campaigns expenditures of political entities (2016-2018)

Almost 40% of reported expenditures are related to advertising in various media, while almost one in every three euros spent during the campaign was spent on the production of propaganda materials [62].

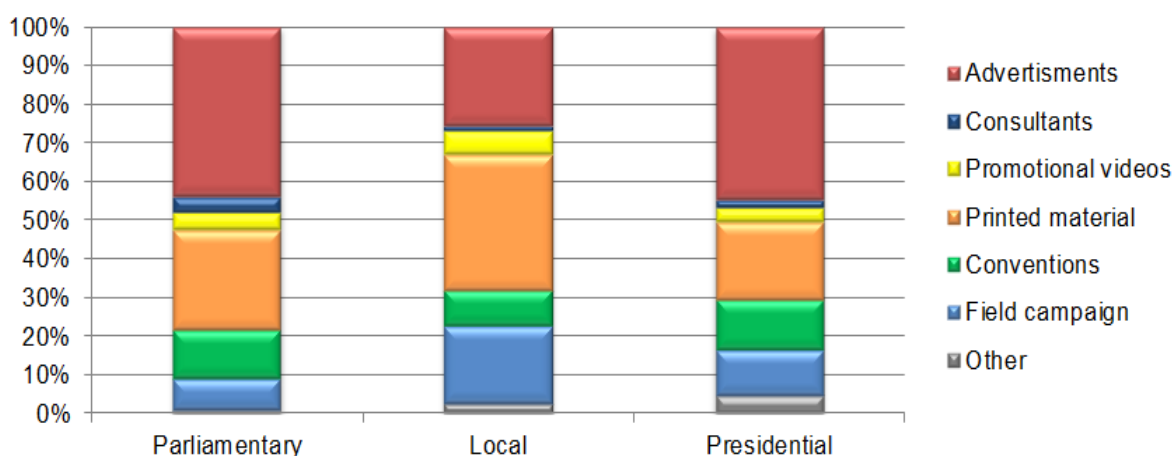
The reported expenditures related to the pre-election conventions, as well as the costs of the field campaign, account for around 12% of the total costs.

Only 5% of the total reported election campaign expenditures apply to the production of promotional videos.

Although advertising expenditures dominate in all election cycles, their share in local elections was the lowest in terms of total reported expenditures. Most of the expenditures at the local level were related to various printed materials, while the field campaigning was more prominent compared to the presidential and parliamentary elections.



Graph 11: The structure of the total reported expenditure of all political entities for all election campaigns (2016-2018)



Graph 12: Structure of expenditures by political entities per elections (2016 - 2018)

[62] The types of election campaign expenditures have been derived from the reports submitted to the Agency for Prevention of Corruption by the parties. More details are provided in the Methodology - Annex 1

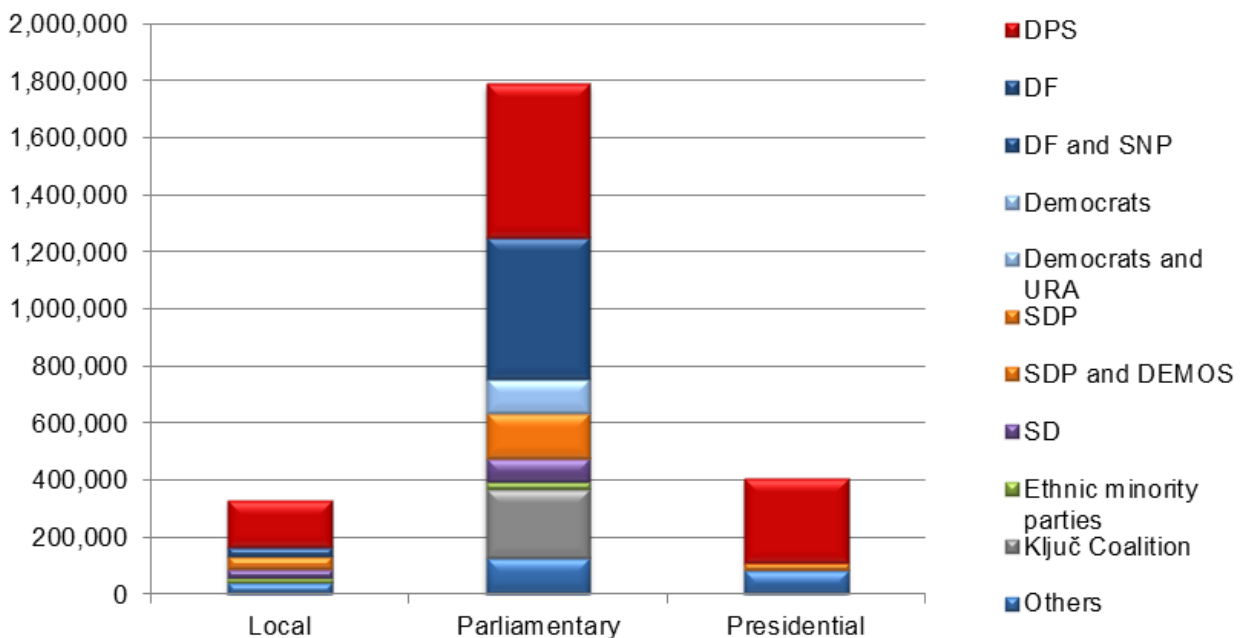
A.3.POLITICAL ENTITIES' EXPENDITURES

A.3.1. Advertising

The largest part of the official election campaigns expenditures relates to advertising in the media, which received nearly 2.7 million euros in three years.

It is not possible to establish exact prices some media had for advertising services provided to political entities. Some media made arrangements with parties involving hidden discounts, gave free space to one party only, or openly discriminated against others.

For the first time, during the parliamentary elections, it was noted that political entities bought advertising space in the Montenegrin media through intermediaries from abroad at prices that are not known to the public. Such a practice has not been regulated by law so far, which leaves room for various violations.



Graph 13: Reported costs of advertising in the media during election campaigns (2016-2018)

Nearly 2.7 million euros were paid for media advertisements during election campaigns held in the last three years. Almost two thirds of that amount, about 1.8 million euros, were spent on the eve of parliamentary elections.

The most money for advertising was spent by DPS, which reported almost one million euros of expenditure for all election campaigns held in the last three years. DF reported a total of about half a million euros, but over 95% of this amount refers to the parliamentary elections.

A.3.POLITICAL ENTITIES' EXPENDITURES

Democrats and URA, SDP and Demos, as well as the „Ključ“ coalition that existed only during the parliamentary elections, spent about one quarter million euros on advertising. SD officially spent about 100,000 euros on advertising in all election campaigns, while the ethnic minority parties combined spent less than a third of that amount.

Of the total funds reported by all political subjects for all election campaigns in the last three years, three broadcasting companies received the most money - TV Pink earned 430,000 euros, TV Vijesti 415,000 euros and TV Prva 350,000 euros. However, as many as 400,000 euros were spent through media advertising agents [63], of which at least 370,000 relates to TV, newspapers and the Vijesti web-portal [64].

Excluding advertisements paid through agents, Vijesti daily newspaper received the most money among the print media, about 190,000 euros. Television, daily newspaper and web-portal made revenue of about 980,000 euros, of which nearly 830,000 ahead of parliamentary elections. Dan received 175,000 euros, while Pobjeda and Dnevne novine received about 80,000 euros. Radio stations received 130,000 euros, of which almost half or about 60 thousand euros went to radio Antena M.

It was the DF that spent the most money on advertisements on TV Vijesti and in Vijesti daily newspaper - over 370 thousand euros, both directly and through agents. The entire amount or about 350 thousand euros that TV Pink earned came from the DPS. Dan received the most from the Democrats and URA, about 60,000 euros, along with 40,000 from the DF and Ključ coalition. Dnevne novine and Pobjeda received more than 70 percent of the money from the DPS.

All political subjects reported a total of about 100,000 euros for Internet campaign costs [65], while the rest relates mainly to electronic and print media. Half of these costs relate to campaigns for local elections. About 35,000 are reported for parliamentary elections, while about 25,000 euros were reported for local elections. Some parties paid for advertisements on the Internet directly, while others made contracts with individuals from the ranks of the party or companies specializing in the provision of these services.

Case study 3: **Imprecise media price lists**

Despite the legal obligation of the media to publish their price lists for the advertising of political subjects in election campaigns, in practice, it is not possible to determine the prices used by certain media to provide advertisement services to political parties.

In the price lists of the Pink M TV, prices were set for advertising in several time slots adding that other marketing services and advertising in other time slots, as well as other forms of media presentation, are to be directly negotiated with the Marketing department of that television.

[63] "New Focus Communications" Company, more detailed information is provided in the Case study 4: Advertising through agents from abroad

[64] Detailed information about the amounts for the television or newspaper is not known.

[65] Internet campaigns include advertising costs on social networks (Facebook, Instagram, Twitter, etc.) as well as the cost of lease of space on internet sites (Google Ads, YouTube, etc.), while leasing advertising space on Montenegrin media websites is incorporated in the cost of media advertising.

A.3. POLITICAL ENTITIES' EXPENDITURES

The price list also states that political entities that spend more than 60,000 euros for advertising will receive a discount, which must be negotiated and agreed with the TV Pink M - Marketing department.

Programska bonifikacija:
Do 20.000eur ... 10%
Od 20.001-40.000eur ... 20%
Od 40.001-80.000eur ... 35%

Cijene su u EUR/sec, bez uračunatog PDV-a. Plaćanje se vrši unaprijed.
Sve druge marketinške usluge (sponzorstvo Digitalnog sata/Break-bumpera...) za budžete veće od 60.000eur neto, se dogovaraju direktno sa marketing službom TV PINK M.

Klijent preuzima potpunu odgovornost za sadržaj oglasne poruke.
TV PINK M će emitovati oglasne poruke koje su dostavljene u skladu sa standardima TV PINK M.

Excerpt from the TV Pink M price list for the 2016 parliamentary elections

Other media, such as TV Prva or TV Vijesti, had more precise price lists with clear discounts so prices could easily be calculated.

televizija Vijesti
 Trg Republike bb, Podgorica, Crna Gora
 Tel: +382 (0)20 404 628
 PIB: 02679918 PDV:30/31-06723-4
 Žiro račun: 510-18079-28

CJENOVNIK ZA PLAĆENE IZBORNE OGLASE

Reklame u redovnim blokovima:

1)

Prije Vijesti u 08:00.....	5,00€/sec + PDV
Prije Vijesti u 10:00.....	5,00€/sec + PDV
Prije Vijesti u 14:00.....	5,00€/sec + PDV
Prije Vijesti u pola 5.....	10,00€/sec + PDV
Serijski-Kad paklo da paklo.....	20,00€/sec + PDV
Prije Vijesti u pola 7.....	20,00€/sec + PDV
Serijski-Crna ruha.....	25,00€/sec + PDV
Prije Vijesti u 22.....	15,00€/sec + PDV
Bez granica.....	15,00€/sec + PDV (Posljedikom u 20:00h)
Talk show-IZBORI 2016 -debata sa Petrom Komazićem.....	15,00€/sec + PDV (Utorakom u 20:00h)
Načisto.....	15,00€/sec + PDV (Četvrtkom u 20:00h)
Spotovna produkcija.....	15,00€/sec + PDV

2) Emitovanje namjenskog priloga, reportaža, izvještaja sa konvencije i slično u produkciji klijenta, u trajanju do 2 minuta u osnovnim blokovima:

Prije Vijesti u pola 5.....	600 eur + PDV
Prije Vijesti u pola 7.....	1200 eur + PDV
Prije Vijesti u 22.....	900 eur + PDV

Popusti mogu biti ostvareni po sljedećoj skali:

- za potrošnju iznad 30.000 neto6%
- za potrošnju iznad 40.000 neto8%
- za potrošnju iznad 50.000 neto10%
- za potrošnju iznad 60.000 neto12%
- za potrošnju iznad 70.000 neto15%
- za potrošnju iznad 80.000 neto20%
- za potrošnju iznad 100.000 neto30%
- za potrošnju iznad 120.000 neto40%
- za potrošnju iznad 150.000 neto50%

POPUSTI

do 2.000 eur	7%
od 2.001 eur do 4.000 eur	10%
od 4.001 do 6.000 eur	12%
od 6.001 do 15.000 eur	15%
15.001 do 25.000 eur	18%
od 25.001 do 35.000 eur	20%
35.001 do 50.000 eur	22%
preko 50.000 eur	25%

Napomene
 Cijene su izražene u eurima po sekundi emitovanja reklamnog spota.
 Sve cijene su izražene u neto iznosu i na njih se obračunava PDV.
 Cijena za posebne oglasne sadržaje kao što su sponzorstvo se ugovara posebno.
 Sve druge usluge koje nisu dio ovog cjenovnika ugovaraju se posebno.
 PRVA TV će emitovati oglasne poruke koje su dostavljene u skladu sa standardima PRVA TV. Trajanje oglasnih poruka ne smije biti duže od 30 sekundi.
 Oglasna poruka koja u sebi sadrži informacije ili oglašavanje više od jedne reklame marke podliježe uvećanju cijene za 20%.
 Oglasić preuzima potpunu odgovornost za sadržaj oglasne poruke.
 PRVA TV zadržava pravo da u bilo kom trenutku odbije emitovanje oglasne poruke zbog tehničkih, pravinih ili moralnih razloga.
 PRVA TV zadržava prava promjene programske i šeme i izmjene cjenovnika.

Excerpts from the price lists of TV Vijesti and TV Prva for the 2016 parliamentary elections

The real price of the advertisement on TV Pink M was not known to the public in the case of the only political party whose official expenditure exceeded the prescribed limit, that is, the DPS. TV Pink also provided a number of other services that were not defined by the price list, such as live broadcasts of the final conventions [66].

[66] For example, TV Pink broadcasted the final convention of DPS, which took place on October 13, 2016, ahead of parliamentary elections.

A.3.POLITICAL ENTITIES' EXPENDITURES

Information on the discount and the cost of one second of advertising that TV Pink M has agreed with DPS cannot be found in the official reports of that party since they revealed the total amount only.

Even the TV Pink M's invoice to DPS does not contain this information, disclosing only the total price.

Klijent: DPS Adresa: Jovana Tomasevica bb Grad: Podgorica PIB: 02011514 PDV: 30/31-04064-3	Preduzeće za informisanje i marketing d.o.o. Bul. Ivana Crnjevića 97, 81000 Podgorica Tel: +382 20 403 828 Fax: +382 20 403 818 PIB: 02389249 PDV: 30/31-00481-8 Registarski broj: 8-0156421/001 Žiro račun: 539-7171-34 Montenagro Banka, Podgorica Privredni sud u Podgorici, Reg.br. 8-0155421/001
PRED-RAČUN BROJ: 09.10/16	
VRSTA USLUGE Za usluge politickog marketinga partija DPS "Milo Djukanovic sigurnim konskom" po dogovorenom medija planu na TV PINK M.	UKUPNO 100.000,00 €

The Pink TV invoice for advertising services ahead of 2016 parliamentary elections sent to DPS

The price list of television 777 is yet another example of this practice. It also states that the services that are not explicitly listed are agreed separately. One of such services was advertising in the "Arena" magazine, the magazine of the Lottery of Montenegro, TV 777's owner. This magazine is published as a supplement in the "Pobjeda" daily and only the presidential candidate from the ranks of the ruling party was advertised in it. The price of this service has remained unknown.

However, the price list of that television prohibits advertising of political entities against whom criminal proceedings are conducted and "whose activities represent the violation of the legal and state order of Montenegro", as well as those who participated in the "public attacks against the Lottery of Montenegro and TV 777".

This media directly stated that it would not allow advertising of all political subjects under the same conditions and that it would arbitrarily decide on who should be allowed to use their advertising services.

USLOVI: U okviru programa TV777 ne mogu se predstavljati politicke partije, pravni subjekti i njihovi predstavnici i pojedinci protiv kojih se vodi krivicni postupak po sluzbenoj duznosti i u cijim se aktivnostima prepoznaje narusavanje pravnog i drzavnog poretka CRNE GORE. Takodje se ne mogu predstavljati subjekti i pojedinci koji su svojim konkretnim aktivnostima ucestvovali u hajci protiv PD Lutrije Crne Gore i TV777, koja je za cilj imala ometanje prava obavljanja djelatnosti priredjivanje igara na sreću i prava proizvodnje i emitovanje televizijskog programa. Sve druge usluge produkcije koje nisu navedene u Cjenovniku ugovaraju se posebno

Excerpt from Television 777 price list for 2018 presidential elections

A.3.POLITICAL ENTITIES' EXPENDITURES

Case study 4: Advertising through agents from abroad

On the eve of parliamentary elections, two opposition political parties leased advertising space in the Montenegrin media worth over 370,000 euros through a foreign company. The prices of such services charged to political entities are not known.

For the first time, during the 2016 parliamentary elections, it was noted that political entities bought advertising space in the Montenegrin media through intermediaries from abroad.

During this campaign, the two largest opposition groups, the DF and the Ključ coalition [67], leased advertising space on Vijesti television, newspaper, and web-portal using the services of New Focus Communications, a company with registered offices in Belgrade.

This Belgrade-based company leased media space, and then went on to sell it to the DF and the Ključ coalition. The DF was sent an invoice worth 217,000 euros while Ključ coalitions' one was worth 157,000 euros [68].

However, these invoices provide only total amounts, leaving out information on individual prices.

Therefore, it is not possible to determine at what prices the company "New Focus Communications" bought media space and sold it to the abovementioned political entities.



New Focus Communications invoice for DF for advertising services ahead of parliamentary elections



New Focus Communications invoice for "Ključ" coalition for advertising services ahead of parliamentary elections

Unlike Montenegrin media, foreign companies dealing with the resale of the media advertising space are not obliged to publish their price lists, nor to submit to institutions information about their business with political entities.

In addition to this, the law does not stipulate any restrictions, so it is theoretically possible for a foreign company to lease the entire media space, and sell it to political entities at its sole discretion, at prices far below market ones or even to give it for free. Such actions would constitute a smoke screen for hidden financing of political entities which is not adequately regulated by law.

[67] The "Ključ" coalition consisted of SNP, Demos and URA.

[68] The invoices issued by the companies were provided by the aforementioned political entities on the basis of the Law on Free Access to Information

A.3.POLITICAL ENTITIES' EXPENDITURES

Case study 5: Special TV shows for one presidential candidate

During the presidential campaign, DPS candidate Milo Djukanovic enjoyed free media time on several commercial TVs that was not offered to other participants in the election campaign.

The "Intervju mjeseca" was not part of the regular TV Pink M program scheme [69] and it was broadcast only one time - when Milo Djukanovic, as a presidential candidate, was hosted [70].

That broadcast, lasting 104 minutes, was rerun the next day [71]. During the show, this TV ran content related to the campaign of the candidate.



A photo from the "Intervju mjeseca" broadcast on TV Pink, which was broadcast only once ahead of the presidential elections

The presidential candidate, Milo Djukanovic, visited the special edition of "Živa istina" talk show broadcast on TV "Prva" and Radio Antena M ahead of the presidential elections, which lasted 30% longer than usual [72].

Television 777 rebroadcasted the interviews of Djukanovic from the Radio Television of Montenegro (RTCG) and TV Prva [73] and broadcasted them regardless of the programme scheme and without explicitly stating the sources.

[69] This live broadcast was not part of the program scheme, nor there was a mention of it any other document submitted by the TV Pink to the Agency for Electronic Media. All media outlets are obliged to submit to the Agency for Electronic Media their programs for media presentation of electoral lists or candidates.

[70] The show was broadcast on March 29, 2018

[71] The show was rerun on March 30, 2018

[72] "Živa istina" talk show is usually broadcasted on Sunday at 2pm on TV Prva and Antena M, while Djukanovic was hosted on Wednesday, April 11, 2018. The show lasted 98 minutes, even though it usually lasts 60 minutes. It was rerun on the same day at midnight.

[73] During the broadcast of the "Interview" on April 10, whose duration was 56 minutes, and the live broadcast "Živa istina" on April 12, 2018, whose duration was 98 minutes, sources of broadcasts, RTCG and TV Prva were not listed, nor were there any information on whether the program was paid one, marketing time or free presentation of a presidential candidate.

A.3.POLITICAL ENTITIES' EXPENDITURES

A.3.2. Promotional materials and videos

In the last three years, political entities have officially spent about 2.2 million euros on production of promotional materials during election campaigns.

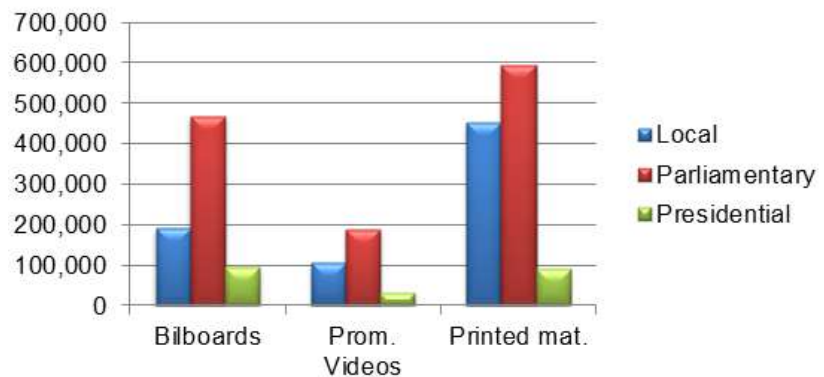
The costs of promotional videos have been disproportionately low in relation to their quality and frequency during their campaigns. Specific cases prove that some parties have not reported the expenditure related to the production of such videos or have significantly underestimated this expenditure.

The practice of renting billboards through an intermediary company affiliated with a political party leaves room for a range of violations and concealing of the actual expenditures related to the election campaign.

The biggest expenditures related to all kinds of promotional materials were reported for parliamentary elections, about 1.2 million, while about 200,000 euros were spent for the presidential elections, according to official reports.

Half of these expenditures account for various printed materials, one third for billboards, while promotional videos make up about 15% of the reported costs related to promotional materials.

Particularly low were the costs of producing promotional videos for the presidential elections - less than 32,000 euros, while 186,000 euros were reported as a total expenditure incurred for this activity during the parliamentary elections.



Graph 14: Expenditures related to the production of promotional materials of all political entities, by type (2016 - 2018.)

Once again, the DPS reported the highest expenditure in this category as well, with over 800,000 euros. Half of this amount relates to printed materials, with slightly less than 135,000 euros were reportedly allocated for production of promotional and other video materials. This party reported the highest expenditure related to the production of video material for parliamentary elections, about 70,000 euros, as well as about 6,000 euros for the presidential ones.

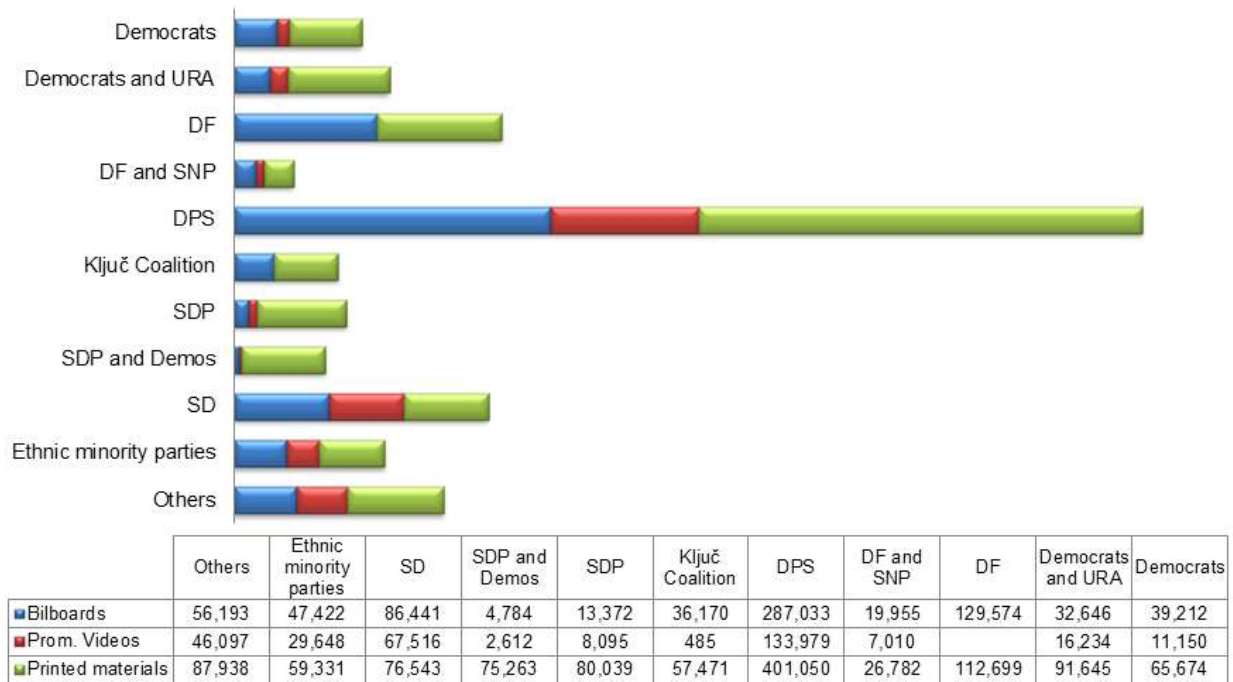
Democratic Front, acting in coalition with the SNP at the local level, reported spending slightly less than 300,000 euros for the production of promotional materials, of which the production of promotional videos for local elections only cost seven thousand euros [74].

[74] DF reported expenditures in the amount of 60,000 euros for video production, internet campaign and foreign consultants' services combined, without providing data on individual costs. More details are provided in the study in this chapter.

A.3. POLITICAL ENTITIES' EXPENDITURES

Democrats and URA reported 250,000 euros of expense material costs, of which 27,000 euros were spent on the production of promotional videos. SD reported 230,000 euros, of which almost one third or nearly 70,000 were used to cover the costs of video production.

SDP, acting in coalition with Demos at the local level, reported spending about 185,000 euros on promotional material production, of which less than 8,000 euros were spent on promotional videos production, primarily those for presidential elections.



Graph 15: Review costs for promotional materials by category (2016.-2018.)

A.3.POLITICAL ENTITIES' EXPENDITURES

Case study 6:

Unreported expenditures related to the production of promotional videos

When it comes to the 2016 parliamentary elections, DF had several high-quality promotional videos. However, in the official report on election campaign expenditures, that political entity did not report a single expenditure related to the production of the videos.

DF claims that they hired a company specialized for video production, campaign designing and development, and internet advertising and that the total cost of those services was 60,000 euros [75].

According to the documentation submitted by this political entity, for this purpose they hired the "Shaviv Strategy and Campaigns" consulting firm. The contract between the DF and that company states:

"The beneficiary accepts to pay the Consultant's services according to the following dynamics:

a. The amount of 60,000 is to be paid no more than ten working days after the Beneficiary submits the electoral list to the State Election Commission.

b. Costs of social media advertising and production costs should be paid no more than ten working days from the date of conclusion of the contract, not later than October 28, 2016. In any case, the costs of social media advertising should not exceed the amount of 150,000 euros, only in the case of an amendment to this Contract, as provided for in Article 7".

The invoice issued by this company, published by the DF, states that the amount of 60,000 euros represents the cost of consulting, while the cost of promotional video production and managing online campaign are not mentioned. Aaron Shaviv, the director of the company which invoiced the service, is a well-known international consultant with high fees. Nevertheless, even without his fee, this amount is likely to have been significantly exceeded.

DF had at least 10 promotional videos for the parliamentary elections. Some of them featured a number of actors and extras, while the shootings took place in several locations with rich scenography. Judging from the invoice of the ruling party related to the costs incurred for parliamentary elections, over 70,000 euros were spent on producing a similar number of promotional videos. Therefore, the costs of producing DF's videos for those elections must have been tens of thousands of euros.

In addition to this, the DF's campaign on the Internet, which was intense ahead of the parliamentary elections, had to be at least at the level of the then coalition Ključ, which reported the expenditure of almost 14,000 euros.

Shaviv Strategy and Campaigns

Company no. 514071471
Tax ID no. 925294829

Global Gateway 8
23 Leah Imenu
Modin, Israel

To
Demokratski Front mi ili en
Montenegro

INVOICE

Date: 22/9/2016
Invoice no. 116/2016

Period/date	Consultant	Details	Total (€)
Sep-16	Aron Shaviv	Consulting	60,000

TOTAL € 60,000.00

Wiring Instructions:

SWIFT: MIZBILIT
IBAN: IL17-0205-2100-0000-0168-042
In the name of Shaviv Strategy and Campaigns LTD



Aron Shaviv, CEO

Invoice issued by the Shaviv Strategy and Campaigns consulting firm for advisory services provided to the DF on the eve of parliamentary elections

[75] www.antikorupcija.me/media/documents/lzvjestaj_o_sprovedenom_nadzoru_u_toku_izborne_kampanje.pdf

A.3.POLITICAL ENTITIES' EXPENDITURES

Case study 7:

Inexplicable differences in the prices of promotional videos

This study reveals inexplicable differences in the costs of producing promotional videos in two election cycles as reported by the ruling party. Virtually the same number of videos produced by the very same supplier cost ten times less during the parliamentary than during the presidential elections.

According to the official report, DPS spent over 70,000 euros for the production and adaptation of six promotional videos for parliamentary elections in 2016.

This is visible from the invoice for production of the six videos that this party provided to us under the Law on Free Access to Information.

However, the costs for the production and adaptation of five DPS spots by the same supplier for the presidential elections were only six thousand euros or ten times less than the ones for the parliamentary elections.

In the context of the presidential campaign of Djukanovic, a 12-minute documentary about his political career was broadcasted. However, it remains unclear whether the production of this movie was part of the reported costs.

The DPS did not provide us with invoices and contracts from which we would clearly understand what the invoiced services specifically include. Their official report for presidential elections lists only MAPA as a supplier for production of promotional videos.

At the same time, the official costs of the Djukanovic's campaign in that category were smaller than those reported by his opponent Bojanic.

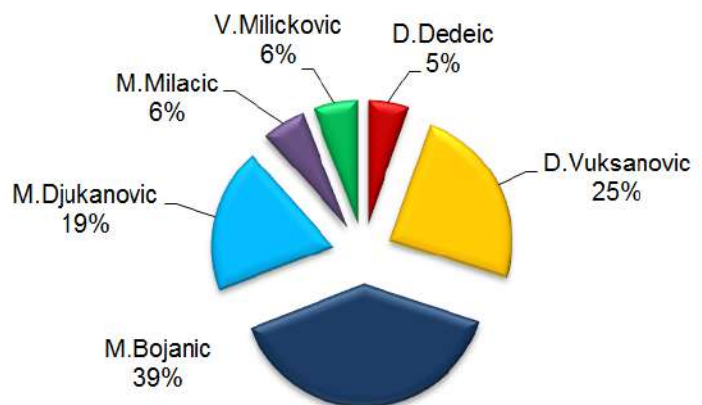
Broj	Opis usluge	Komada	Cijena/EUR	Ukupna cijena EUR
1	Usluge Video produkcije spotova: Statement 60 sec, Keptolne investicije 57 sec, Nove mjere 55 sec, Dokumentarni spot 3 60 sec, Dokumentarni spot 2 60 sec, Muzički spot 2 min i 11 sec. Adaptacija svih spotova na trajanje od 30 sec. Adaptacija svih spotova na albanski jezik. Izrada 15 radio spotova.	1	60,168.00	60,168.00
UKUPNO				€ 60,168.00
PDV (19%)				€ 11,431.92
TOTAL				€ 71,599.92

U slučaju spora nadležan je Privredni sud u Podgorici
Rok plaćanja 8 dana po prijemu fakture
Podgorica, 26.10.2016.

DEMOKRATSKA PARTIJA SOCIJALISTA
DPS
CRNE GORE
PRIDRUŽENJE

Prilazilo: 26.10.2016
Otp. jed. Broj: 1114/1
Prilog: Vrijednost

MAPA Ltd. video and radio production services invoice for DPS election campaign during parliamentary elections



Graph 16: Presidential candidates' expenditures for promotional videos

A.3.POLITICAL ENTITIES' EXPENDITURES

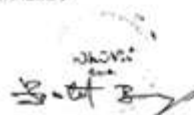
Case study 8: The lease of billboards through an affiliated company

On the eve of parliamentary elections, DF leased billboards through a company owned by a party official from that political alliance. This company owns only a few billboards, so it acted as an intermediary in leasing billboards from other companies.

According to the company's financial documentation, in the year of parliamentary elections the company experienced financial prosperity, signing contracts worth almost half a million euros, of which only half was collected.

On the eve of the parliamentary elections, DF reported 130,000 euros as the total cost of leasing billboards. 116 thousand euros referred to the work contracted with "Đoković" Ltd. from Danilovgrad.

According to their contract with the DF, Đoković company was obliged to provide 127 billboards and over 70 additional advertising spaces prior to the parliamentary elections from September 1 to October 16, 2016. The contract stated the price of 115,000 euros and the payment deadline by the end of that year.

<p style="text-align: center;">Prava i obaveze Zakupca Član 3.</p> <p>Zakupac je u obavezi da:</p> <ul style="list-style-type: none"> - dostavi Zakupodavcu ispravne postere koji treba da budu postavljeni na reklamnim panoima, kao i rezervne, najkasnije tri dana prije početka trajanja zakupa - dostavi Zakupodavcu ispravne postere ili njihove djelove koji treba da budu postavljeni umjesto oštećenih, u roku od 48 časova od momenta kada je od Zakupodavca primio pismeno obavještenje o oštećenju postavljenog postera ili njegovog dijela - dostavi postere o svom trošku u sjedište Zakupodavca - utvrdi izgled i sadržinu postera koji se postavljaju na reklamnim panoima definisanim ovim ugovorom. 	<p>"DJOKOVIC" d.o.o. DANILOVGRAD PIB.02106086 PDV BR. 32/31-00018-5 PRED.RN.BR.55/16 01.10.2016 GOD. Z.R.510—2740-65</p> <p>1.UGOVORENE OBAVEZE-ZAKUP REKLAMNIH POVRSINA U TRAJANJU OD 01.09. DO 16.10.2016g.</p>	<p>prima: "DEMOKRATSKI FRONT-MI ILI ON" (NOVA PIB.02746476)</p> <p>96.960.00</p> <p>+pdv 19% 18.422.40</p> <p>Ukupno 115.382.40</p>																										
<p style="text-align: center;">Cijena i uslovi plaćanja Član 4.</p> <table border="0" style="width: 100%;"> <tr><td>1 Bilbord kom</td><td>17 x 650 = 11.050,00 €</td></tr> <tr><td>2 Bilbord kom</td><td>22 x 635 = 13.970,00 €</td></tr> <tr><td>3 Bilbord kom</td><td>50 x 585 = 29.300,00 €</td></tr> <tr><td>4 Bilbord kom</td><td>38 x 300 = 11.400,00 €</td></tr> <tr><td>5 Backlight kom</td><td>8 x 1.200 = 9.600,00 €</td></tr> <tr><td>6 Megabord kom</td><td>3 x 3.600 = 10.800,00 €</td></tr> <tr><td>7 Citi light kom</td><td>4 x 230 = 920,00 €</td></tr> <tr><td>8 Citi light kom</td><td>19 x 160 = 3.040,00 €</td></tr> <tr><td>9 Citi light kom</td><td>10 x 240 = 2.400,00 €</td></tr> <tr><td>10 Citi light kom</td><td>32 x 140 = 4.480,00 €</td></tr> <tr><td></td><td style="border-top: 1px solid black;">96.960,00 €</td></tr> <tr><td>Pdv</td><td>18.422,40 €</td></tr> <tr><td>UKUPNO za uplatu</td><td>115.382,40 €</td></tr> </table>	1 Bilbord kom	17 x 650 = 11.050,00 €	2 Bilbord kom	22 x 635 = 13.970,00 €	3 Bilbord kom	50 x 585 = 29.300,00 €	4 Bilbord kom	38 x 300 = 11.400,00 €	5 Backlight kom	8 x 1.200 = 9.600,00 €	6 Megabord kom	3 x 3.600 = 10.800,00 €	7 Citi light kom	4 x 230 = 920,00 €	8 Citi light kom	19 x 160 = 3.040,00 €	9 Citi light kom	10 x 240 = 2.400,00 €	10 Citi light kom	32 x 140 = 4.480,00 €		96.960,00 €	Pdv	18.422,40 €	UKUPNO za uplatu	115.382,40 €	<p>Racun izdao</p> <p style="text-align: center;">  DJOKOVIC Danilovgrad </p>	<p>Racun primio</p>
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Pdv	18.422,40 €																											
UKUPNO za uplatu	115.382,40 €																											

Excerpt from the contract between the "Đoković" company and the DF from September 1, 2016

The invoice of the "Đoković" company sent to DF, date not specified

According to the information from its website, the company currently owns five billboards [76].

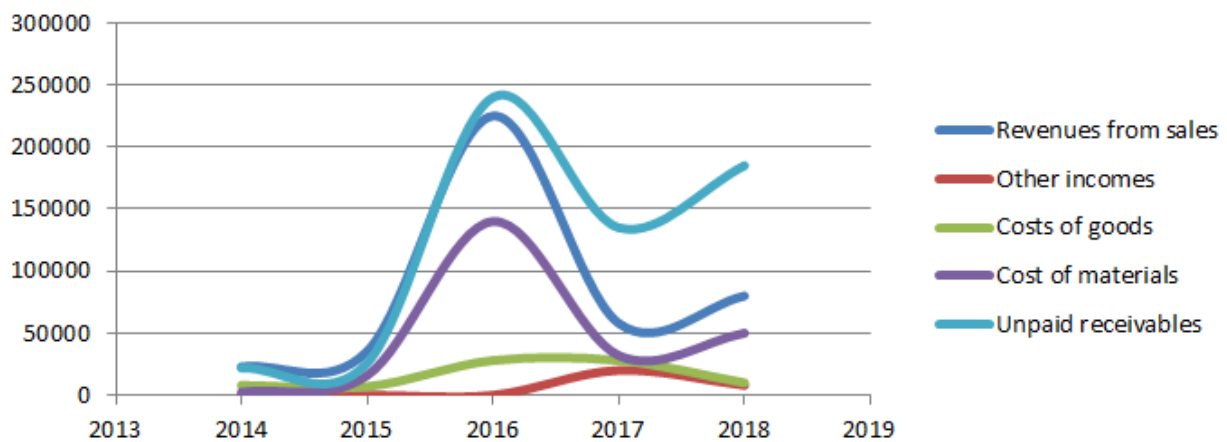
[76] http://www.djokovicdoo.com/?page_id=4736

A.3. POLITICAL ENTITIES' EXPENDITURES

The executive director of that company is Velimir Djokovic, who used to be a member of the Managing and Executive Boards of the New Serbian Democracy, one of the political constituents of the DF, and a member of the local assembly [77]. The owner of this company is his wife.

The company's financial records shows that in the year of the parliamentary elections the company experienced a boom in revenues, due to a sharp increase in sales revenues. However, a significant amount of claims remained outstanding.

In other words, in 2016, the company had 225,000 euros in sales revenues and an additional 240,000 euros in outstanding claims.



Graph 17: Financial parameters "Đoković" company (2014 - 2018),
source: official financial documentation of the company

In 2017 all these parameters were on the decrease, only to grow once again in 2018, the year of the presidential elections.

Reports from political entities show that DF had fewer business deals with "Đoković" company before the local elections.

However, the official reports of presidential candidates Mladen Bojanic, whose campaign was supported by the DF, and Marko Milacic, state that billboards were leased from that company only. Each candidate paid about 15,000.

[77] Company information was downloaded from the Central Register of the Commercial Court. Vijesti daily, October 21, 2015, Đoković: Lies and Deceptions of RTCG, perfidy editing in the "Okvir" talk-show, <https://www.vijesti.me/vijesti/politika/dokovic-neistine-i-podvale-rtcg-perfidna-montaza-u-emisji-okvir>, May 5, 2011, Danilovgrad officials do not yearn for cars, but rather love real estate, <https://www.vijesti.me/vijesti/drustvo/danilovgradski-funkcioneri-ne-zude-za-automobilima-ali-vole-nekretnine>

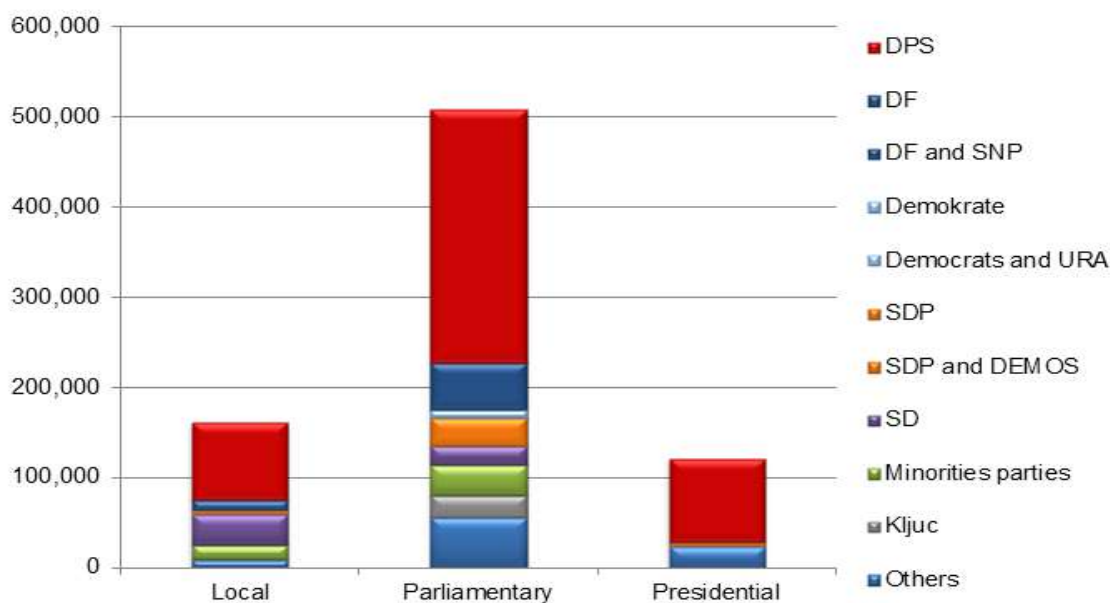
A.3.POLITICAL ENTITIES' EXPENDITURES

A.3.3. Pre-election rallies

There is a lot of suspicion about political entities downplaying the costs of pre-election gatherings and conventions, with the difference in amounts being reimbursed from regular financing or through unrecorded cash payments.

According to reports submitted by some parties, the costs of the same conventions would see either a major surge or a massive drop depending on an election cycle, whereas some rallies, officially at least, did not cost a single cent.

During election campaigns held in the past three years, the official costs of promotional rallies and pre-election conventions for all the political entities amounted to € 800,000. Most of the said amount, over half a million euros, was spent for the campaign preceding parliamentary elections, whereas, according to reports by political entities, the total campaign spending for all the local elections was about €170,000. The parliamentary elections campaign is reported as costing four times as much as the presidential campaign.



Graph 18: Reported costs of pre-election rallies for all election campaigns In the period 2016 - 2018, for all the political entities

The DPS reported as having spent almost € 460,000 for all the pre-election rallies held in the past three years. The reported costs are as follows: about € 280,000 for parliamentary election rallies, around € 85,000 for all the local election gatherings, and € 92,000 for rallies ahead of presidential elections.

Prior to parliamentary elections, the official costs of the DF pre-election conventions were five times lower than those of the DPS. The DF reported having spent €11,000 in local election rallies together with the SNP, their coalition partner in several municipalities.

The SD and minority parties reported almost the same total costs of local election rallies as the DF, about € 50,000. However, the SD reported higher rally costs ahead of local elections as compared to parliamentary elections, i.e. € 34,000 and € 20,000, respectively.

A.3. POLITICAL ENTITIES' EXPENDITURES

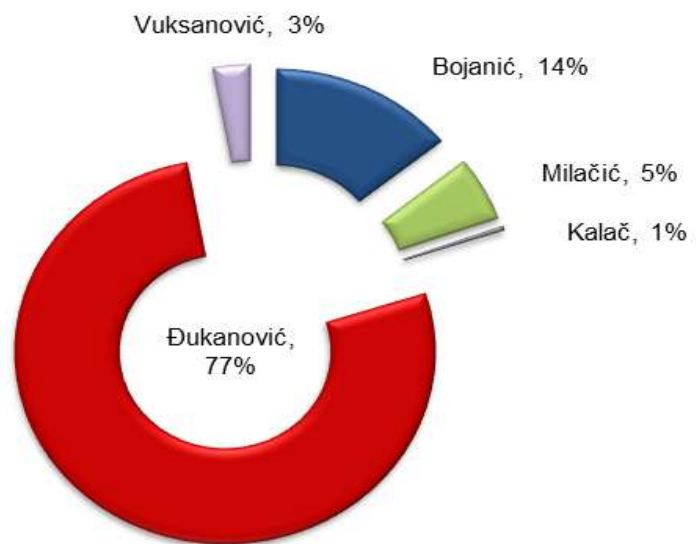
In the run-up to parliamentary elections, several minority parties officially spent about € 33,000, as opposed to paying € 16,000 for local election promotional rallies.

Officially, the SDP had spent cca € 31,000 ahead of parliamentary elections; as for campaigns ahead of all the local elections, they reported ten times lower expenses than the SD, i.e. € 3,500 total, whether campaigning alone or in coalition with Demos. The "Kljuc" coalition reported to have spent roughly € 25,000 for parliamentary election rallies.

According to official reports, the Democrats spent the lowest amounts, i.e. € 8,500 for parliamentary election rallies, and about € 12,000 ahead of local elections, whether alone or in coalition with URA.

The reported costs of pre-election rallies promoting the DPS presidential candidate were over three times higher than those of all the other candidates combined.

The candidate of the majority of the opposition, Mladen Bojanic, reported around € 17,000 in rally costs, Marko Milacic about € 6,500, and Draginja Vuksanovic around € 3,500.



Graph19: Reported costs of rallies ahead of presidential election

Case study 9:

Same events costing three times less

The ruling party, the DPS, reported the total cost of rallies during parliamentary election campaign as being three times higher than that of presidential and all the local elections combined. The official costs of the conventions tend to vary greatly depending on a municipality, although the scale of these rallies was almost identical.

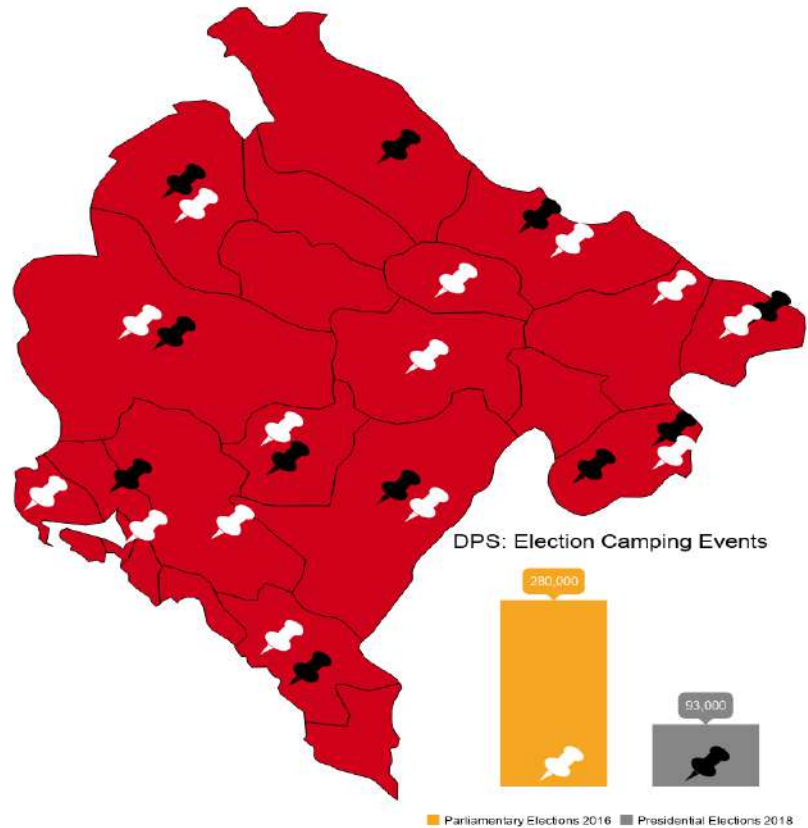
This leads to the conclusion that the DPS did not report the actual costs of pre-election rallies in their official report on election campaign spending. In other words, either this party concealed the real costs of conventions organized ahead of presidential elections, or they incorporated other hidden expenses into the total sum for rallies held in the parliamentary elections campaign.

A.3.POLITICAL ENTITIES' EXPENDITURES

Rallies and conventions were held in 14 towns during the election campaign in the run-up to 2016 parliamentary elections. According to data provided in the DPS official reports, the total cost of all the rallies amounted to nearly € 280,000.

According to the 2018 presidential election report, the DPS allocated more than € 90,000 for pre-election rallies held in 11 municipalities.

The map of Montenegro pinpoints towns that hosted the DPS pre-election rallies ahead of parliamentary and presidential elections.



Graph 20: Towns hosting rallies during parliamentary and presidential elections, as reported by the DPS

Pre-election rallies	Parliamentary	Presidential	All the local elections combined
The number of rallies	14	11	26
The total cost reported	€ 280,000	€ 93,000	€ 86,000

The total number and official cost of the DPS rallies during presidential, parliamentary and all the local elections (2016 - 2018)

Even though some towns hosted no rallies during the presidential election campaign, further analysis shows that the enormous variation in the officially reported costs between municipalities is not realistic.

A.3. POLITICAL ENTITIES' EXPENDITURES

For example, the closing conventions in Podgorica for all three election cycles were held at the Moraca Sports Center or the University Sports and Cultural Center, with no major differences in set designs between the two venues. State-of-the-art audio-visual equipment and lighting effects had been used on all three occasions, while conventions ahead of presidential elections also included a substantial culture and art program.

The DPS reported that the Podgorica parliamentary election rally set them back by € 180,000 [78], whereas local election rallies had cost them twenty times less, or € 9,000.

However, it is not easy to determine the costs of individual rallies held ahead of presidential election, as expenditures for conventions in several municipalities are merged under a single item in the DPS reports [79]. Even when the invoice with aggregate amounts is included in the calculation of expenses for the Podgorica rallies, they do not exceed € 30,000.

Other towns, especially Bijelo Polje and Pluzine, show massive differences between costs reported for parliamentary and presidential election rallies, but their amount can not be precisely determined as the DPS reported aggregate data for several towns [80]. Once more, field research has shown that meetings were organized using similar equipment.

Bearing in mind the huge differences between the officially reported costs for otherwise similar or downright identical pre-election rallies, it seems that these costs are either underestimated or overestimated depending on an election cycle. Therefore, there are two possible options:

- the DPS reported inflated costs for parliamentary election rallies, which included payments for other purposes; or else
- this party failed to report all the costs of rallies organized ahead of presidential and local elections, and made up for the difference from regular financing or through unrecorded cash payments.



Photographs and costs of the Podgorica closing conventions of the DPS ahead of parliamentary, presidential and local elections

[78] The DPS did not publish any invoices on the costs of pre-election rallies, even though invoices for all other categories of expenses incurred in the parliamentary elections have been published. Therefore, the structure of these costs can not be analyzed in detail.

[79] The invoice of the company MAPA lists props, stage design and decoration work, and, according to the DPS report, the amount invoiced therein covers seven conventions.

[80] The costs of the rallies in Bijelo Polje were €13,000 for parliamentary and € 1,300 for presidential elections, while Pluzine allocated around € 3,500 for parliamentary and € 350.00 for presidential elections.

A.3.POLITICAL ENTITIES' EXPENDITURES

Case study 10: Cheap yet lush

All the opposition parties show considerably lower expenditures on account of pre-election conventions as compared to the DPS, but only the DF rallies ahead of parliamentary elections were a match to those of the ruling party in terms of quality. However, this political alliance reported expenditure for their closing convention in Podgorica as being over 15 times lower than that of the ruling DPS, and a more detailed analysis shows that these costs are underestimated.

The DF reported to have spent about € 52,000, or five times less than the DPS, for promotional rallies ahead of parliamentary elections. This money was used for staging 21 rallies in almost all the municipalities, with Podgorica and Niksic hosting two rallies per municipality.

The largest portion, over € 45,000, goes for an invoice by a sound, video & lighting production rental company. However, the rented equipment has not been enumerated in detail, instead, the invoices contain the said costs as per municipalities, not per pieces of equipment.

#	Opis artikla I/III usluge	kol.	Jed. mjera	Jedinična cijena	ukupna cijena	PDV 19%	UKUPNO SA PDV-om
1.	BUDVA JAUCA KAMION AGREGAT				€ 2,100.00		
2.	RAZGLAS. LASERI H. CLUB ZURKA				€ 350.00		
3.	B. POLJE TRG. KAMION AGREGAT. OGRADE				€ 2,300.00		
4.	PLJEVLJA SULE				€ 950.00		
5.	KOLASIN. CENTAR ZA KULTURU				€ 900.00		
6.	PODGORICA. KAMION AGREGAT				€ 1,900.00		
7.	BERANE. CENTAR ZA KULTURU				€ 900.00		
8.	ROZAJE. CENTAR ZA KULTURU				€ 900.00		
10.	GRBALI. KAMION AGREGAT				€ 1,900.00		
11.	ZABLJAK. CENTAR ZA KULTURU				€ 900.00		
12.	MOJKOVAC. CENTAR ZA KULTURU				€ 900.00		
13.	ZUPA. NIKSIC. KAMION AGREGAT				€ 1,900.00		
14.	BUDOVA. SPORTSKI CENTAR				€ 1,800.00		
15.	TIVAT. CENTAR ZA KULTURU				€ 800.00		
16.	ANDRIJEVICA. OZVUCENJE. RASVIJETA				€ 300.00		
17.	PLAV. CENTAR ZA KULTURU				€ 800.00		
18.	DANLOVGRAD. SPORTSKI CENTAR				€ 2,000.00		
19.	PODGORICA. ZGRADA VLADE				€ 1,200.00		
20.	PLJEVLJA. CENTAR ZA KULTURU				€ 900.00		
21.	HERCEG NOVI. DVORANA. PARK				€ 900.00		
22.	KOTOR. CENTAR ZA KULTURU				€ 850.00		
23.	NIKSIC. SPORTSKI CENTAR				€ 2,000.00		
24.	BAR. CENTAR ZA KULTURU				€ 850.00		
25.	PODGORICA. ZAVRSNA KONVENCIJA				€ 5,000.00		
					€ 33,300.00	€ 6,327.00	€ 39,627.00

Invoices by the "Takt" company made out to the DF during the parliamentary election campaign

One invoice issued by "Takt" shows that the cost for equipment rented in Podgorica amounted to € 5,000, while another one cites the amount of less than € 6,000, but does not say for which municipality. If we assume that this overall invoice is issued for organizing the final convention in Podgorica, the total reported costs of that rally can not exceed € 11,000.

At the Podgorica convention, the DF had a somewhat more modest equipment than the DPS, with no space rental cost, as the event was held outdoors. This political alliance reported to have paid nearly € 2,500 for transportation costs during the campaign for the parliamentary elections. Given all of the above, it is impossible for the Democratic Front rally to cost 16 times less than the final convention of the DPS.



The DF closing convention in Podgorica, Independence Square, Oct. 14 2016.

A.3. POLITICAL ENTITIES' EXPENDITURES

Case study 11: Free-of-charge rallies

A party whose official was convicted of misusing state funds for party meetings had not reported all the costs of conventions it had organized before the May 2018 local elections.

During the campaign for local elections in May 2018, a smaller party to the ruling coalition, the SD, reported around €18,000 in election rallying costs. However, this amount also includes the cost of recording, editing and photographing of all of the events with over € 8,000.

All the remaining costs of the SD rallies ahead of the May local elections were less than € 10,000. Out of that sum, more than € 7,000 was spent on equipment, around € 1,500 for the PR & Media Consultancy press service, and less than € 1,000 for the rental of rally venues in four municipalities, Tuzi, Rozaje, Plav and Kolasin.

In addition, the SD organized rallies in Podgorica, Golubovci, Bar and Danilovgrad ahead of the 2018 local elections.

The Podgorica and Bar rallies were organized at venues that were also used by other political entities free of charge, so it is understandable why the SD had no rental costs. Apart from costs of equipment rented for all the conventions, there is not a single entry for other costs of organizing the rally.

According to the SD official reports, not a single euro was spent even for refreshments for participants in any of the organized gatherings [81].



The SD convention in Podgorica, May 23 2018, Old Government Building

The “Ramada” affair unveiled that some SD party meetings held in 2015 and early 2016, were paid for from the state budget [82]. This led to the sentencing of the Railways Director and an SD official, Nebojsa Obradovic. Although convicted of corruption, he was not dismissed. Instead, he resigned and went on to become a finance adviser at the Ministry of Transport. [83]

Although SD leader Ivan Brajovic submitted a payment order to the State Treasury for covering the cost of one meeting, and party director Emil Durumbasic did the same for another party gathering, the two were not suspected by the prosecution [84].

At the same time, the Agency for Prevention of Corruption cited procedural reasons when refusing to grant the whistleblowing status to the Ramada employee who was sacked shortly after the disclosure of this affair. The management of the company argued that this was due to the expiration of her employment contract. [85]

[81] The SD official report on campaign costs bears no mention of refreshments in any other category either.
[82] Whistleblower Patricia Pobric made publicly available the data showing that the SD meetings were paid for with state money, by submitting them to MP Mladen Bojanic. The SD had no seats in the Parliament at the time. Daily Vijesti, “Skup u “Ramadi” nije plaćen po zakonu” (Eng: “The ‘Ramada’ gathering not paid for in line with the law”), Oct 27 2016, www.vijesti.me/vijesti/drustvo/skup-u-ramadi-nije-placen-po-zakonu
[83] Weekly Monitor: Vlast promovise korupciju”, (Eng: “Government promoting corruption”), Feb 15 2019, www.monitor.co.me/mladen-bojanic-vlast-promovise-korupciju/,
[84] The Vijesti Portal: “Slučaj “Ramada”: Obradović plaća partijski danak” (Eng: “The ‘Ramada’ case: Obradovic taking the blame for party colleagues”, Nov 09 2016, www.vijesti.me/vijesti/politika/slucaj-ramada-obradovic-placa-partijski-danak
[85] Weekly Monitor: “Slučaj “Ramada”: Pljačkašima zaštita, zviždačima kazna” (Eng: “Swindlers get protection, whistleblowers get punished”), <https://www.monitor.co.me/slucaj-ramada-institucije-na-braniku-korupcije-pljakaima-zatita-zvidaima-kazna/>, July 15 2016

A.3.POLITICAL ENTITIES' EXPENDITURES

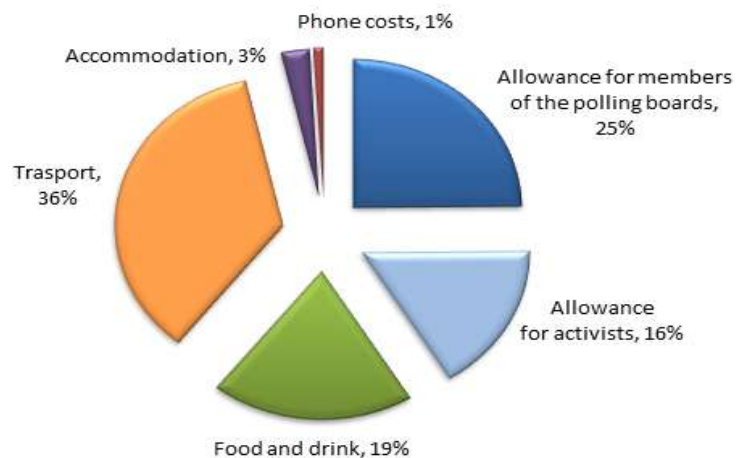
A.3.4. Field campaign

Political entities have reported the total costs of field campaign as being around € 800,000. There are evident cases of parties not reporting all the actual costs of on-the-ground work, so they remain to be reimbursed from other sources unknown to the public.

Election campaigns can also be very lucrative for non-parliamentary parties, as they use most of the state budget money for covering fees.

All the political entities reported the total field campaign costs of under € 800,000 euros for all the campaigns in the past three years.

Around 40% of these costs are per diems, one in three euros spent for the field campaign was allocated for transportation, one in five euros went for food and beverages, while the reported accommodation and telephone bill costs are negligible.

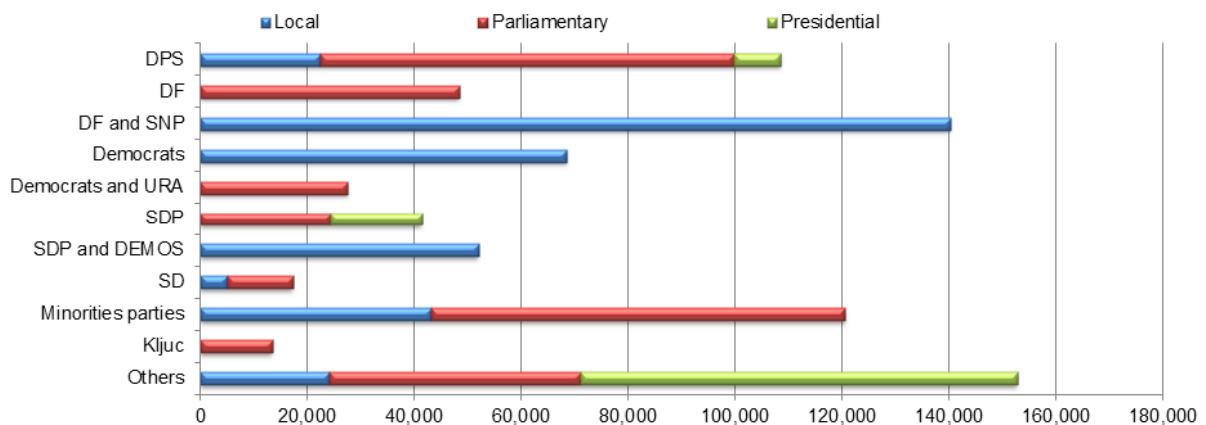


Graph 21: The structure of costs of field campaigns by all the political entities in all the campaigns (2016 - 2018)

Following the political parties with no seats in Parliament - the front-runners in this category, the highest field campaigning costs have been reported by the DF and the SNP. They reported higher costs for local elections alone than the DPS for all election cycles.

The Democrats-URA coalition, as well as minority parties, reported significant expenses stemming from field campaigns.

It is interesting that the “Kljuc” coalition and the SD reported almost identical costs of field campaigns ahead of parliamentary elections, while the SD reported insignificant costs for local elections in all municipalities.



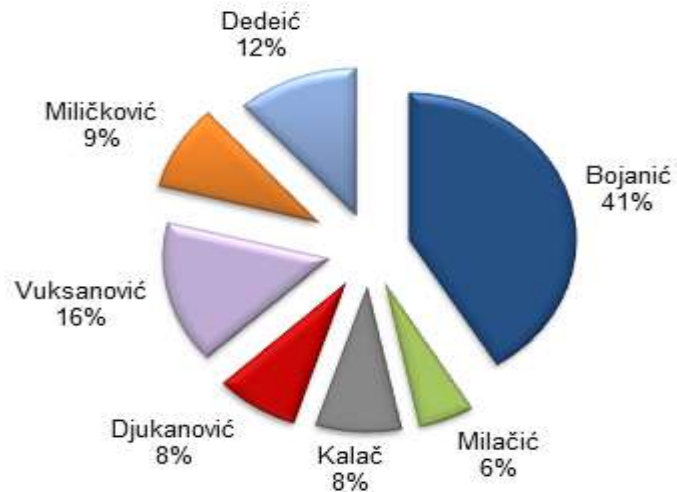
Graph 22: The reported costs of field campaigns in different election cycles per political entities (2016 - 2018)

A.3.POLITICAL ENTITIES' EXPENDITURES

The highest field campaign expenses in the presidential election were reported by the candidate of the majority of the opposition, Mladen Bojanic, with almost € 45,000. Almost half of the said amount was intended for per diems to members of polling boards, with another cca 10,000 per diems distributed to activists.

Second-ranked is the SDP presidential candidate Draginja Vuksanovic, having reported expenses of around € 17,000 for the field campaign. A little under € 8,000 was intended for members of polling boards, and over € 5,000 went for transportation costs, thus outspending all other presidential candidates in this respect.

The official expense of the entire field campaign of the presidential candidate of the largest ruling party, Milo Djukanovic, boils down to less than € 9,000, which is the amount paid out to a transportation company.



Graph 23: Reported field campaign costs ahead of presidential election

Case study 12:

The ruling party frugal with on-the-ground campaigning?

There is no doubt that the ruling party failed to report all the expenses incurred during field campaigns ahead of elections held in the past three years. The official DPS reports include no mention of phone bills, food and beverages costs, nor the daily allowances issued to activists during election campaigns.

Only for some of the elections would the DPS report payments of per diems to members of polling boards, while, allegedly, not a cent was paid out for this purpose during the presidential elections.

The DPS reported that per diems were only issued to their representatives at polling stations ahead of parliamentary and some of the local elections, whereas, according to the DPS reports, not a single such payment was made during presidential elections and the 2018 elections held in 12 municipalities [86].

According to official data, the DPS did not provide their activists with food or beverage allowances, nor did it reimburse them for phone bills, after they had spent the entire Presidential Election Day at polling stations.

According to DPS reports, not a single party activist received so much as one cent on account of daily allowance during the presidential election campaign. Not a single party official or member had an overnight stay paid for in any town, and even the party headquarters incurred no phone costs whatsoever for election campaign purposes.

[86] Authorized representatives are representatives of political entities, and participate on their behalf in the work of the extended election commissions and polling boards. All the electoral lists or candidates competing in the elections have the right to appoint one representative at polling stations, as well as the members of polling boards, pursuant to Article 35 of the Law on the election of councilors and members of parliament.

A.3.POLITICAL ENTITIES' EXPENDITURES

The DPS did not report costs for telephone bills, food, beverages or accommodation in any other election cycle either.

According to a local DPS official, part of the money given by Dusko Knezevic for parliamentary elections campaign was distributed to party activists [87]. These costs have not been reported.

Some more interesting examples are to be found in the 2017 local elections in the municipalities of Cetinje, Mojkovac, Petnjica and urban municipality of Tuzi, as the DPS reports no expenses from field campaign whatsoever.

On the other hand, during a control performed by the Agency for Prevention of Corruption, an authorized representative of this party said that the members of polling boards would get paid.

Sto se tiče režijskih troškova ovlašćeni predstavnik je izjavio da takvih troškova nije bilo.

Angažovanje opunomoćenih predstavnika političkog subjekta planirano je ali još uvijek nije definisano na koliki broj biračkih mjesta će ih biti, a da će biti plaćeni za navedene usluge.

Na pitanje da li je politički subjekat sprovodio terensku kampanju u toku izborne kampanje, koja podrazumijeva angažovanje aktivista ili volontera

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Excerpt from the ASK minutes on control performed into the DPS Regarding local elections in Cetinje, Mojkovac, Petnjica i urban municipality of Tuzi, dated on Nov 26 2017.

By the end of this campaign, the DPS only reported a bank commission of € 72.00 euros among overheads. There were no other officially reported expenses incurred during field campaigns in any of the four municipalities. In its report on the costs of this campaign, the Agency noted that DPS did not report per diems for its authorized representatives, but it remains unknown whether the ASK performed a follow-up control into the matter.

Političke partije	Predizborni skupovi	Reklamni spotovi i reklamni materijal	Internet oglašavanje	Baneri / saopštenja na portalu	Štampani mediji	TV	Radio	Bilbordi	Istraživanje javnog mnjenja	Opunomoćeni predstavnici	Troškovi prevoza	Ostali troškovi	Režijski troškovi	Ukupno
DPS	11,762.00	25,780.00				202.00	1,476.00						72.00	39,292.00
SD	5,750.00	6,677.00	1,015.00	1,195.00		4,266.15	357.00	5,200.30			1,000.00	85.00	15.00	25,560.45
DUA		317.00			84.00	523.00				300.00	150.00	25.00	1.00	1,400.00
SDP	500.00	15,627.00	332.00	1,785.00	357.00	1,428.00	809.20		1,250.00	324.00	3,195.00	8,853.00	403.00	34,863.20
DEMOKRATE	2,744.00	11,654.00	2,249.91		8,457.58	7,663.60	595.00				2,730.00	53.00		36,147.09
URA	1,300.00	4407.00	600.00	6,045.20	628.53	6,426.00	595.00					1,496.00	4,870.00	26,367.73
AA		8,777.00				5,040.00						5,996.00		19,813.00
SNP		310.00				180.00	952.00			740.00	3,005.00	5,099.00		10,286.00
CRNOGORSKA	654.50	6,916.00				59.00						30.00	323.00	7,982.50
POZITIVNA		476.00	70.00			59.00	119.00					622.00		1,346.00
DSA	200.00	656.00				1,908.00				40.00	2,620.00	324.00		5,748.00
BS		3,622.00					595.00						1.00	4,218.00
DF		1,167.00		7,157.85		3,474.80	1,047.20		6,550.00	1,000.00		15.00	1,130.00	21,541.85
BDŽ		95.00					238.00					466.00		799.00
SG LSCG		177.00												177.00
UKUPNO	22,910.50	86,658.00	4,266.91	16,183.05	9,527.11	31,229.55	6,783.40	5,200.30	7,800.00	2,404.00	10,080.00	25,360.00	7,139.00	235,541.82

Tabela IV. Utrošena sredstava za izbornu kampanju prikazana u Izveštajima

Excerpt from the ASK report on the surveillance performed during campaign ahead of elections in Cetinje, Mojkovac, Petnjica and urban municipality of Tuzi

[87] Explained in more detail in Case study 2: Criminal proceedings over unlawful donations

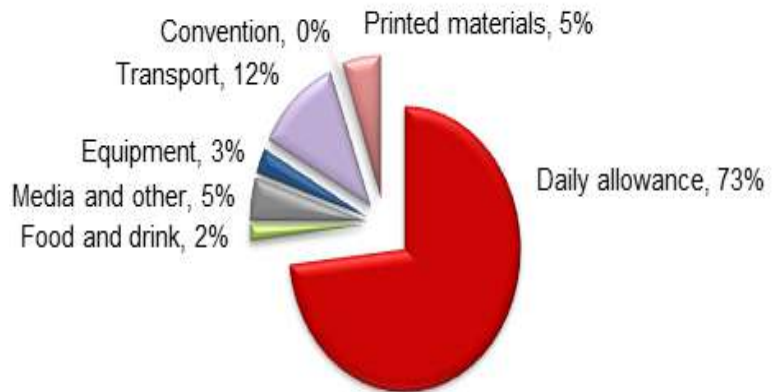
A.3.POLITICAL ENTITIES' EXPENDITURES

Case study 13: Campaign as a business

Three political entities that had been allocated roughly € 63,000 from state budget for election campaign financing, used up more than half of this amount for allowances distributed to individuals.

The Party of Pensioners, Persons with Disability and Social Justice has spent close to €17,000 on temporary services contracts with individuals ahead of parliamentary elections.

Nearly € 23,000 in state funds was allocated to them in these elections, yet they reported no other funding sources for the campaign.



Graph 24: The structure of costs reported by Party of Pensioners, Persons with Disability and Social Justice in the parliamentary elections campaign

Over 4,000 signatures needed to be collected in order to get on the 2016 parliamentary election ballot [88], which is what this party did, but ultimately won only 672 votes in the election [89].

Apart from this party, several other candidates have spent the funds allocated from the budget for financing of the election campaign mainly for the fees paid out to individuals. Thus, presidential candidate Dobrilo Dedeic reported to have spent about 60% of the total funds, or over € 10,000, on daily allowances, while the Party of Serb Radicals paid out a € 6,000 fee to a single person.

[88] Announcement of the State Electoral Commission, <http://old.dik.co.me/izbori%202016/saopstenje%20potpisi.pdf>

[89] State Electoral Commission, overall results of election of members of parliament of Montenegro, <http://dik.co.me/ukupni-rezultati-izbora-za-poslanike-u-skupstinu-crne-gore-2/> Due to suspicions into the authenticity of supporting signatures ahead of presidential elections, the State Election Commission launched an application for their verification and filed numerous complaints on account of forging of signatures, source: The application launched for verifying supporting signatures on March 12 2018, www.vijesti.me/vijesti/politika/pokrenuta-aplikacija-za-provjeru-potpisa-podrske

A.4. SUPERVISION AND CONTROL OF ELECTION CAMPAIGN FINANCING

Uncertain and inconsistent data of the Agency for Prevention of Corruption cannot provide a clear and complete picture of the implementation of the Law. Most of the information available is relating to parliamentary elections, when the Agency conducted most of the proceedings for violation of the law against opposition political entities. This institution has controlled finances of the opposition in more detail, than of the ruling party against which it initiated the proceeding only after a huge public pressure.

During the control, the Agency most frequently investigated only the formal fulfillment of obligations prescribed by the Law. However, in the case of one opposition political entity, the Agency has shown that it can control suspicious financing of election campaigns in much more detail. Due to procedural mistakes, the court annulled the Agency's decision on suspension of transfer of budgetary assets to that political alliance.

A.4.1. Types of violations of law, entities, and control results

The data from the Agency's reports are unreliable and inconsistent, and cannot provide a complete and clear picture of the implementation of the Law. According to available information, the Agency has mostly conducted proceedings against political entities for untimely submission of donation reports during the election campaigns. Most of the proceedings were launched by the Agency against the DF and the Albanian national parties, and the average sentence imposed on the parties was around 1,200 euros.

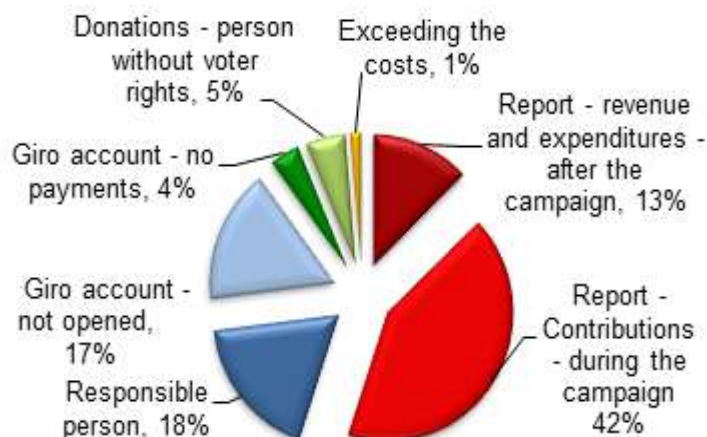
The Agency's reports contain a different level of data on violations of the Law by political entities during the election campaign [90]. For example, the reports on the 2016 and 2017 election campaigns contain data on the number of misdemeanor proceedings initiated due to violation of a particular article of the Law, but the 2018 local election report contains only total data.

[90] The reports cited as sources in this chapter include: Report on exercised supervision during the campaign for election of councilors of the Assembly of the Municipality of Tivat and exercised control of financing of the election campaign of political entities held in Tivat on 17 April 2016, Report on exercised supervision during the campaign for election of MPs in the Parliament of Montenegro and election of councilors in the Assembly of the municipalities of Andrijevica, Budva, Gusinje and Kotor and exercised control of financing of the election campaign of political entities held on 16 October 2016, Report on exercised supervision during the campaign for election of councilors of the Assembly of the Municipality of Nikšić and exercised control of financing of the election campaign of political entities held in Nikšić on 12 March 2017, Report on exercised supervision during the campaign for election of councilors of the Assembly of the Municipality of Herceg Novi and exercised control of financing of the election campaign of political entities held in Herceg Novi on 7 May 2017, Report on exercised supervision during the campaign for election of councilors in the Assembly of the Township of Tuzi, Old Royal Capital Cetinje and assemblies of the municipalities of Petnjica and Mojkovac and exercised control of financing of the election campaign of political entities for the elections held on 26 November 2017, Report on exercised supervision during the campaign for election of councilors in assemblies of the municipalities of Ulcinj and Berane and exercised control of financing of the election campaign of political entities for the elections held on 4 February 2018, Report on exercised supervision during the campaign for election of the President of Montenegro and exercised control of financing of the election campaign for election of the President of Montenegro, held on 15 April 2018, Report on exercised supervision during the campaign for election of councilors in 12 municipal assemblies and exercised control of financing of the election campaign for the elections held on 20 and 27 May 2018, Report on work of the Agency for Prevention of Corruption for 2016, Report on work of the Agency for Prevention of Corruption for 2017, Report on work of the Agency for Prevention of Corruption for 2018. For reasons of space saving, other footnotes do not give the full names of these reports.

A.4. SUPERVISION AND CONTROL OF ELECTION CAMPAIGN FINANCING

According to the available data, the Agency most often conducted proceedings against political entities for untimely submission of donation reports during election campaigns, i.e. for not opening a separate giro account and appointing responsible persons in a timely manner.

Proceedings related to illegal donations or the use of some other giro accounts for payment of costs were much less frequent, whereas in only one case the Agency found that the political entity had exceeded the amount allowed for the campaign costs.

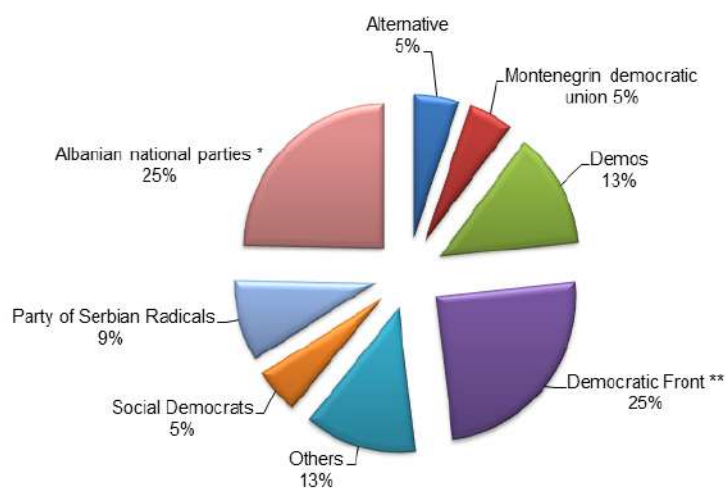


Graph 25: Types of violations of law by political entities during 2016 and 2017 election campaigns. [91]

It cannot be determined from the Agency's reports against which political entities the institution conducted the proceedings. Only in the case of parliamentary elections, the Agency has provided accurate information with the names of political entities, while in the reports on other election campaigns it provided only statistics. [92]

Due to violations during the campaign for parliamentary elections, the highest number of proceedings the Agency has initiated was against several constituents of the DF and several Albanian national parties.

A significant number of proceedings were initiated against Demos, which at that time managed the financial resources of the coalition Ključ, as well as against the extra-parliamentary Party of Serbian Radicals.



Graph 26: Political entities against which the Agency initiated proceedings for misdemeanors in the campaign for parliamentary elections [93]

Several proceedings have been initiated also against the ruling SD, and none against the DPS.

It is not possible to assess the results of misdemeanor proceedings against political entities because the information available is unreliable and inconsistent. The Agency's reports contain different information on the number of initiated proceedings, decisions taken and penalties imposed. [94] Based on the available data, the average penalty for violating the law is around 1,200 euros, but it is not possible to completely separate proceedings against political entities and those against state institutions.

[91] During 2016 and 2017, parliamentary and local elections were held in the following municipal assemblies: Tivat, Andrijevica, Budva, Gusinje and Kotor, Nikšić, Herceg Hovi, Tuzi, Cetinje, Petnjica and Mojkovac.

[92] In the report on local elections in Berane and Tivat, as well as on the presidential elections, the Agency lists the names of certain political entities against which it initiated the proceedings, but does not give a more precise overview as in the case of parliamentary elections. There are no such data in the reports on other elections.

[93] * Proceedings were conducted against: Democratic Union of Albanians, Albanian Alternative, Democratic Alliance of Albanians and New Democratic Force – FORCA. ** Proceedings were conducted against New Serbian Democracy, Democratic People's Party, Movement for Changes and the Workers' Party.

[94] For example, in the Annual Report of the Agency for 2016 it was stated that 70 cases were solved that year and fines in the amount of 11,235 euros were imposed, but there is no indication of the number of proceedings in which political parties were fined. However, the Annex 6 - Offenses provides data on 17 completed proceedings imposing fines on political entities and responsible persons of up to 1.5 thousand euros.

A.4. SUPERVISION AND CONTROL OF ELECTION CAMPAIGN FINANCING

A.4.2. Manner of exercising control

The Agency does not examine the accuracy of the information provided by the political entities, but only the formal fulfillment of obligations prescribed by the Law. Following a strong public pressure caused by the “Envelope” affair, the Agency found that the ruling party unlawfully financed the campaign for parliamentary elections, but it is unclear how it conducted the control and determined the facts because it declared the information secret.

Records on the control of political entities in the two election cycles are available to the public [95], and it can be seen that the Agency does not try to verify whether the statements of representatives of the monitored parties are true. In other words, the Agency most often takes the ones it controls at their word, even when dealing with those types of costs that the parties most often present as lower than the actual figure.

For example, 12 days before the local elections in Mojkovac, Petnjica, Tuzi and Cetinje, the Agency controlled the DPS.

The Agency’s report states that: “When asked whether a political entity has carried out a field campaign during an election campaign, which implies engagement of activists or volunteers of that entity, as well as certain expenses for daily allowances, fuel, transportation, etc., the authorized representative has stated that there has been no such thing until now”.

The Agency accepted as true the statement of the DPS representatives that they did not have any field campaign costs, although it was only 12 days left until holding the elections, and that party was not asked for any additional documentation. Moreover, the Agency recommended to DPS to “consistently continue the consistent implementation” of the Law.

The reports on control of other political parties are somewhat more detailed [96], and include more data on costs than in the case of DPS, but even in these reports, the Agency’s representatives are not essentially trying to establish the truthfulness and accuracy of the data presented to them by the parties.

Na pitanje da li je politički subjekat sprovodio terensku kampanju u toku izborne kampanje, koja podrazumijeva angažovanje aktivista ili volontera

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subjekta kao i određene troškove za dnevnice, gorivo, prevoz i sl. ovlašćeni predstavnik se izjasnio da do sada navedenog nije bilo.

Prilikom obavljene kontrole, ovlašćeni službenici Agencije su konstatovali da do sada nije bilo fakturisanih ni plaćenih troškova.

Ovlašćeni službenik je podsjetio da svi ti troškovi u toku izborne kampanje moraju biti plaćeni sa posebnog računa i navedeni u izvještaju političkog subjekta.

Naloženo je subjektu kontrole da dostavi Agenciji sledeće:

Date dodatne izjave:

Predstavnik/ci subjekta kontrole je izjavio da: Nema.

Priložena dokumentacija:

12 priloga

NALAZ KONTROLE

U skladu sa izvršenom kontrolom službenici Agencije preporučili su subjektu kontrole sledeće:

1. Da dosljedno nastavi dosljednu primjenu čl.13, 42 i 46 Zakona o finansiranju političkih subjekata i izbornih kampanja.

Ovaj zapisnik je sačinjen u tri istovjetna primjerka od kojih se jedan uručuje subjektu kontrole.

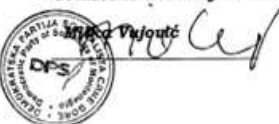
Zapisnik je glasno pročitan ovlašćenom licu subjekta na dan vršenja kontrole, na koji nije imao primjedbe čime se ovaj zapisnik smatra konačnim.


Primjedbe: Nema

Zapisnik zaključen u 12:00h.

Ovlašćeno lice subjekta kontrole:

Ovlašćeni službenici:


Miroslav Vujović


Marija Madžgalj


Željko Vidaković

Excerpt from the Agency's records on DPS control from 14 November 2017

[95] MANS received one official record on exercised control of a political entity for the 2016 parliamentary elections as well as several records on control of political entities for the local elections in Mojkovac, Petnjica, Tuzi and Cetinje held in 2017.

[96] For example, reports on the control of Democratic Party of Montenegro, Social Democratic Party, Social Democrats.

A.4. SUPERVISION AND CONTROL OF ELECTION CAMPAIGN FINANCING

Case study 14:

Party that served as an example violated the Law

Following a strong public pressure related to the footage released under the “Envelope” affair, the Agency carried out control and found that DPS illegally financed a part of the campaign for parliamentary elections, although the Agency had previously claimed that it was a party that should be an example to others. The decision was declared secret by the Agency, with reasoning that the criminal proceeding is ongoing, so it was not clear how the Agency determined the key facts and evaluated that the amount in question was half of what was mentioned in the footage.

Responding to allegations that the Agency is treating DPS differently from other political entities, the Agency’s director Sreten Radonjic said on the eve of parliamentary elections that “DPS should be an example to others with regard to respect for the law”. [97]

However, due to pressure from the public, one month after the release of the footage of Slavoljub Stijepovic taking money for DPS within the “Envelope” affair, the APC concluded that the party violated the Law ahead of parliamentary elections. The footage was released on 11 January, the Agency announced that it carried out control on 2 February [98], and it issued a decision that the DPS had violated the Law on 11 February. [99]

After the control was carried out, on 11 February the Agency concluded that the DPS had violated the Law [100], because the donations of 47 thousand euros that Slavoljub Stijepovic distributed to the activists from Zeta were not reported to the responsible person of the party, nor were spent through a separate account [101]. The published footage shows that Stijepovic took 97.5 thousand euros for financing of the campaign, but the Agency does not explain the difference in these amounts.

Moreover, the APC declared its decision a secret with the explanation that at the same time there was a proceeding initiated by the Special State Prosecutor's Office for this affair. [102]

The Agency decided to punish DPS with a fine of 20,000 euros, and obliged it to pay 47,500 euros to the budget of Montenegro [103]. The party eventually paid about 13.3 thousand euros, because it used the option in the Law on Misdemeanors to pay just two-thirds of the imposed sentence if the payment was made within the prescribed time-limit. [104]

[97] "Vijesti", Even Sweden would be ashamed of how Radonjic sees DPS, 26 October 2016, <https://www.vijesti.me/vijesti/politika/i-svedska-bi-se-stidjela-kako-radonjic-vidi-dps>

[98] "Antena M", The APC checks whether DPS has violated the law, 2 February 2019, <https://www.antenam.net/politika/109240-ask-kontrolise-da-li-je-dps-prekrasio-zakon>

[99] "CDM", The APC: DPS violated the law, will be fined, to return 47.500 euros to the budget, 11 February 2019, www.cdm.me/politika/ask-dps-prekrasio-zakon-bice-novcano-kaznjen-u-budzet-da-vrati-47-500-eura/

[100] Ibid. "Based on the conducted control, insight into the documentation and the statements given, the APC determined that this political entity violated Article 6 paragraphs 12 and 18 paragraph 2 of the Law on Financing of Political Entities and Election Campaigns during collection and spending of funds for the election campaign."

[101] Ibid. "The funds raised in such a manner have not been reported to the person in the party responsible for purposeful spending of funds and in the manner provided by the Law, and the spending of funds thus raised did not go through the separate giro account of the Democratic Party of Socialists opened for the purpose of the election campaign."

[102] "Vijesti", The decision is not public: the PAC conceals evidence based on which it sentenced DPS?, 28 February 2019, <https://www.vijesti.me/vijesti/politika/ask-krije-dokaze-na-osnovu-kojih-je-kaznjen-dps>

[103] Ibid.

[104] "Vijesti", The APC confirmed: DPS saved on the fine, 1 March 2019, <https://www.vijesti.me/vijesti/politika/ask-potvrdio-dps-ustedio-na-kazni>

A.4. SUPERVISION AND CONTROL OF ELECTION CAMPAIGN FINANCING

A.4.3. Decisions on suspension of transfer of budgetary assets

The Agency made decisions on suspension of transfer of budgetary funds only with regard to financing of the campaign for parliamentary elections. The court annulled the decision in the case of DF due to procedural mistakes, and it is not known to which political parties the other proceedings were related. However, in this case, the Agency has shown that it could perform more in-depth control of the suspicious financing of election campaigns than it did in the case of ruling parties.

The Agency made five decisions on suspension of transfer of budgetary assets in cases where political entities did not submit reports on the funds collected and spent in the election campaign for parliamentary elections or the required supporting documentation [105]. However, the Agency does not state the results of these proceedings in the report on the campaign nor in the Annual Work Report.

It is well known that at least one of these proceedings was conducted against the Democratic Front, where the court annulled the decision of the Agency and the budgetary assets were ultimately paid to that entity. It is not known what happened to other decisions of the Agency and to which political entities they were related.

In the reports on other elections, there is no information that the Agency used this measure and made decisions on suspension of transfer of budgetary assets to any political entity.

Case study 15: The funds unblocked due to procedural errors

During the campaign for parliamentary elections in 2016, the Agency temporarily suspended transfer of budgetary assets to the DF because it could not determine the actual prices from the documentation submitted by the political entity. The court decided that the Agency made a procedural error and annulled its decision. However, in this example, the Agency has shown that it can perform more in-depth control of the finances of political entities than it did in other cases.

Agencija za sprječavanje korupcije
Broj: *KA-CB-372/1*
Podgorica, 25. novembar 2016. godine

Na osnovu čl. 44, 45, 46, 47 i 48 stav 3 Zakona o finansiranju političkih subjekata i izbornih kampanja („Sl. list Crne Gore“, broj 52/14), postupajući po službenoj dužnosti u postupku u kome se odlučuje da li postoji povreda ovog zakona, direktor Agencije za sprječavanje korupcije donosi:

ODLUKU
o privremenoj obustavi prenosa budžetskih sredstava

Političkom subjektu DEMOKRATSKI FRONT "MI ILI ON", privremeno se obustavlja prenos budžetskih sredstava, do donošenja pravosnažne odluke u prekršajnom postupku po zahtjevu Agencije za sprječavanje korupcije broj: 02-03-3488 od 25.11.2016 godine, zbog kršenja člana 14 stav 4 Zakona, odnosno nedostavljanja izvještaja o sredstvima prikupljenim i utrošenim za izbornu kampanju sa priloženom dokumentacijom.

Odluku o privremenoj obustavi prenosa budžetskih sredstava Agencija za sprječavanje korupcije dostavlja Ministarstvu finansija.

Excerpt from the APC's decision on temporary suspension of budgetary assets to Democratic Front of 25 November 2016

The Agency argued that it had made such a decision for four reasons:

1. Consultant: The contract signed with the company Shaviv Strategy and Campaigns from Israel for 60,000 euros has no supporting documentation, and according to allegations from the DF, it refers to production of advertising materials, commercials and advertising. The Agency concludes that from the documents provided “it cannot ascertain with precision the purposes for which money is spent” and that “the provided information is not clearly stated in the documentation, in particular the one provided for internet advertising via Facebook, Google and Youtube”.

[105] Report of the Agency on the parliamentary elections

A.4. SUPERVISION AND CONTROL OF ELECTION CAMPAIGN FINANCING

2. Media: The contract and proforma invoice of the company “New focus communications” from Belgrade in the amount of 217 thousand euros “do not clearly show the provision of services, documentation and evidence of the work done and the realized value of service”.

3. Per diems: Expenditures for authorized representatives of around 23,000 euros were not accompanied by adequate documentation, so it is not clear whether they were paid.

4. Other: Several initiated misdemeanor proceedings against the DF and its constituents. Proceedings against the DF relate to payments of billboards and advertisements for an election campaign worth about 10,000 euros from account for regular operation of the New Serbian Democracy and Democratic People's Party. From the decision of the Agency it is not clear to what exactly the misdemeanor proceedings against five constituents are related, or whether they have been late in fulfilling the legal obligations, or did not fulfil them at all. [106].

As far as the first two points are concerned, it is indisputable that from the documentation of the DF, that was, on the basis of the Law on Free Access to Information. submitted to MANS as well, that it cannot be determined what was the exact amount of money spent and the prices of services, and whether there were any hidden discounts. More detailed information on the problems with determining the price that DF paid for making video clips, internet and the media campaign are listed in the previous case studies. [107]

Regarding the other two points, payments towards accredited representatives or misdemeanor proceedings, MANS failed to obtain documentation from the Agency or DF from which it could get a clear picture of these issues.

On 12 September 2017, the Administrative Court annulled the APC's decision [108] because it had not previously warned the DF and left it an additional deadline for eliminating the deficiencies and omissions. The Agency stated that it was not possible to impose a warning measure for already committed irregularities, or subsequently, because the electoral process was complete [109]. The APC has filed a request for extraordinary review of a court decision to the Supreme Court, but there is no information on the decision of that court. [110]

On the other hand, the question arises as to why other disputed cases were not the subject of more detailed control of the APC that was apparently conducted in the case of DF. There were other cases in which it was not possible to determine from the contracts and invoices the precise amounts of costs paid to the media by the ruling party [111], or cases that involved other suspicious practices related to the costs of campaign rallies and field campaigns. [112] Only after the pressure of the public caused by the “Envelope” affairs did the Agency initiate proceedings against that party for which the Agency claimed that, according to controls, it was the best in respecting the law. [113]

[106] The decision states that misdemeanor proceedings against five constituents were conducted due to the failure to open a separate giro account, to appoint a responsible person, to submit reports on a fifteen- day basis and the prices of media advertising

[107] More details in case studies at chapter A.3.1.

[108] A verdict is not available on the Administrative Court website. “CDM”, The APC appealed to the Supreme Court: Strange decision of the Administrative Court in favor of DF, 22 November 2017, www.cdm.me/politika/ask-se-zalila-vrhovnom-sudu-cudna-odluka-upravnog-suda-u-korist-df/

[109] Ibid.

[110] Ibid.

[111] More detail in case studies at chapter A.3.1.

[112] More detail in case studies at chapter A.3.4.

[113] More detail in the Case Study 14: Party that served as an example violated the Law presented in this publication

A.5. ACCESS TO INFORMATION

Data on financing of the election campaigns are partially available to the public, as some parliamentary political parties are hiding while others are publishing the documentation. Several parties changed their practice and reduced transparency after MANS filed criminal charges to the State Prosecutor's Office against one political entity.

The public control of election campaign financing is further restricted by the Agency for Prevention of Corruption, which declares important information to be business secrets.

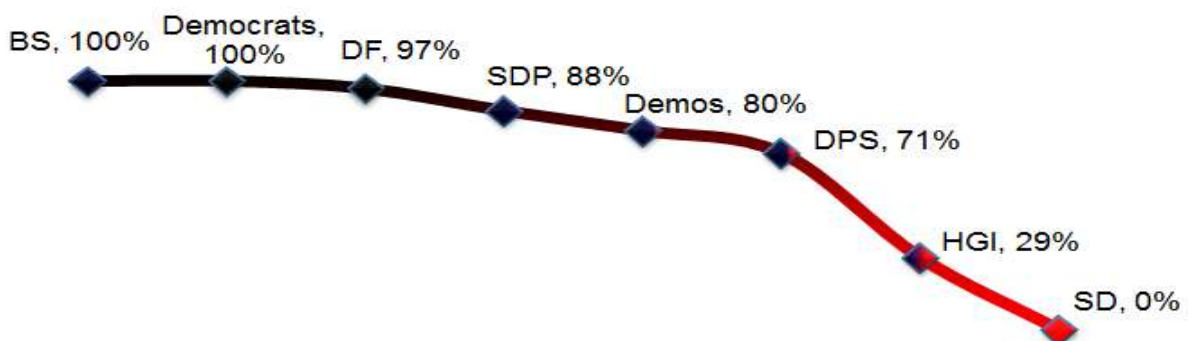
A.5.1. Political Entities

According to official data, all parliamentary parties are dominantly financing their work with the funds they receive from the budget. Accordingly, they are all obliged to publish data in accordance with the Law on Free Access to Information. [114]

MANS submitted the first requests for access to information regarding the finances of the parties after the 2016 parliamentary elections [115]. Based on the Law on Free Access to Information, we have requested information [116] on the costs of the election campaign from political entities that entered the Parliament, and received therefore significant funding.

Access to information on the costs of the campaign for parliamentary elections

The Bosniak Party and the Democrats submitted bills and contracts for all the costs they reported in the reports submitted to the Agency. The Democratic Front submitted data for 97% of the costs, SDP for 88%, while Demos delivered contracts and invoices for 80% of the costs. The ruling DPS submitted documentation for 71% of the reported costs, HGI for 29%, and SD did not submit any data [117].



Graph 27: Coverage of the reported costs for 2016 parliamentary elections with contracts and invoices

[114] Article 9, paragraph 1 of the Law on Free Access to Information. More detailed information in the Case Study: Political Parties and Money - from public to secret, MANS, Podgorica 2018.

[115] After amendments to the Law on Free Access to Information, which included political parties largely financed from public funds.

[116] Documentation requested by MANS included invoices, bills, contracts, and bank statements.

[117] More detailed information, as well as scanned documentation submitted by the parties, is available at: www.mans.co.me/zbirni-podaci-o-finansiranju-izbornih-kampanja/

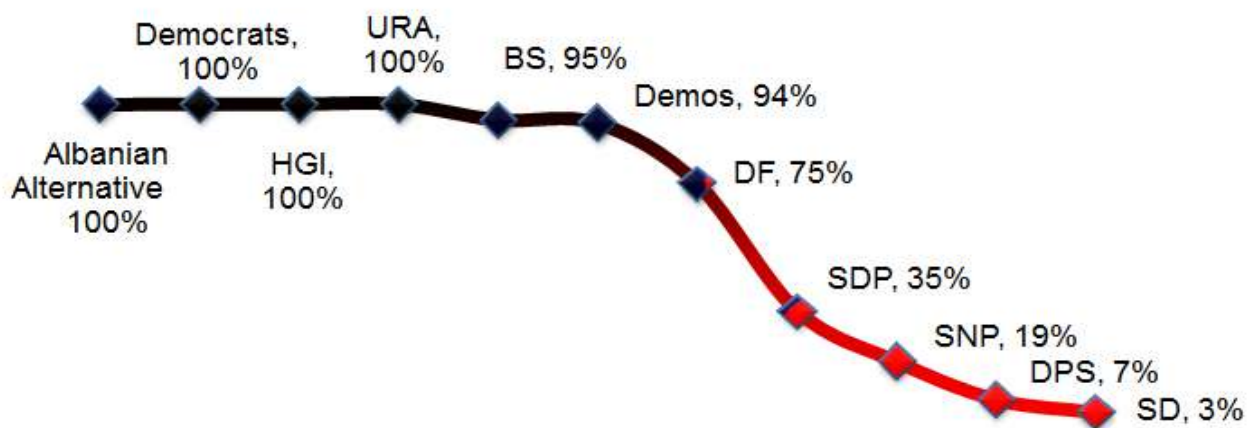
A.5. ACCESS TO INFORMATION

Acting of the parties upon requests for access to information

After the parliamentary elections, MANS continued to submit requests for free access to information to all parliamentary parties regarding the financing of other election campaigns, as well as their regular operation.

We received the fewest answers from DPS and SD, which conceal the overwhelming majority of data from the public, unlike their partners, representatives of minorities, who are among the most transparent.

Practice varies also among opposition parties. Democrats and URA responded to all requests for access information, while Demos provided most of the information. DF has submitted three quarters of the requested data, SDP only one third, and the Socialist People's Party submitted only every fifth document.



Graph 28: The percentage of responses to all requests for access to information submitted by MANS

After submitting the first batch of requests and publishing information about suspicious donations to DPS, the party completely changed its practice, and ceased to provide us with information.

Nevertheless, after the “Envelope” affair has been revealed, its leader has said that information about finances of DPS can be obtained in accordance with the law:

“All that was done ended at the appropriate address in the Democratic Party of Socialists, namely in its accounting. There it was carefully recorded, and the state authorities received reports in a manner they requested. Did they ask to have such or such donations entered there? I do not know that precisely because it is not a part of my attention. I am someone who is in charge of creating and managing party politics as the party leader. There are others in the party dealing with these issues and I am sure that you will receive any response to your interests in accordance with the law, which defines the obligation of each party to inform the interested public about the issue of financing.” [118].

Changes in practice also occurred with the opposition parties, SDP, and to a certain extent DF, which were primarily submitting the data, and then reduced the level of respecting the law.

[118] Statement of the DPS leader and President of Montenegro, Milo Djukanovic, www.predsjednik.me/view_page.php?id=449. The complete statement is given in the Annex 4

A.5. ACCESS TO INFORMATION

Public - secret - public

Contrary to the previously established practice, the Agency for Personal Data Protection and Free Access to Information, allowed, with its sudden turnaround in interpretation of the Law on Free Access to Information, political parties in Montenegro to hide data on their finances for several months.

This change occurred after the Special State Prosecutor's Office launched an investigation about suspicious donations of the largest political party, based on the data obtained by MANS through the use of the Law on Free Access to Information.

The Agency has changed its interpretation of the Law and after its 152 decisions obliging the parties to publish the data, it has determined that political entities are no longer obliged to act under the same law [119]. Several months later, the Administrative Court confirmed that the Agency misinterpreted the law. [120].

Presidential candidates

MANS sent requests to all presidential candidates regarding the revenues and expenditures of their election campaigns.

We received complete data only from Mladen Bojanic and a part of the documentation was submitted by SDP candidate Draginja Vuksanovic. Other candidates, including the winner of the election, Milo Djukanovic, did not submit the requested information to MANS.

A.5.2. Agency for Prevention of Corruption

The Agency represents one of the key barriers to public control of election campaign financing because it declares important data on financing of political entities as business secret.

The Agency has, thus, declared contracts, invoices and bank statements submitted to it by political entities after the elections as business secret [121]. MANS received this information later from some parliamentary parties on the basis of the Law on Free Access to Information, decisions upon complaints and lawsuits.

While it allowed insight into certain records of control, it failed to publish other records or declared them secret. For example, MANS received some records of control and supervision during the parliamentary elections only after forcing court decisions via complaints and lawsuits. Nonetheless, it is obvious that there are many records that the Agency did not submit, when one compares the submitted documents with the data on control from the Agency's reports. [122]

The Agency declared secret even its own decision with which it determined that DPS had violated the law with regard to the "Envelope" affair. [123].

[119] More detailed information in the Case Study: Political Parties and Money - from public to secret, MANS, Podgorica 2018. <http://www.mans.co.me/politicke-partije-i-novac-od-javnog-do-tajnog/>

[120] <http://www.mans.co.me/upravni-sud-potvrdio-parlamentarne-partije-jesu-obveznice-zakona-o-spi/>

[121] More detailed information in the Case Study: Political Parties and Money - from public to secret, MANS, Podgorica 2018. <http://www.mans.co.me/politicke-partije-i-novac-od-javnog-do-tajnog/>

[122] For example, the Agency has submitted only records of supervision of state institutions, and with regard to political entities only a record of control of DF, although it claims to have controlled all political entities.

[123] More details in the Case Study 14: Party that served as an example violated the Law.

B - PRE-ELECTION SPENDING OF PUBLIC FUNDS



The Law on Financing of Political Entities and Election Campaigns envisages a series of restrictions on spending and recruitment in many institutions, as well as the requirement to proactively publish data on pre-election expenditures.

The Law prescribes that budget consumer units **shall not exceed the average monthly consumption** and the data thereof need to be published on a weekly basis since the day of the calling of elections [124].

Fixed-term employment is allowed in exceptional cases, and only if defined by the internal job classification acts [125]. Apart from budget consumption units, this prohibition also pertains to state funds. These institutions are required to submit all decisions on employment, with the supporting documentation, to the Agency for Prevention of Corruption, then to be published on the Agency website [126].

The law prescribes special obligations for ministries of finance, labor and social welfare, but also for municipalities: to **publish all the statements** from the State Treasury and expenditures of funds from the budget reserve, as well as the data on the amounts and number of beneficiaries of all types of social welfare [127].

It is prohibited for **legal entities** founded, owned in major part or partly by the state or a municipality to arrange for a debt write-off to citizens, including writing off bills for all types of public services [128].

The law prescribes an obligation for all the said entities to publish all issued **travel orders** for official cars during an election campaign [129].

It is forbidden to exert **pressure** on legal entities and natural persons with regard to election campaign and its financing [130]. It is also prohibited to distribute promotional materials and use the premises of public institutions for preparation and implementation of the campaign activities, unless all participants in the election process are provided with equal conditions [131].

Supervision of the implementation of these provisions of the Law shall be carried out by the Agency, which also prescribes the manner for implementation of control measures [132].

The table below provides an overview of prohibitions and obligations, the deadlines thereof, as well as the obligations of different institutions and legal entities as prescribed by law.

[124] The Law on Financing of Political Entities and Election Campaigns, Art 28

[125] Ibid, Art 33

[126] Ibid

[127] Ibid, Art 29 and 30

[128] Ibid, Art 31

[129] Ibid, Art 32

[130] Ibid, Art 25

[131] Ibid, Art 26

[132] The Director of the Agency has issued a Rulebook on the manner of control as per the implementation of Articles 24 to 34 of the Law on Financing Political Entities and Election Campaigns and the manner of exercising control and supervision during the election campaign ("Official Gazette of Montenegro" No 18/2018).

B.1. LEGAL FRAMEWORK

Area	Description of prohibition / obligation of publishing of data	Validity period (to – from)	Budget consumption units (state and local level)	Ministry of Labor and Social Welfare	Ministry of Finance	Municipalities	State funds	Legal entities (founded or owned by the State or municipality)
The spending of state funds	Prohibited: monthly spending above average	from the calling of elections to the Election day	X	X	X	X	X	-
	Data published: expenditures from all accounts – on a 7-day basis	from the calling of until one month after the holding of elections	X	X	X	X	X	-
Recruitment	Prohibited: Fixed-term employment prohibited unless envisaged in the job systematisation act	from the calling of elections to the Election day	X	X	X	X	X	-
	Data published: Decisions on employment along with supporting documentation are submitted to the Agency within 3 days from the day of their adoption, to be published by the Agency within 7 days from the day of their submission		X	X	X	X	X	-
Social welfare	Data published: The data on the amounts and number of beneficiaries, and types and beneficiaries of social welfare - on a 15-day days		-	X	-	X	-	-
Finance	Data published: The statements from the State Treasury and the expenditures of funds from the budget reserve - on a 15-day days		-	-	X	X	-	-
Official cars	Data published: Travel orders for use of official cars - on a 7-day basis		X	X	X	X	X	X
Debt write-off	Prohibited: Debt write-off for citizens, including bills for electricity, water as well as bills for all types of public services.	from the calling of until one month after the holding of elections	-	-	-	-	-	X

Overview of prohibitions and obligation of a proactive publishing of data as prescribed by Law

B.2. RECRUITMENT

Despite the amendments to the Law, pre-election recruitment has continued at all levels of state administration, especially in the course of presidential election campaign. In the period preceding all the elections organized in the past three years, at least 7,000 employment contracts have been signed, predominantly for jobs in schools, and mainly for a short period of time.

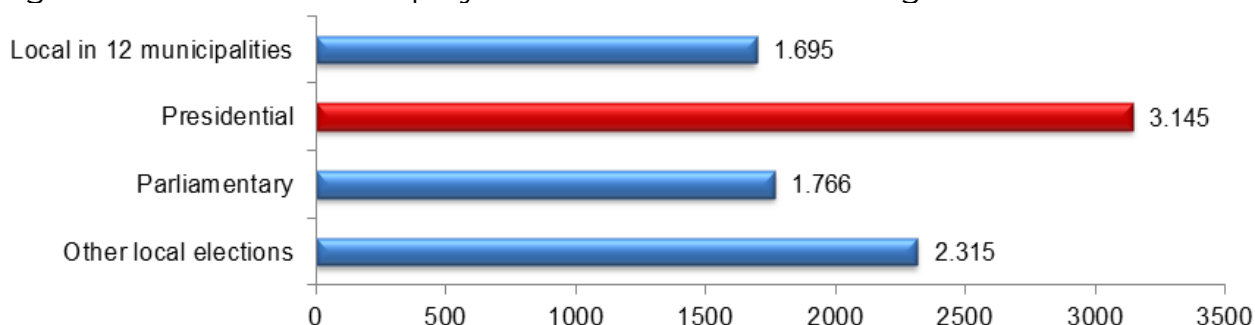
In addition, prior to several elections, the Government and certain municipalities have been distributing state aid to private companies for creation of new jobs.

B.2.1. The official data on pre-election recruitment

According to the data that the institutions reported to the ASK, since the adoption of the amendments to the Law on Financing of Political Parties, more than seven thousand employment contracts were concluded during the pre-election campaign. The rate of employment has been growing in the recent election cycles, and the majority of contracts were concluded before the presidential elections. The vast majority of the contracts was concluded on a short-term basis.

The monitoring of parliamentary elections has shown that institutions have concealed from the Agency at least 15% of the contracts concluded in the pre-election period [133], which means that the total number of contracts concluded in the run-up to the elections held in the last three years exceeds eight thousand.

According to the officially reported data, recruitment was most prevalent in the run-up to the presidential elections, especially since the date of the elections practically coincided with local elections in 12 municipalities, where a significant number of employment contracts was also signed.



Graph 29: The number of signed employment contracts in the course of election campaign reported to the Agency by institutions, per election, source: the reports of the Agency

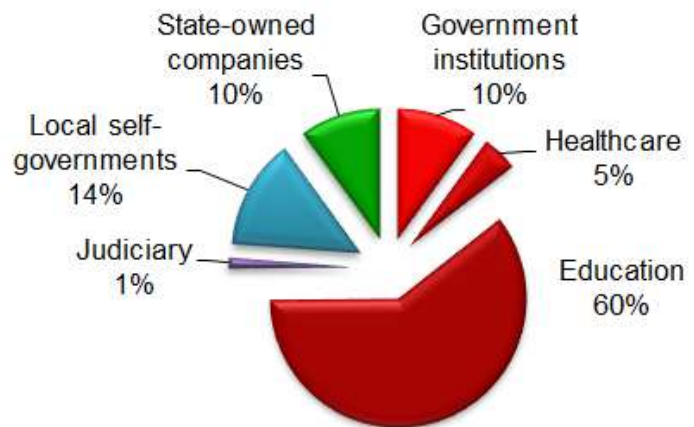
[133] Explained in more detail in Chapter B.2.2. Pre-election recruitment in public administration

B.2. RECRUITMENT

As for the contracts reported by institutions ahead of parliamentary and local elections, the number dropped before the parliamentary and local elections in other municipalities, as they were held after the establishment of the Government of electoral trust, with monitoring performed by the non-governmental sector [134].

The data available [135] show that pre-election recruitment is most prevalent in education, mainly in elementary schools, followed by local self-governments and their institutions.

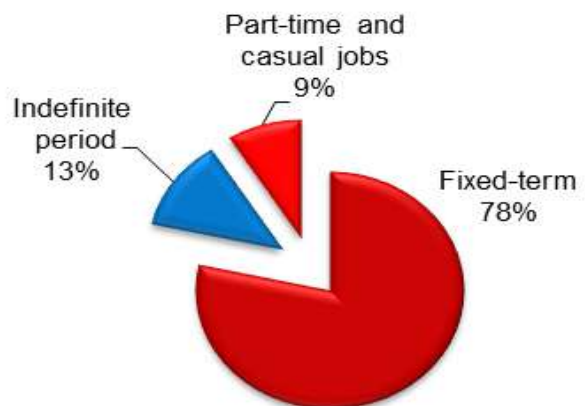
The recruitment in state-owned companies and government institutions, healthcare and education excluded, follows in the third place.



Graph 30: The number of concluded employment contracts during the election campaign as reported to the Agency by institutions, per type of institution; source: the reports of the Agency

Nearly 90% of contracts concluded ahead of elections were for purposes of short-term employment.

Namely, in the run-up to the elections, the institutions were predominantly concluding fixed-term contracts as well as part-time and casual employment contracts, with only 13% of the total number being permanent contracts.



Graph 31: Types of employment contracts concluded in the course of election campaign, as reported to the Agency by institutions, source: the reports of the Agency

[134] At the time, MANS was carrying out a detailed monitoring of the spending of state funds. The institutions were informed about this, since we have been submitting initiatives to the ASK, as well as requests for additional information to institutions.

[135] Reports by the Agency are inconsistent: in case of parliamentary and local elections in Niksic, only the overall data and names of institutions that were doing the recruiting were provided, but not the number of contracts per institution, which is why it is impossible to introduce this data into the analysis. The report on local elections held in Andrijevic, Budva, Gusinje and Kotor, contains inaccurate data pertaining to employment, as both the textual part and the tables therein contain information identical to those tabled in the parliamentary elections report.

B.2. RECRUITMENT

Case study 16:

The reported recruitment in the run-up to presidential elections

According to official data presented in the report of the Agency for Prevention of Corruption, the institutions have signed over three thousand employment contracts ahead of presidential elections in less than three months' time.

It was public preschool institution "Djina Vrbica" that reported the highest number of pre-election employment contracts. This institution, composed of 18 kindergartens, [136] reported to the Agency that as many as 177 such contracts were concluded in the course of those three months.

Besides Podgorica, most contracts in this period were concluded in preschool institutions in Niksic (30) and Budva (24).

In the same period, the secondary school "Vaso Aligrudic" in Podgorica signed 40 employment contracts, the Budva-based secondary school "Danilo Kis" 34, the secondary vocational and higher education school "Sergije Stanic" in Podgorica 32, while the primary school "Dusan Korac" from Bijelo Polje concluded 32 employment contracts.

A significant number of contracts was signed in schools located in smaller municipalities: "Hajro Sahmanovic" in Plav as many as 33, "Mahmut Lekic" in Tuzi 28 contracts, "Aleksa Djilas Beco" from Mojkovac 27, and "Bajo Jojic" in Andrijevica 18 contracts.

During the campaign for presidential elections, the Ministry of Finance and the authorities in its composition signed 53 employment contracts, while the Ministry of Agriculture concluded 37 such contracts.

Prior to the election, several state majority-owned companies were concluding employment contracts: AD Plantaze had concluded 54, and AD Montekargo 37 contracts.

Municipality-owned companies were also employing numerous staff members in the pre-election period. Utility companies were the front-runners in this respect; for example, the Podgorica utility company concluded as many as 52, and their counterpart from Budva 48 contracts on employment ahead of the presidential elections.

The institutions were displaying similar practices before other elections as well. For example, the Mojkovac school "Aleksa Djilas Beco" concluded 32 employment contracts, whereas a secondary vocational school in Cetinje signed off on 29 contracts during the campaign for local elections in these two municipalities.

[136] <https://www.djinavrbica.net/vaspitne-jedinice>, the educational program of the public preschool institution "Djina Vrbica" is carried out in 18 educational units.

B.2. RECRUITMENT

B.2.2. Pre-election recruitment in public administration

State institutions kept hiring new staff ahead of elections, mostly for the short term, and the actual examples call into question the grounds for such employment. A significant number of people gained employment through special programs of the Employment Agency.

Prior to Parliamentary Elections, various institutions have reported to the ASK that over 1,500 different types of employment contracts had been concluded in just three months [137]. Specific examples indicate that, at least in some cases, there was no real need for these jobs, especially not in the pre-election period [138]. At least 40 institutions failed to report all the employment contracts to the Agency, while at least 275 people were hired during the election campaign, mainly for a very short period of time [139].

Some state institutions, as well as state-owned and municipal enterprises, were carrying out pre-election recruitment through the outsourcing agencies [140]. Thus, for example, Montenegro's national postal service concluded contracts for the duration of one month with over 70 people, all of them for services falling within the usual scope of duties of the employees of the national postal service [141].

The practice shows that many institutions were hiring a significant number of people for a short-term period ahead of the call for elections, thus bypassing statutory limitations, and the majority of these people were basically employed solely for the duration of the pre-election campaign [142].

In the "Audio recording" affair we heard ruling party's senior official saying that job recruitment was used to sway voters into casting their vote for this party [143].

[137] More detailed information available in the MANS Report on the 2016 Parliamentary Elections, Chapter 2.1.1. Reported recruitment in state administration

[138] Ibid, Case study: Recruitment of a "press clipping advisor"

[139] In line with the Law on Free Access to Information, MANS was keeping track of employment in the seven largest municipalities and 140 public enterprises owned by 17 municipalities since the beginning of 2016:

Podgorica, Budva, Rozaje, Bijelo Polje, Niksic, Pljevlja, Bar, Herceg Novi, Mojkovac, Tivat, Berane, Cetinje, Danilovgrad, Kolasin, Zabljak, Ulcinj and Kotor. Ibid, Chapter 2.1.2. Unreported recruitment in state administration

[140] Ibid, Chapter 2.1.2. Employment through outsourcing agencies

[141] Ibid, Case study: Recruitments in the public enterprise "Montenegro Post"

[142] The MANS Report on 2014 Local Elections, Chapter 4.1 Pre-election Recruitment in Public Administration

[143] "Let's help a person land a job and this will bring forth four votes for the DPS." A statement by Zoran Jelic, a member of the Senate of the State Audit Institution, a former head of the Employment Agency and a former DPS MP, as heard in the "Audio recording" affair.

B.2. RECRUITMENT

Case study 17: Employment Agency of Montenegro

The practice shows that, even after the amendments to the Law, a significant number of people was hired in all the election cycles owing to the programs implemented by the Agency. Thanks to its increased budgets, the Agency would launch special programs before or during the elections, the programs being then implemented during the election campaign.

For example, during the campaign prior to the 2017 local elections in Mojkovac, Cetinje and Petnjica, the Agency published calls for four employment programs [144].

Ahead of the call for the Parliamentary elections, the Agency had increased the number of planned job recruitments by 1,500, increasing the budget by around 1 million euros [145]. The very same year, new short-term employment programs were introduced.

In 2018, the year of presidential and local elections, the Agency launched the employment program earlier than usual and almost doubled the funds for these purposes, deciding to employ about 750 people in the pre-election period and allocate more than €1 million for this purpose [146].

Former director of the Employment Agency of Montenegro, Zoran Jelic, was heard as saying in the “Audio Recording” Affair that the programs of this institution are used for pre-election employment of supporters of the ruling party:

“In preparation for the forthcoming elections we have launched several projects in the Employment Agency ... We have daily contacts with DPS councilors in all the municipalities, as we wish to, first and foremost, hire our own people... The plan was to hire 6,000, but this year we will recruit over 8,000 people registered as unemployed in the Agency records, primarily those that support the DPS program.” [147]

[144] Ibid. Chapter 4.3. Programs of the Employment Agency of Montenegro

[145] <http://www.mans.co.me/wp-content/uploads/2017/02/SSProgramiZZZCG-oktobar2016.pdf>

[146] The MANS Report on the 2018 Presidential Elections, Chapter 5.3. Short-term employment by the Employment Agency of Montenegro

[147] Zoran Jelic, member of the Parliament and former director of the Employment Agency, July 2012

B.2. RECRUITMENT

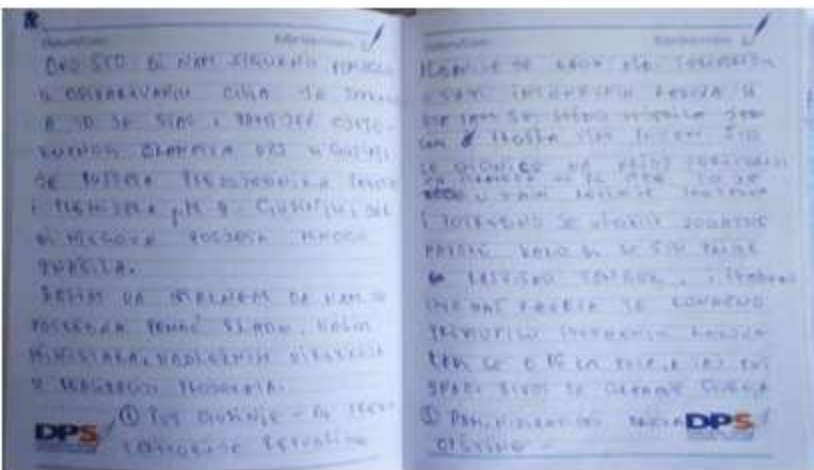
Case study 18:

Voter swaying mechanisms from Mayoress’ diary

A few days before the parliamentary elections, the media leaked contents of the alleged public engagement diary of the president of the municipality of Gusinje and a prominent member of the ruling party [148], which lists concrete mechanisms for influencing voters.

A significant number of activities listed in the alleged diary refer to the recruitment of party members in state institutions and companies, as well as private enterprises [149].

In addition, it contains suggestions pertaining to misuse of subsidies meant for farmers and building of infrastructure [150]. According to the diary, the diaspora voters had been listed and their travel fees were settled, just like travel expenses of students studying in other cities. Furthermore, it is worth noting that the local pensioners’ association would also suffer political abuse - as many as 90% of its members were to be persuaded to vote for the ruling party [151].



Excerpt from the alleged public engagement diary of the Gusinje Mayoress



A document that was contained in the alleged diary, A list of students with places where they study and amounts paid out to them

The DPS official gave no statements to the media that would address the contents of the diary.

[148] A newspaper article in daily "Dan", "Zapošljavati strogo partijski" (Eng: "Hiring strictly on party affiliation basis") dated on Oct 12 2016 <http://www.vijesti.me/vijesti/zaposljavati-strogo-partijski-studente-placati-30-eura-na-kosovu-pritiskajte-preko-ambasade-907155>. MANS has a copy of the document that inspired the article.
 [149] The diary lists the names of the officials of the Democratic Party of Socialists who were supposed to contact the Montenegro Post and the Tax Administration so as to make arrangements for hiring DPS supporters. It also specifies that it is necessary to contact the owners of bookmakers, food stores and pastry shops who were to instruct their employees accordingly, whereas schools were to strictly hire on party affiliation basis. The diary contains the names of the persons involved.
 [150] The MANS Report on the 2016 Parliamentary Elections, Chapter 2.5.5 Case "Diary"
 [151] Ibid.

B.2. RECRUITMENT

B.2.3. State aid for recruitment in private sector

During the election campaigns, the government would grant state aid to private companies, mainly with the aim of creating new jobs. Similarly, only without public advertisements, some municipalities would grant state aid for recruitment prior to elections.

Following the call for Parliamentary elections, the Government approved around two million euros in state aid for six private companies with the aim of fostering direct investments and recruitments for a period of three years [152]. Almost half of the amount went to two companies owned by prominent members of the ruling party [153]. It was envisaged that all the companies that received state aid were to hire over 150 persons i.e. more than half of the total number of planned job recruitments in the election year.

In the course of the same election campaign, the Government had launched two additional programs for awarding incentives to companies and entrepreneurs [154]. The calls for these projects were launched in the course of election campaign, with a total of 130 thousand euros of state aid being allocated.

[152] The MANS Report on the 2016 Parliamentary elections, Chapter: The Government's Decree on Direct Investment Incentives

[153] Ibid. The companies are "Meso-promet" from Bijelo Polje and "Comp-Commerc" from Niksic, owned by member of the the main board of the DPS Hilmija Franca, and member of the DPS municipal board in Niksic Ranko Jovic, respectively.

[154] Ibid, Chapter 2.2.1. Extraordinary governmental state aid programs

B.3. PRE-ELECTION SOCIAL AID PAYOUTS TO THE POOR AND FARMERS

Some institutions were disbursing unusually hefty social aid payouts to the poor, as well as millions of euros in subsidies and loans for farmers during election campaigns.

B.3.1. Social aid and incentives for the poor

Vast sums intended for welfare allowances were paid out to individuals from the budget reserve on the basis of decisions made by several members of the government in the pre-election period, which remains a matter of concern. This is especially worrying in the light of the fact that individual payments, and even the total amount of the budget reserve spending prior to elections is concealed from the public.

Despite the amendments to the Law, some municipalities carried on distributing one-off payments to individuals in the pre-election period; the amounts surpassing their usual spending by a large amount. Electoral process also affected other payments made out to persons in a state of social need; there is also an example of an orchestrated timing for the construction of a social housing development before the election.

Case study 19:

Social assistance payments from budget reserves intended for individuals

Vast amounts were drawn from the budget reserve to settle social assistance payments to individuals the day after the local elections. The total budget reserve expenditure in the pre-election period has not been disclosed to the public since the Ministry of Finance has been concealing certain payments and even the monthly sums paid from the budget reserve.

Pursuant to the Law on Budget of Montenegro, funds from the budget reserve are earmarked for unplanned and unforeseen expenditures [155]. However, the Government's special Rulebook stipulates that the funds may also be used for social assistance to legal and natural persons [156].

[155] Art 43 of the Law on Budget and Fiscal Responsibility (Official Gazette of Montenegro 20/14, 56/14, 70/17, 04/18 and 55/18)

[156] Rulebook on the detailed criteria for the use of current and permanent budget reserves (Official Gazette of MNE No 23/2009), Art 2 paragraph 1 items 2 and 3

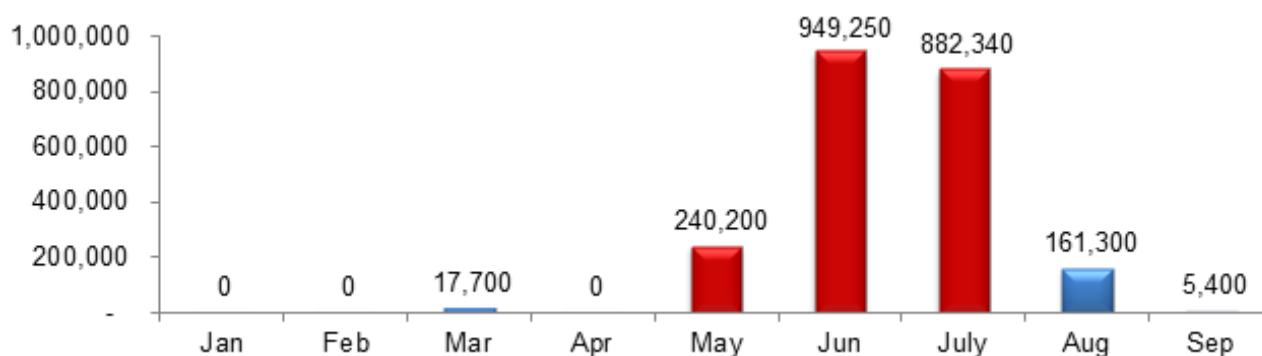
B.3. PRE-ELECTION SOCIAL AID PAYOUTS TO THE POOR AND FARMERS

As for the social assistance meant to help individuals cover medical bills, tuition fees and improve their material situation [157], the decision thereof lies with a commission composed of ministers, or, exceptionally, with the government itself [158]. The criteria governing decisions on awarding social assistance are not publicly available.

During the first four months of 2018, the Ministry of Finance did not have major budget reserve payouts intended for financial support to individuals [159]. However, the day after the local elections [160], on May 28 and 29, as much as 240,000 euros was allocated from the budget reserve for different types of financial assistance [161], mostly for improving the financial situation of individuals.

This is to say that members of the Cabinet, who are also members of the Commission for budget reserve allocation, have, during the election campaign, adopted decisions on granting financial aid. These decisions then resulted in payment orders that were executed the day after the elections.

Major social aid payouts from the budget reserve continued through June and July, after which time the amounts dwindled drastically.



Graph 32: Cash benefits paid from the budget reserve (January – September 2018)
source: data obtained from the Ministry of Finance in line with the Law on Free Access to Information

However, in each of these months we have at least one payment from the budget reserve. The amount has been expunged [162], so the data herein are based on the information available. Payments that have not been designated as made out specifically to either natural or legal persons or those paid onto accounts of state institutions are not included herein.

[157] Rulebook on the detailed criteria for the use of current and permanent budget reserves (Official Gazette of MNE No 23/2009), Art 2 paragraph 1 item 3

[158] Rulebook on the detailed criteria for the use of current and permanent budget reserves (Official Gazette of MNE No 23/2009), Art 5 paragraph 2 The Decision on the appointment of the Commission for the allocation of a part of budget reserve funds dated on November 29 2016. Members of the Commission are: RAFET HUSOVIC, Deputy Prime Minister for Regional Development, chairman, MILUTIN SIMOVIC, Deputy Prime Minister for Economic Policy and Financial System and Minister of Agriculture and Rural Development, deputy chairman, ZORAN PAZIN, Deputy Prime Minister for Political System, Internal and Foreign Policy and Minister of Justice, member, 4. MEVLUDIN NUHODZIC, Minister of Interior, member, Dr KENAN HRAPOVIC, Minister of Health, member, MARIJA VUCINOVIC, Minister without Portfolio, member, NIKOLA DEDEIC, Deputy Secretary General of the Government, member.

[159] According to the data collected by MANS in line with the Law on Free Access to Information, payments earmarked for financial support were made out only in March 2018, in the amount of 17,700 euros

[160] Local elections were held on May 27 2018. in several municipalities

[161] The data from the SAP system that keeps records on State Treasury operations, collected by MANS in line with the Law on Free Access to Information. No payments were made in the last two days of May.

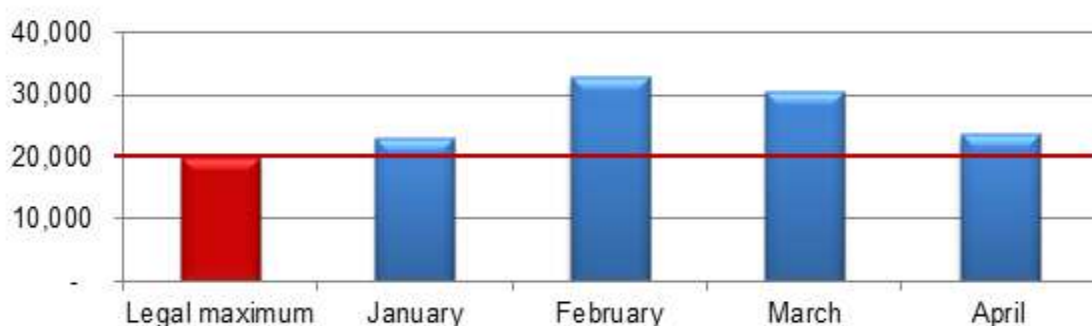
[162] Explained in more detail in Chapter B.7.1. Non-disclosed data on pre-election spending

B.3. PRE-ELECTION SOCIAL AID PAYOUTS TO THE POOR AND FARMERS

Case study 20: Increased social welfare payouts in the capital

In three months' time since the calling of presidential elections to the very election day [163], the Capital City of Podgorica spent 60% of its annual budget, as well as additional funds from the budget reserve, to cater for one-off welfare benefits [164].

Cash benefits were approved for 1,700 persons, ranging from 60 to 150 euros [165].



Graph 33: One-off social welfare payout from the Capital City budget (January 19 - April 12 2018)

The law stipulates that state institutions' expenditures are not to exceed the average during an election campaign [166].

The permitted monthly consumption in this case was set at about 20,000 euros, but as much as 140,000 euros, or 75% more than the allowed sum, was spent in three months' time [167].

However, this sum is not final, since additional 46,000 euros were paid from the budget reserve based on decisions on then mayor Slavoljub Stijepovic [168].

Similarly, the **Municipality of Bar** sought additional funds from the state budget for the payment of one-off cash benefits during the parliamentary elections [169].

[163] Presidential elections were called on January 19 2018 and held on April 15.

[164] The MANS Report on the 2018 Presidential Elections, Chapter 5.1. Social welfare payouts of the Capital City

[165] Ibid.

[166] The Law on Financing of Political Entities and Election Campaigns, Art 28 paragraph 1

[167] The MANS Report on the 2018 Presidential Elections, Chapter 5.1. Social welfare payouts of the Capital City

[168] Ibid.

[169] The MANS Report on the 2018 Parliamentary Elections, Chapter 2.4. One-off benefits and loans

B.3. PRE-ELECTION SOCIAL AID PAYOUTS TO THE POOR AND FARMERS

Case study21: Social housing project in Mojkovac

During the local election campaign in Mojkovac, the local government increased expenditures for local investments by over four times [170], citing construction of a low-income housing project and town square reconstruction as reasons. Official documents show that the implementation of these project was timed to coincide with the electoral period.

One month before the elections, over 170,000 euros were paid out from municipal budget for local investments, while the average expenditure in the previous period was about 40,000 euros a month.

According to the ASK report, payments were earmarked for building infrastructure, that is, “two projects that were launched in the first and second quarter of 2017” - the reconstruction of a parking lot in the town center and the construction of a low-income residential building.

The ASK accepted these expenditures as valid, after local authorities announced that the projects were initiated early that year.

OPŠTINA MOJKOVAC		
BUDŽETSKA JEDINICA	PROSJEK (prihvatimber)	POTROŠNJA U OKTOBRU
Kabinet Predsjednika	7.546,11	5.558,77
Glavni administrator	1.821,50	1.402,43
Komunalna policija	5.798,51	5.310,35
Menadžer	3.038,99	3.819,10
Predsjednik skupštine	5.291,03	6.953,01
Sekretar skupštine	4.094,86	4.027,02
Sekretarijat za opće upravne poslove i društvena djelatnost!	47.304,01	56.784,65
Sekretarijat za finansiju, ekonomiju i lokalne javne prihode	26.290,25	19.565,00
Sekretarijat za uređenje prostora i održivi razvoj	38.976,65	171.649,27 izjašnjenje/kontrola – plaćanje privremene situacije po projektima koji su započeli u prvom i drugom kvartalu godine, a odnose se na izgradnju infrastrukture (rekonstrukcija i sanacija parking prostora u ulom dijelu grada i izgradnja stambenog objekta za socijalno ugrožena lica).
Služba zaštite	11.628,38	13.195,70
Direkcija za imovinu i zaštitu interesa opštine	2.258,72	1.969,83
UKUPNO	194.957,51€	290.295,17

Excerpt from the ASK report on the monitoring of the Mojkovac local elections campaign

Had they performed an actual control, the ASK would have ascertained that the low-income housing project had initially been planned for the previous year [171], but was postponed for the year of elections [172].

The Municipality was running late with the call for tender [173] for contractor selection and went on to sign the contract only in August [174], so the construction of the low-income housing development coincided with the local elections campaign [175].

On the other hand, the tender for the the second project, the reconstruction of the town square, had been planned for the third quarter of the election year [176], but the local authorities launched a public call for the selection of contractors as early as April [177].

[170] Report by the Agency for Prevention of Corruption on the monitoring carried out during the election campaign ahead of elections in Cetinje, Mojkovac, Petnjica and Tuzi, received by MANS in line with the Law on Free Access to Information, MANS Ref. number 18/120617

[171] The 2016 Public Procurement Plan of the Municipality of Mojkovac, publicly available at the Public Procurement Portal

[172] The 2017 Public Procurement Plan of the Municipality of Mojkovac, publicly available at the Public Procurement Portal

[173] The Municipality of Mojkovac was planning to launch the call for tender for the selection of contractor in the first quarter of 2017, but the call was put off for the end of May. Source: Public Procurement Portal

[174] The agreement for performance of works with the selected bidder, "Unipred" company from Bijelo Polje, was concluded on August 8, 2017

[175] Local elections in the Mojkovac municipality were called on September 25 2017, and held on November 26 2017.

[176] Public Procurement Portal, <http://portal.ujn.gov.me/delta2015/login.jsp>

[177] Ibid.

B.3. PRE-ELECTION SOCIAL AID PAYOUTS TO THE POOR AND FARMERS

This tendering process was suspended [178], after which a negotiation procedure was conducted, and a contractor was selected in September [179], thereby matching the timing of this capital investment with that of local elections campaign.

The election process also affected the dynamics of other payments made out to persons with low income.

For example, before the formation of the government of electoral trust, the Ministry of Economy paid almost two million euros in cash benefits, i.e. almost the entire annual budget envisaged for electricity subsidies. The number of beneficiaries of this type of assistance was increased by 1,200 in the run-up to the election, and the funds for these purposes were then doubled through the adoption of the budget revision immediately after parliamentary elections [180].

The situation is similar with provision of **severance pay to former employees** of the bankrupt companies, situated mainly in the northern region. In the year of parliamentary elections, the Labor Fund distributed three times more money for severance pays than in the previous non-election year, thanks to the budget revision [181]. The “Audio Recording” Affair revealed that the Labor Fund severance payoffs to workers were one of the mechanisms the ruling party has been utilizing during the election periods to swing the voters [182].

Another example shows that some poor citizens have not been settling their water bills to the local water supplier. When their supply was cut off over a € 30,000 debt, they openly claimed that they had not been paying their water bills for years as they would always have them written-off before the election. PE “Waterworks and Sewage” rejected these claims. [183]

[178] Ibid.

[179] Ibid.

[180] The MANS Report on the 2016 Parliamentary Elections, Chapter 2.4.1 Low-income electricity subsidies

[181] The MANS Report on the 2016 Parliamentary Elections, Chapter 2.4.2 Increased severance payment funds

[182] “And another very important thing is to directly administer the Labor Fund severance payments to our members, as I believe this would benefit us directly out there,” a statement by Dejan Medojevic, the then president of the Municipality of Mojkovac, as heard in the recorded session of the DPS Presidency, July 2012, ahead of parliamentary elections.

[183] Daily Vijesti, “Kad su izbori, sve živo imaš”: Nijesu plaćali vodu jer glasaju DPS” (Engl: “Before election – nothing is off-limits”: No water bills paid since their votes are cast for the DPS”), Feb 6 2019, www.vijesti.me/vijesti/drustvo/kad-su-izbori-sve-zivo-imas-nijesu-placali-vodu-jer-glasaju-dps

B.3. PRE-ELECTION SOCIAL AID PAYOUTS TO THE POOR AND FARMERS

B.3.2. Incentives to farmers

In all of the election cycles, the Ministry of Agriculture and the Investment Development Fund have been distributing funds to farmers that were significantly surpassing those paid out in the non-election periods. These are millions of euros worth of subsidies or preferential loans approved prior to elections.

Case study 22: Increased payments for the IPARD Like project

The Ministry of Agriculture spent triple the budget for subsidies envisaged under the IPARD Like Project in two and a half months during the presidential election campaign.

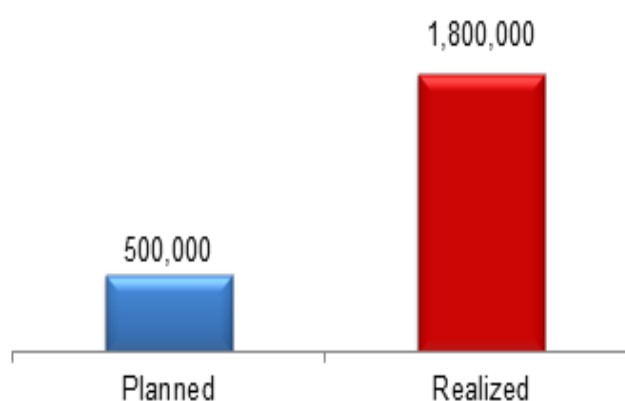
The majority of funds for this project is obtained from European Union funds and meant to help develop domestic agriculture, with the rest being topped-up from the state budget. Cash benefits are being paid out to companies or individuals.

The Budget for 2018 [184] had earmarked half a million euros for subsidies.

In around two and a half months of the election campaign, the planned payouts were exceeded by € 1.3 million [185].



The Decision of the Ministry of Finance approving redirection of payments for the IPARD Like project



Graph 34: The planned and the paid out subsidies Within the IPARD like project (January 20 - April 04 2018); source: The Ministry of Agriculture and Rural Development data

Following the call for presidential elections in early February 2018, the Ministry of Finance approved an increase in subsidy funds under the IPARD Like project by half a million euros, redirecting them from the Current Budget Reserve [186].

The source of the additional € 800,000 remains to be unknown.

[184] The Law on Budget of Montenegro for 2018 (Official Gazette of Montenegro No 90/17)

[185] It is known that more than € 712,000 was allocated for ten companies; source: The Ministry of Agriculture and Rural Development data from the Treasury

[186] This reallocation of funds was not shown as an expenditure in the analytical cards of the Ministry of Finance.

B.3. PRE-ELECTION SOCIAL AID PAYOUTS TO THE POOR AND FARMERS

The Ministry of Agriculture took a similar approach before the parliamentary elections, when subsidies to farmers were greatly exceeding those handed out in the non-election periods. During this pre-election campaign, the Investment Development Fund reduced interest rates on agricultural loans.

During the parliamentary elections campaign, the Ministry of Agriculture paid over € 2 million in subsidies to agricultural producers, which is five times more than early that year [187] As much as 15% more funds were paid out in the year of elections as compared to very same period of the previous year [188].

A month prior to parliamentary elections, the IRF had lowered interest rates on loans for agricultural projects, as well as loan processing fees [189].

[187] A little under € 400,000 was paid out in April and May, as opposed to no payments in June. As much as € 417,000 was paid out in July, € 331,000 in August, and a massive € 1,3 million in September. In the month of October, up to the Parliamentary Election Day, additional €48,000 was paid out. The MANS Report on the 2016 Parliamentary Elections, Chapter 2.4.3 Increased subsidy payouts to farmers.

[188] Subsidy payouts to farmers amounted to € 1.8 million in July, August and September.

[189] In September 2016, one month prior to parliamentary elections, the IRF had dropped interest rates on loans for agricultural projects from 4.5 to 4%. The MANS Report on the 2016 Parliamentary Elections, Chapter 2.4.4 State-- issued loans with lowered interest rates prior to elections

B.4. PRE-ELECTION INFRASTRUCTURE DEVELOPMENT

With each election cycle, more funds get withdrawn from the state and municipal budgets to cover the costs of local infrastructure development. Millions of euros have been invested in road construction and rehabilitation during the peak of election campaigns. Several citizens publicly offered their votes in exchange for paved local roads.

B.4.1. Local infrastructure development funded from state budget

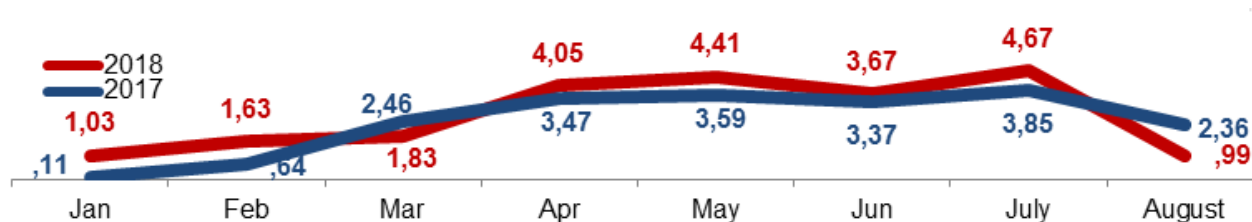
The ministries of transport, sustainable development and agriculture kept inflating the costs of building of local infrastructure ahead of several elections. Case studies show that the construction of local roads was deliberately carried out in the pre-election period.

Case study 23: Ministry of Transport

In two months' time before the local elections, the Transport Directorate doubled the expenditures on capital investments, mainly for the construction and reconstruction of roads, spending nearly € 8.5 million, or 20% more than in the same period of the previous year.

In April and May 2018, the Transport Directorate, a department under the competence of the Ministry of Transport, had been spending double the amounts on capital investments as compared to average expenditures in the first three months of the year. Road construction and rehabilitation were the major part of capital investments of the Transport Directorate.

During the first three months, the Directorate spent about € 4.5 million for capital investments; they then allocated over € 4 million for the same purposes in April alone, whereas in May, the month when local elections were held, €4.4 million were disbursed [190].



Graph 35: Capital investments of the Transport Directorate
(Comparable data for January - August 2017 and 2018, expressed in millions of euros),
Source: The data from the SAP system of the Ministry of Finance

[190] The data from the SAP system that keeps records on budget executions, collected by MANS in line with the Law on Free Access to Information. The Transport Directorate's annual budget for capital investments is around € 37 million, which means that the average monthly consumption is roughly € 3 million.

B.4. PRE-ELECTION INFRASTRUCTURE DEVELOPMENT

Ahead of elections in April and May 2018, € 1.4 million were spent i.e. 20% more than in the same months of the previous, non-election, year.

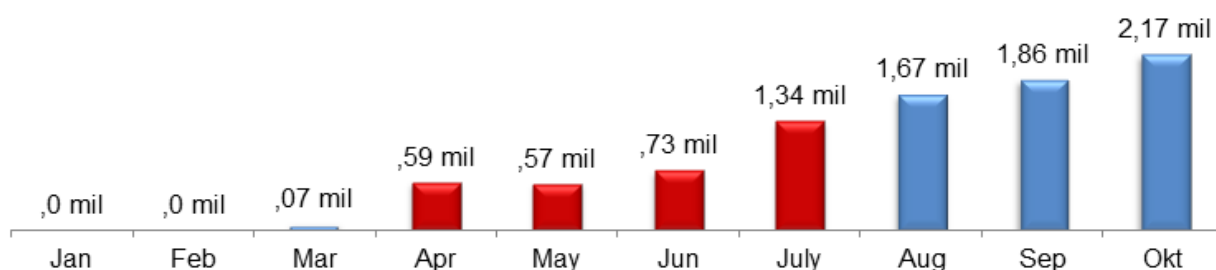
The Directorate displayed a similar practice prior to parliamentary elections, as it provided over € 2 million for the sealcoating of local roads [191].

The following case study substantiates the notion that the dynamics of budget spending for the construction of roads is not determined by weather conditions, but rather by the timing of the calling of elections. Unlike Transport Directorate, whose investments took place mostly in April and May 2018, ahead of the local elections, the Ministry of Sustainable Development was undertaking road construction projects from July to October, ahead of the 2016 parliamentary elections.

Case study 24: Ministry of Sustainable Development

In the three months ahead of the parliamentary elections, the Ministry of Sustainable Development spent about € 4.5 million for the development of local infrastructure and buildings, or 60% more than in the previous quarter.

From the calling of parliamentary elections in July 12 2016 until the end of the current month, the Ministry spent about € 600,000 for development of local infrastructure and buildings [192]. In August, when tourist season is at its peak and people go on summer holidays, € 1.6 million was allocated for these purposes. As much as € 1.8 million was spent in September, followed by additional € 460,000 by Election day, October 16. Immediately after the elections, i.e by the end of October, the Ministry spent additional € 1.6 million.



Graph 36: Budget consumption of the Ministry of Sustainable Development for the construction of local infrastructure and buildings (April - October 2016), source: Analytical cards of the Ministry of Sustainable Development

According to official data, the majority of the said development projects were intended for local roads construction and rehabilitation, as well as the construction of town squares and roads, promenades and buildings [193].

The total spending of the Ministry for these costs in the three and a half months prior to the calling of the elections amounted to € 2.6 million [194], whereas a little under € 70,000 was disbursed for such costs in the first three months of that year [195].

It is worth noting that the Ministry's budget for the electoral year of 2016 had envisaged about € 300,000 more than in the previous, non-election, year.

[191] The MANS Report on 2016 Parliamentary Elections, Chapter 2.3.1. The Ministry of Transport and Pre-election Asphalt Coating

[192] Analytical cards of the Ministry of Sustainable Development and Tourism, www.mrt.gov.me/rubrike/spi/spi-umovina/137510/Analiticke-kartice-Ministarstva-odrzivog-razvoja-i-turizma-i-Direkcije-javnih-radova.html

[193] The modernization of local roads in the municipalities of Cusinje, Andrijevic, Plav, Rozaje, Mojkovac, Savnik, Danilovgrad, Pluzine and the Old Royal Capitol of Cetinje, the reconstruction of urban roads in Pljevlja, Zabljak, Plav, construction of the water supply system in Rozaje and remediation of the municipal waste landfill in Beranselo in Berane.

[194] As much as € 586,000 was spent in April, € 570,000 in May, € 730,000 in June and € 737,000 by July 12.

[195] The data from the SAP system that keeps records on budget executions, collected by MANS in line with the Law on Free Access to Information.

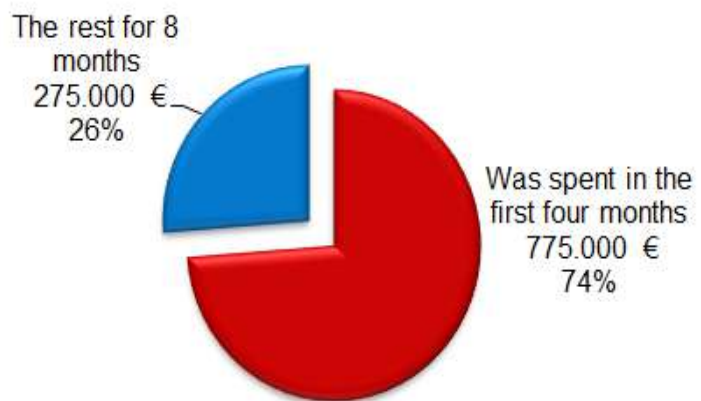
B.4. PRE-ELECTION INFRASTRUCTURE DEVELOPMENT

Case study 25: Ministry of Agriculture

During the first four months of 2018, ahead of presidential and local elections, the Ministry of Agriculture spent three quarters of its entire budget for construction of a water supply system that was scheduled for that year.

The annual budget of the Ministry of Agriculture had envisaged a little over € 1 million for the construction of a water supply system. Almost two-thirds of the budget, i.e. around **€ 775,000** [196] was spent in the first four months.

The largest chunk of this amount was spent from early February until Presidential Elections Day, when almost € 650,000 was disbursed [197].



Graph 37: Budget consumption of the Ministry of Agriculture for the construction of the water supply system (January - April 2018), source: Analytical cards of the Ministry of Agriculture



Podgorica: **€ 100.000**
 Danilovgrad: **€ 80.000**
 Šavnik: **€ 80.000**
 Bijelo Polje: **€ 80.000**
 Žabljak: **€ 70.000**
 Pljevlja: **€ 60.000**
 Plužine: **€ 15.000**
 Bar: **€ 10.000**

Approximately half a million euros was granted to municipalities that hosted elections in May, which makes up almost half of the annual budget of the Ministry of Agriculture for the said purposes.

Prior to the establishment of the Government of Electoral Trust, the Ministry of Agriculture had transferred to the municipalities and community centers **€ 700,000** for the building of local infrastructure [198]. Thus, almost half of the annual budget appropriated for these purposes was spent in May 2016 i.e. twenty times more than in the same month of the previous year.

[196] Analytical cards of the Ministry of Agriculture for the period January - April 2018.

[197] The MANS Report on the 2018 Presidential elections, Chapter 5.2 Disbursements for Infrastructure from the Program for Stimulating Water Supply Projects of the Ministry of Agriculture

[198] The MANS Report on the 2016 Parliamentary elections, Chapter 2.3.3. The Ministry of Agriculture spends half a year's budget in a single month. The data for the relevant period are obtained from the SAP system, and received from the Ministry of Finance on the basis of the Law on Free Access to Information.

B.4. PRE-ELECTION INFRASTRUCTURE DEVELOPMENT

B.4.2. Investments from local budgets

Some municipalities were increasing the costs of building local infrastructure by several times before the elections. Additional funds were provided in different ways, from amounts diverted from other budget lines, to the misuse of loan facilities granted for other purposes. There were multiple examples of citizens who publicly offered their vote in exchange for the paving of local roads ahead of parliamentary elections.

Case study 26:

Millions for local roads ahead of parliamentary elections

At least seven municipalities have increased the expenses of building local infrastructure ahead of parliamentary elections multiple times, spending € 6.3 million in three months.

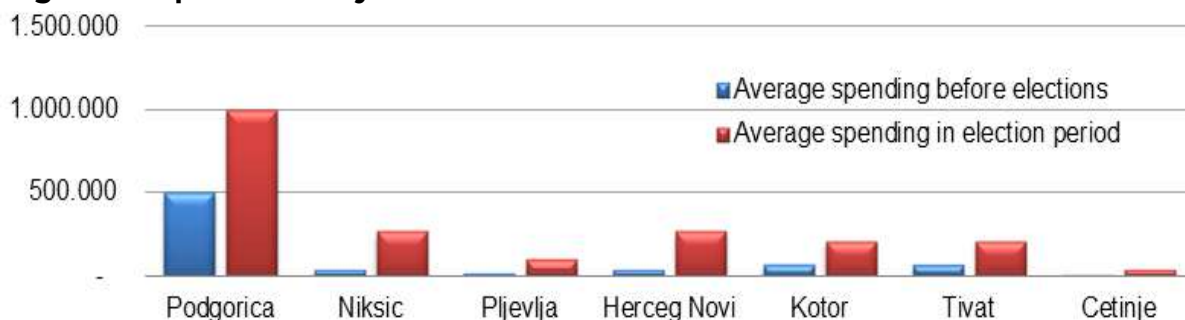
The municipalities of Podgorica, Niksic, Herceg Novi, Kotor, Tivat, Pljevlja and Cetinje spent about € 6.3 million on building of local infrastructure in the three pre-election months, while spending € 4.5 million in the first half of the year.

The Capital City of Podgorica doubled the average monthly spending in the pre-election period, and paid € 3.27 million for local infrastructure in the three-month period. The spending of the Municipality of Niksic was increased sevenfold in three months, with € 780,000 disbursed. The Municipality of Pljevlja spent € 307,000 in the same period, or five times more than in the first six months. In terms of costs of local infrastructure development, the Municipality of Cetinje is the front-runner, having spent in the three pre-election months 26 times more than in the first six months of that year.

Coastal municipalities suspend construction works during the tourist season, but oddly enough, they have spent much more on the construction of local infrastructure in this very period than during peak season preparations.

In the run-up to the elections, the Herceg Novi local authorities spent € 804,000 in the course of three months, as opposed to the first six months of summer season preparations, when expenditure was seven times lower. The Municipality of Kotor spent € 630,000 in the three pre-election months, which is triple the amount spent in the first six months; the situation is almost identical in the case of Municipality of Tivat.

During election campaign period, each of these municipalities' spending went far beyond the average recorded in the six months prior to the calling of the elections, even though this is prohibited by Law.



Graph 38: Comparison of average monthly spending for local infrastructure development funded from budgets of the seven municipalities in both non-election and election period of 2016, Source: analytical cards of the municipalities, and data obtained based on the request for access to information

B.4. PRE-ELECTION INFRASTRUCTURE DEVELOPMENT

Case study 27:

The Municipality of Podgorica doubles the construction budget

During the parliamentary elections campaign, the Mayor of Podgorica made changes to the Budget of the Capital City twice, increasing the funds for local infrastructure in the urban municipality of Tuzi by a total of € 345,000. Even the Montenegrin Army took part in pre-election road construction in the vicinity of Podgorica.

On August 29, the peak of election campaign, the Podgorica Mayor Slavoljub Stijepovic issues a decision [199] on increasing the funds to be used for local infrastructure in the urban municipality of Tuzi by € 180,000 [200].

Less than a month later, on September 22, Stijepovic issues yet another decision [201] on allocating additional € 165,000 for building infrastructure in the urban municipality of Tuzi [202].

The funds redirected to local infrastructure were withdrawn from expenditures earmarked for capital projects in the Capital City of Podgorica that were not implemented as planned.

During the pre-election campaign, the Capital City signed two partnership agreements with the Ministry of Defense regulating the assistance of the military in the expansion and reconstruction of several roads in the inaccessible area of Podgorica [203]. The first was signed on the day of the calling of parliamentary elections, and the other one around twenty days later.

Case study 28:

Misuse of the loan facility for local works

The German KfW Bank loan for water supply and wastewater disposal on the Adriatic coast was misused by the municipal company for the rehabilitation of local infrastructure ahead of the elections in Herceg Novi.

The municipal “Company for the development of water and sewage infrastructure in the Municipality of Herceg Novi” is the beneficiary of KfW Bank loan for the project Water Supply and Wastewater Disposal at the Adriatic Coast – Phase III [204]. The Contractor is the Turkish Company Celtikciouglu [205].

[199] The Conclusion issued by the Mayor of the Capital City of Podgorica No 01-031/16-6255 dated on August 29 2016, issued to MANS NGO by means of Decision No 16/99055

[200] As much as € 140,000 was allocated for rehabilitation of local roads, and the remaining € 40,000 was envisaged for construction and reconstruction of public lighting.

[201] The Decision issued by the Mayor of the Capital City of Podgorica No 01-031/16-6889 dated on September 22 2016, issued to MANS NGO by means of Decision No 16/102082

[202] By means of this decision, the amount of € 150,000 was allocated for the reconstruction and rehabilitation of roads in the urban municipality of Tuzi, and € 15,000 for the construction and rehabilitation of public lighting.

[203] Contracts on business and technical cooperation No 7875-988/1 dated on July 11 2016 and No 8597-1092/1 dated on July 29 2016, which the Ministry of Defense provided to the non-governmental organization MANS by means of Decision No 16/95679

[204] The loan for the project Water Supply and Wastewater Disposal at the Adriatic Coast – Phase III was signed by the Government of Montenegro and the German KfW Bank. The implementation unit for the overall project is the Tivat-based PE “Waterworks and Sewage”, with participation of the coastal public enterprises of the relevant municipalities. Phase III refers to the municipalities of Tivat, Herceg Novi and Kotor; The Municipality of Herceg Novi established a public company, the “Company for the development of water and sewage infrastructure in the Municipality of Herceg Novi”, tasked with implementation of the Project in this municipality; the Government was redirecting the funds to the implementation unit “Vodacom”, which were then further diverted to public companies, depending on the dynamics of the works performed. By early 2019, all the municipalities that were to repay the loan were seriously lagging behind with the works.

[205] The contract with the Turkish company was signed on July 10 2012.

B.4. PRE-ELECTION INFRASTRUCTURE DEVELOPMENT

About ten days before the local elections day [206] this municipal company signs the cession agreement with the contractor and one other company [207] based on which they financed the rehabilitation of the section of the main road **and rehabilitation of the promenade in Herceg Novi where the works had been commenced prior to elections**, instead of using the loan facility solely for the water supply and wastewater disposal project [208].

The “Company for the Development of Water and Sewage Infrastructure in the Municipality of Herceg Novi” is in charge of construction of wastewater collectors and treatment plants, as well as the construction of the pipeline and replacement of the existing water supply network [209]. Instead, this company redirected the funds for the reconstruction of roads and promenades ahead of elections.

The value of the Cession Agreement amounted to € 162,000, but the Niksic-based “Mehanizacija i programat” submitted an invoice to the tune of € 106,000 one month after the election [210].

In this case, the mandatory public procurement procedure for local infrastructure development was circumvented, and the funds available through a credit line were redirected for purposes other than envisaged.

Red. br.	SADRŽAJ	IZNOS (€)
1.	Ispravak izbornog lista za općinske izbore u općini Herceg Novi, na području ulice 28/04-1, od 28.04.2017. godine.	106.286,75
	UKUPNO:	106.286,75
	od toga za PDV:	34.500,36

The invoice issued by the „Mehanizacija i programat“ company

Case study 29:

Citizens offering votes in exchange for road surface coating

Ahead of parliamentary elections, several media were reporting about citizens claiming that roads were only being reconstructed in streets where voters of the ruling party live, and consequently offering their own votes in exchange for "asphalt".

For example, residents of suburban settlements in Podgorica, Kolasin and Gusinje were heard as saying that surface coating was performed only for roads leading to the ruling party's voter places of residence [211].

During the election campaign, residents of a suburban settlement in Niksic promised to secure 30 votes to a political entity that would “pave the way” to their homes [212].

[206] Local elections in Herceg Novi were called on February 23 2017, and held on May 07 of the same year.

[207] The Cession Agreement No 28 / 04-1 concluded on April 28 2017 between companies “Mehanizacija i programat” AD Niksic, as the Cessionary, “Celtikioğlu Ind & Trade LTD” Niksic, as the Cedent, and the “Company for Development of Water and Sewerage infrastructure in the Municipality of Herceg Novi”, as the Cesus

[208] The project pertains to the development of waterworks and sewage systems on the coast with an aim of ensuring the permanent functioning of the water supply system and upgrading the waste water disposal system.

[209] http://www.drustvoivkhn.com/index.php?option=com_content&view=article&id=36&Itemid=219

[210] Invoice No 18/R/6 issued by “Mehanizacija i programat” AD Niksic dated on June 13 2017, obtained in line with the Law on Free Access to Information

[211] Daily “Dan”, “Asfalt preko asfalta za glasače DPS-a” (Engl. “One coating of asphalt on top of another (for the DPS voters)”) dated on October 11 2016. www.dan.co.me/?nivo=3&rubrika=Podgoricom&datum=2016-10-11&clanak=567959&naslov=Asfalt%20preko%20asfalta%20za%20glasaca%20DPS-a, Daily “Vijesti”, „Dogovor direktorice “Puteva” i mještana: U Lijevu Rijeku ulazu 20,000 eura”, (Engl. “An agreement struck by the Director of the “Putevi” Ltd and the locals: € 20,000 to be invested in Lijeva Rijeka”) dated on September 07 2016.

www.vijesti.me/vijesti/dogovor-direktorice-puteva-i-mjestana-u-lijevu-rijeku-ulazu-20000-eura-902663, Daily “Dan” “Asfaltiraju do sigurnih glasača” (Engl. “Roads coated for streets leading up to secure voters’ houses”), dated on October 03 2016. www.dan.co.me/?nivo=3&rubrika=Regioni&clanak=566741&datum=2016-10-03&naslov=Asfaltiraju%20dosigurnih%20glasaca%20E8a

[212] Daily “Vijesti”, “Ko asfaltira put dobija 30 glasova” (Engl. “Whoever ensures road asphalt coating gets 30 votes”), dated on August 31 2016. www.vijesti.me/vijesti/ko-asfaltira-put-dobija-30-glasova-901791

B.5. STATE AID TO LEGAL PERSONS

Ahead of local elections, the Ministry of Finance has redirected substantially increased funds from the Equalization Fund in order to assist municipalities, whereas the amount of state aid distributed to legal entities from the Budget Reserve has been tripled compared to the period before the launch of the election campaign. Over € 2 million were distributed through payments that were declared secret.

Case study 30:

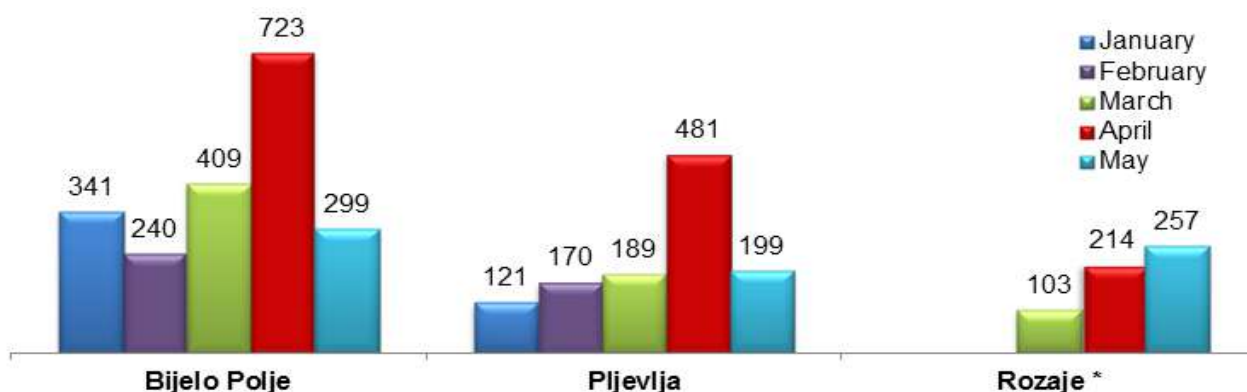
Pre-election state aid to municipalities from the Equalization Fund

Before local elections, three municipalities received almost € 3 million from the Equalization Fund, with amounts increased several times in comparison to earlier that year.

The Equalization Fund allows for financing of less developed municipalities from the funds collected by the Government from taxes and concession fees. These funds are to be paid out to municipalities in equal monthly amounts [213].

The Ministry of Finance has been providing the municipalities of Bijelo Polje, Pljevlja and Rozaje with significantly higher amounts from the Equalization Fund in the pre-election period ahead of local elections in May 2018 compared to earlier that year.

During the three pre-election months, Bijelo Polje received € 1.4 million, Pljevlja received a little under € 900,000, and Rozaje nearly € 600,000. The biggest sums were paid out to municipalities in April 2018, a month before the local elections.



Graph 39: Payments made out to the three northern municipalities from the Equalization Fund (January - May 2018, the figures are expressed in thousands), source: The data obtained from the municipalities in line with the Law on Free Access to Information

* The Municipality of Rozaje failed to submit the data for the first two months of the year

In addition, the Ministry of Finance approved to the Municipality of Rozaje a short-term loan from the Equalization Fund amounting to €120,000, whereas €200,000 was allocated to the Municipality of Danilovgrad [214].

[213] According to the criteria for the payment of funds, out of the total appropriated annual amount for one municipality, 90% is paid in regular monthly amounts, while the remaining 10% can be used for short-term loans to a municipality. Rulebook on the distribution and use of funds from the Equalization Fund (Official Gazette of Montenegro No 50/11 and 50/12); Rulebook on the manner of distribution of funds from the Equalization Fund and the manner of utilizing the non-unallocated funds from the Fund (Official Gazette of Montenegro No 06/19)

[214] Decisions of the Ministry of Finance on short-term lending to municipalities dated on January 30 2018 in case of the Municipality of Danilovgrad, and May 17 2018 in case of Municipality of Rozaje

B.5. STATE AID TO LEGAL PERSONS

Case study 31:

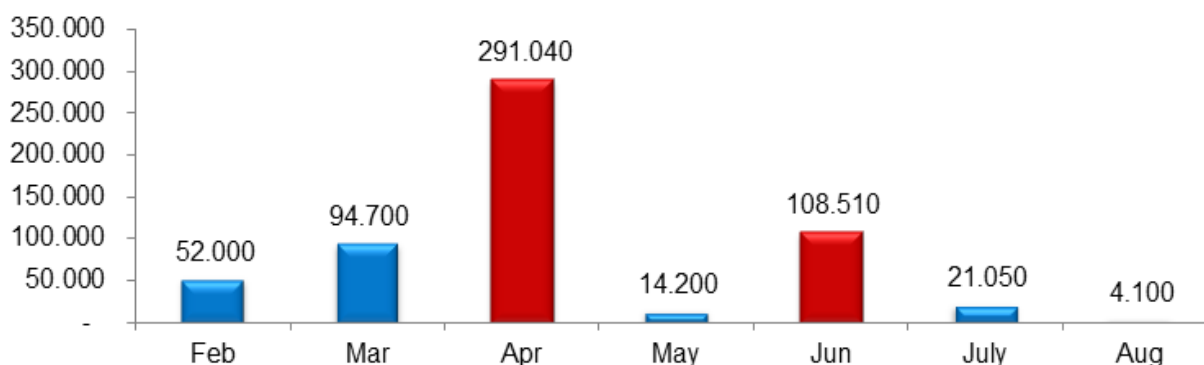
Pre-election assistance from budget reserves intended for legal entities

One month before the local elections, the Ministry of Finance distributed from the budget reserve three times more money to legal entities than in the previous period, and significant funds were distributed in the month following the election. Ahead of elections, over €2 million were withdrawn from the budget reserve for payments that were declared secret.

The decisions on granting assistance payments to companies from the budget reserve are adopted by the Government, at the proposal of the Ministry of Finance [215]. The criteria governing decisions are not publicly available.

According to official data [216], the allocations from the budget reserve were mostly distributed to sports clubs, non-governmental organizations and other non-profit institutions, whereas such payments to companies were fewer. However, each month of that year, at least one payment from the budget reserve would be declared as secret by the Ministry, so there is no way of knowing whether private companies were granted support and in what amount [217].

According to the officially available data [218], roughly € 50,000 was paid to legal entities from the budget reserve in February 2018, the said amount got doubled in March, leading up to nearly € 300,000 in April, not counting big sums paid to particular sports clubs [219]. In May, the month of local elections, payments were reduced to less than € 15,000.



Graph 40: The budget reserve payments made out to legal entities (February- August 2018).
source: data obtained from the Ministry of Finance in line with the Law on Free Access to Information

In the month following the election the payments have been increased several times, and, according to the available data, the money was mostly made out to non-profit legal entities, such as sports clubs, as well as certain non-governmental organizations. Afterwards, the budget reserve payouts were axed.

It is noteworthy that one month prior to the election, over € 290,000 was paid to a single private company, AD Veletex. The owner of this company is a member of the main and municipal board of the ruling party [220].

[215] Rulebook on the detailed criteria for the use of current and permanent budget reserves (Official Gazette of MNE No 23/2009), Art 4 paragraph 3

[216] The data from the SAP system that keeps records on State Treasury operations, collected by MANS in line with the Law on Free Access to Information. More details in the Study on FOI, part 7

[217] Explained in more detail in Chapter B.7.1. Non-disclosed data on pre-election spending

[218] Explained in more detail in Chapter B.7.1. Non-disclosed data on pre-election spending

[219] This figure does not include payments to the Women's Handball Club "Buducnost" amounting to €400,000 and the Handball Federation of Montenegro amounting to € 30,000, both made out in June 2018.

[220] <http://www.veletex.com/me/o-nama>, <https://www.dps.me/me/clanovi/mastimir-golubovic>

B.5. STATE AID TO LEGAL PERSONS

40051403	47200000000	4720001000	Stalna rezerva- sr.za izbore	ATLASMONT BANKA PODGORICA	16.999,98	10.04.2018	BUDGET
40051409	47200000000	4720001000	Stalna rezerva- sr.za izbore	CRNOGORSKA KOMERCIALNA BANKA	16.999,98	10.04.2018	BUDGET
40051422	47200000000	4720001000	Stalna rezerva- sr.za izbore	SOCIETE GENERALE MONTENEGRO	16.999,98	10.04.2018	BUDGET
40051425	47200000000	4720001000	Stalna rezerva- sr.za izbore	HIPOTEKARNA BANKA	16.999,98	10.04.2018	BUDGET
40051430	47200000000	4720001000	Stalna rezerva- sr.za izbore	SOCIETE GENERALE MONTENEGRO	16.999,98	10.04.2018	BUDGET
40051434	47200000000	4720001000	Stalna rezerva- sr.za izbore	HIPOTEKARNA BANKA	16.999,98	10.04.2018	BUDGET
40051436	47200000000	4720001000	Stalna rezerva- sr.za izbore	ATLASMONT BANKA PODGORICA	16.999,98	10.04.2018	BUDGET
40057785	47100000000	4710411015	Odluke vlade- Ministarstvo poljoprivrede	VELETIX AD	291.040,00	24.04.2018	BUDGET

Naziv kor.budžeta Budžetske rezerve

*Budget reserve payouts in April 2018,
source: data obtained from the Ministry of Finance in line with the Law on Free Access to Information*

The same company has been paid nearly €150,000 from the budget reserve during the campaign for parliamentary elections [221].

According to official data of the Ministry of Finance, € 2.63 million was paid out from the budget reserve in the first quarter of 2018 [222].

According to data provided to MANS by the Ministry in line with the Law on Free Access to Information, € 538,860 was paid out in the first quarter, whereas other two disbursements were not disclosed. This is to say that **two undisclosed pre-election payments from the budget reserve were amounting to a total of € 2.1 million. It remains unknown who the recipient of this amounts was, and on what grounds.**

Prior to presidential and local elections, another secret payment was executed in April 2018, but the amount thereof cannot be determined, as comparable data are not available.

[221] The Ministry of Finance, the spending of the current budget reserve funds for the period August 11-25 2016
[222] The Consolidated Budget Expenditure Report - I quarter 2018, data for the Central budget, <http://www.mf.gov.me/rubrike/prezentacije/184966/Analiza-javnih-finansija-I-kvartal-2018.html>

B.6. SUPERVISION AND CONTROL

The Agency for Prevention of Corruption has concluded that checks of the accuracy of data on pre-election spending of public resources are outside of its purview, as their competence extends solely to monitoring whether institutions publish the said data on a regular basis.

After the Agency had rejected all the objections lodged ahead of parliamentary elections, no further objections were submitted. The decisions of the Director of the Agency on control of state resources are final and cannot be contested in any court, which prevents controls into whether this institution operates in a lawful manner.

In practice, the Agency does not check the claims made by representatives of institutions regarding employment, excessive consumption, or debt write-off, but rather acknowledges them as evidence proving that no violation of the law took place. For this reason, all the reports issued by this institution state that there was no abuse of resources for election purposes.

B.6.1. Publishing of data on consumption by institutions

The Agency claims they are not authorized to inspect the content of the consumption-related information submitted by institutions, as their obligation is to simply control whether the institutions published the information in a timely manner.

Nearly all the institutions were publishing data on their spending prior to parliamentary elections [223]. However, the type of the published data varied to a large extent, even though all the institutions at the central level use the same accounting system.

Half of the institutions published all the necessary information, and an additional 20% published the data after initiatives submitted by MANS. **At the end of the election cycle, almost every third institution refused to publish more detailed information regarding its finances.**

One such example is the Ministry of Information Society and Telecommunications, which was persistent in expunging from analytical cards the data that other institutions disclosed.

The financial statements of this institution contained neither purposes of payments nor the names of suppliers, and were therefore inconclusive in terms of how and for what purposes state funds had been spent.

Ministarstvo za informaciono društvo i telekomunikacije
Analitička kartica za period: 22.08.-28.08.2016. godine

Izvor sredstava	Broj dok.	St.izd/pr	Datum dok. plaćanja	Plaćeno
Budžet	40119361	41490000000	24.8.2016	5.588,72
Budžet	40119361	41490000000	24.8.2016	5.588,72
Budžet	40119361	41490000000	24.8.2016	5.588,72
Budžet	40119361	41490000000	24.8.2016	7.632,12
Budžet	40113527	41150000000	26.8.2016	770,63
Ukupno:				30.757,63

Analytical card
of the Ministry of Information Society and
Telecommunications (Aug 22 - 28 2016)

[223] Only 2% of institutions monitored by MANS prior to parliamentary elections failed to publish analytical cards. The MANS Report on the 2016 Parliamentary Elections, Chapter 1.2.1 Proactive publishing of analytical cards on budget spending

B.6. SUPERVISION AND CONTROL

The situation was similar with the Agency for Prevention of Corruption. In the period right after the Law entered force, this very institution was failing to disclose description of costs, i.e. purposes of payments. However, **the Agency improved its practice after initiatives lodged by MANS.**

Broj dok.	Pl. Lnd/pr	Odbavljac	Naziv Odbavljaca	Sadržajni detalji	Zatvaranje	Dat. dosp.	Plaćeno
40104383	4142000000	42998	GS COMPANY PODOGORICA		15.07.2016	11.07.2016	31,70
40104382	4131000000	34200	STRATUS DOO PODOGORICA		15.07.2016	11.07.2016	427,21
40104341	4193000000	42984	S SEC DOO		15.07.2016	11.07.2016	7.675,50
40104356	4194000000	35694	SAVA MONTENEGRO OSIGURANJE		15.07.2016	11.07.2016	353,82
40104366	4194000000	35694	SAVA MONTENEGRO OSIGURANJE		15.07.2016	11.07.2016	353,82
40104382	4194000000	35694	SAVA MONTENEGRO OSIGURANJE		15.07.2016	11.07.2016	146,18
40104382	4194000000	35694	SAVA MONTENEGRO OSIGURANJE		15.07.2016	11.07.2016	146,19
40104382	4194000000	35694	SAVA MONTENEGRO OSIGURANJE		15.07.2016	11.07.2016	33,64
40104382	4194000000	35694	SAVA MONTENEGRO OSIGURANJE		15.07.2016	11.07.2016	500,00
40104317	4133000000	34534	KASTEX DOO		15.07.2016	11.07.2016	1.506,78
40104259	4149000000	27127	PREMIER HIS DOO		15.07.2016	11.07.2016	390,30
40104276	4133000000	44689	S PRESS PLUS DOO		15.07.2016	11.07.2016	26,50
40104290	4133000000	44689	S PRESS PLUS DOO		15.07.2016	11.07.2016	26,50
**							11.616,33

Analytical card of the Agency for Prevention of Corruption (July 12 - 17 2016)

Broj dok.	Pl. Lnd/pr	Odbavljac	Naziv Odbavljaca	RAZNAJANJE	Plaćeno	FINANC. OP.	Naziv vrsta OP	OP. KOD
40120397	4133000000	42998	S PRESS PLUS DOO	22.09.2016	26,20	4133000000	Publikacije, brošure i glasila	400000
40120373	4133000000	42998	S PRESS PLUS DOO	22.09.2016	26,20	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	26,20	4133000000	Publikacije, brošure i glasila	400000
40120411	4133000000	42998	S PRESS PLUS DOO	22.09.2016	139,32	4133000000	Publikacije, brošure i glasila	400000
40120478	4133000000	42998	S PRESS PLUS DOO	22.09.2016	57,72	4133000000	Publikacije, brošure i glasila	400000
40120487	4133000000	42998	S PRESS PLUS DOO	22.09.2016	318,33	4133000000	Publikacije, brošure i glasila	400000
40120487	4133000000	42998	S PRESS PLUS DOO	22.09.2016	373,50	4133000000	Publikacije, brošure i glasila	400000
40120488	4133000000	42998	S PRESS PLUS DOO	22.09.2016	8.900,00	4133000000	Publikacije, brošure i glasila	400000
40120485	4133000000	42998	S PRESS PLUS DOO	22.09.2016	1.311,75	4133000000	Publikacije, brošure i glasila	400000
40120486	4133000000	42998	S PRESS PLUS DOO	22.09.2016	318,80	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	77,82	4133000000	Publikacije, brošure i glasila	400000
40120368	4133000000	42998	S PRESS PLUS DOO	22.09.2016	27,82	4133000000	Publikacije, brošure i glasila	400000
40120387	4133000000	42998	S PRESS PLUS DOO	22.09.2016	26,20	4133000000	Publikacije, brošure i glasila	400000
40120379	4133000000	42998	S PRESS PLUS DOO	22.09.2016	27,00	4133000000	Publikacije, brošure i glasila	400000
40120482	4133000000	42998	S PRESS PLUS DOO	22.09.2016	132,32	4133000000	Publikacije, brošure i glasila	400000
40120484	4133000000	42998	S PRESS PLUS DOO	22.09.2016	31,90	4133000000	Publikacije, brošure i glasila	400000
40120478	4133000000	42998	S PRESS PLUS DOO	22.09.2016	708,30	4133000000	Publikacije, brošure i glasila	400000
40120482	4133000000	42998	S PRESS PLUS DOO	22.09.2016	416,20	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	2.341,22	4133000000	Publikacije, brošure i glasila	400000
40120378	4133000000	42998	S PRESS PLUS DOO	22.09.2016	737,82	4133000000	Publikacije, brošure i glasila	400000
40120328	4133000000	42998	S PRESS PLUS DOO	22.09.2016	4.604,22	4133000000	Publikacije, brošure i glasila	400000
40120326	4133000000	42998	S PRESS PLUS DOO	22.09.2016	19,00	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	89,23	4133000000	Publikacije, brošure i glasila	400000
40120487	4133000000	42998	S PRESS PLUS DOO	22.09.2016	200,28	4133000000	Publikacije, brošure i glasila	400000
40120481	4133000000	42998	S PRESS PLUS DOO	22.09.2016	33,30	4133000000	Publikacije, brošure i glasila	400000
40120482	4133000000	42998	S PRESS PLUS DOO	22.09.2016	366,16	4133000000	Publikacije, brošure i glasila	400000
**					39.779,31			
40120484	4133000000	42998	S PRESS PLUS DOO	22.09.2016	26,20	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	193,30	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	31,83	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	26,20	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	97,08	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	26,20	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	1.817,30	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	2.688,85	4133000000	Publikacije, brošure i glasila	400000
40120318	4133000000	42998	S PRESS PLUS DOO	22.09.2016	706,92	4133000000	Publikacije, brošure i glasila	400000
**					16.08.2016			
					106,93			
					22.774,13			

Analytical card of the Agency for Prevention of Corruption (August 22 - 28 2016)

However, the Agency rejected all the initiatives lodged against institutions that failed to disclose adequate financial information, stating that the law does not precisely prescribe the contents the institutions are required to publish [224]. The Agency also ignored all the initiatives for prescribing guidelines or templates to be used by institutions, with precise financial data entries to be published before the election, as it had done in other areas of its work [225].

The Administrative and Supreme Court found that the applicants had no right to take the Agency's decisions to second instance. This decision prevents the control of the lawfulness of the institution [226].

[224] The MANS Report on the 2016 Parliamentary Elections, Chapter 2 Agency for Prevention of Corruption

[225] <http://www.antikorupcija.me/me/biblioteka/dokumenta/zakonska-regulativa/#page=1>

[226] The MANS Report on the 2016 Parliamentary Elections, Chapter 1.2.1 Proactive publishing of analytical cards on budget spending

B.6.2. Compliance with legal prohibitions

Case study 32: Control over recruitment in the run-up to local elections

The Agency did not perform controls of institutions with highest pre-election employment figures. Even when it did exercise control, the Agency would conclude against the possibility of unreported employment, solely based on claims made by representatives of the supervised institutions, and without any further verification.

The Agency's report on elections held in the municipalities of Mojkovac, Petnjica, the Old Royal Capital of Cetinje and the urban municipality of Tuzi shows that elementary school "Aleksa Djilas Beco" concluded most employment contracts, as many as 32, in the course of this election cycle.

However, in the course of election campaign, the Agency performed control into a single school, "Radomir Rakocevic" from the village of Proscenje in the vicinity of Mojkovac. Hence, the Agency did not control the school in the downtown area whose reports cited an unusually high number of employees, but instead, a school in a rural area that concluded no employment contracts whatsoever.



The location of the "Radomir Rakocevic" school from Mojkovac, which was controlled by the Agency



The location of the "Aleksa Djilas Beco" school from Mojkovac, which was not controlled by the Agency

The Agency controlled the pre-election, politically motivated, employment and hiring of people in these institutions by interviewing their representatives during working hours.

The ASK was not probing into whether the reported employments were lawful, but went on to conclude against the possibility of unreported employments, based on claims made by representatives of the institutions being controlled.

Pursuant to the Law, the Agency has the right to inspect the financial statements of an institution, and determine, on the spot, whether any unreported recruitments took place.

The same method is used by the Agency when checking whether employees are politically engaged during working hours - by soliciting such information from official representatives of the institution being controlled.

Na pitanje da li je bilo zapošljavanja, od dana raspisivanja izbora do dana kontrole, ovlašćeni predstavnici subjekta kontrole su odgovorili da je bilo šest zapošljavanja, Agenciji je do 20. 10. 2017. godine dostavljena dokumentacija za 5 radnih mjesta, dok je za šesto uzeta dokumentacija tokom kontrole.

Izvršen je uvid u dosije/dokumentaciju zaposlenih lica. Konstatovano je da su svih šest mjesta sistematizovano.

Nije započet ni jedan postupak zapošljavanja od 25. septembra do 20. oktobra.

Prilog: *Propratna dokumentacija za radno mjesto samostalni referent za računovodstvene poslove.*

(čl.33 st.4) U odnosu na poštovanje zabrane angažovanja u toku radnog vremena, na aktivnostima izborne kampanje javnim funkcionerima i zaposlenim, ovlašćeni predstavnici subjekta kontrole su se izjasnili da prema njihovim saznanjima nije bilo navedenih aktivnosti.

Priložena dokumentacija:
4 priloga

NALAZ KONTROLE

U skladu sa izvršenom kontrolom službenici Agencije preporučili su subjektu kontrole sledeće:

1. Da dosljedno nastavi da primjenjuje članove 25, 26, 27, 29, 31, 32 i 33 Zakona o finansiranju političkih subjekata i izbornih kampanja
2. Naloženo je da se u putnim nalogima upiše stanje brojila, evidenciju utroška goriva, vrijeme dolaska/polaaska.

Excerpt from the minutes of the Agency on a control performed into PE "Waterworks and Sewage" Cetinje, dated on October 23 2017

B.6. SUPERVISION AND CONTROL

Case study 33: Types and contents of control reports

The reports of the Agency are reduced to the processing statistical data provided by the competent institutions. They illustrate that the Agency fails to perform adequate control in any area of its work, as it merely relies on statements of representatives of the institutions being controlled.

Therefore, the only way for the Agency to ascertain that the regulations were breached by an institution is if its official representative were to admit to the violation during the control procedure.

During the local elections held in autumn 2017 in Cetinje, Mojkovac, Petnjica and Tuzi, the ASK was drawing up four types of control reports on a 15-day basis [227].

One type of report outlines the obligation of institutions to publish **data on expenditures and payments from the budgetary reserve** [228]. Here, the ASK statistically processed the information it had been provided with. In cases where the allowed expenditure was exceeded, the Agency would request an explanation from the reporting entity, but then fail to collect official documents that would help verify their allegations.

In October 2017, at least four reporting entities had payments that were exceeding the monthly average. In all such cases, the ASK would simply seek a clarification from the institution and accept the information thus obtained at face value, without any attempt to carry out an actual control and determine the facts [229].

Another type of control reports pertains to pre-election **welfare payments** [230]. Yet again, these reports drafted by the ASK only determine whether the data had been published and specify the amount of social allowances disbursed, which are then statistically processed. Likewise, these reports by the Agency solely present the data provided by the institutions, but fail to investigate their accuracy.

The ASK was also drafting reports on control of **travel orders for official cars**. They contain the total number of travel orders published on web pages of reporting entities, following which the ASK notes down that the institutions have thus met their obligations. The contents of these reports lead to conclusion that the Agency, yet again, made no attempt at verification of the accuracy of data.

The only report where the ASK explains the data in more detail pertains to **recruitment** in the pre-election period [231]. The report shows that the Agency had requested the supporting documentation from institutions that had failed to submit it with the recruitments report.

Once again, the Agency made no attempt at establishing whether the institutions provided accurate information, but only tackled the reported employments. In fact, it turned out that there were hundreds of unreported recruitments that the Agency failed to detect in one election cycle alone [232].

[227] Individual reports by the Agency for Prevention of Corruption on the supervision carried out during the election campaign ahead of elections in Cetinje, Mojkovac, Petnjica and Tuzi, received by MANS in line with the Law on Free Access to Information

[228] In these reports, the ASK notes whether reporting entities published the data on web pages, and specifies the period when expenditures were incurred and the amounts disbursed.

[229] The Municipality of Mojkovac – Secretariat for Urban Planning, the Ministry of Culture, the Senate of the Old Royal Capitol of Cetinje and PI National library „Djurdje Crnojevic“.

[230] The Report on performed supervision by the Agency for Prevention of Corruption dated on November 29 2017.

[231] These reports indicate the number of employments for which the documentation was submitted to the Agency, after which employment contracts are broken down into fixed-term or open-ended, as well as temporary service or part-time contracts. The ASK report on control into recruitments sets out the number of concluded contracts per institution, and contract types are broken down in a table.

[232] Explained in more detail in Chapter B.2.1. Recruitment in public administration

B.6. SUPERVISION AND CONTROL

The ASK was seeking explanation from several local utility companies [233] as to whether they were **writing off debts** in the pre-election period.

These companies submitted information that there had been no write-offs, and the Agency stated in a separate report that an on-the-spot check verified that there had been no debt write-off for consumers of utility services. According to the minutes, representatives of the Agency took the claims of institution representatives for granted; only in exceptional cases would they inspect the information systems of companies, only to find out that there were no visible options for debt write-off entries therein.

(čl.31) U odnosu na zabranu otpisa dugova ovlašćeni predstavnik subjekta kontrole je odgovorio da ne vrše otpis bilo kakvih dugovanja. Izvršen je uvid u Odluku o sporazumnom izmirenju duga za potrošačima broj 3900 od 09.09.2016. godine.
Prilog: Odluka o sporazumnom izmirenju duga

Excerpt from the ASK Minutes on the control performed into Ltd "Waterworks and Sewage", Cetinje, dated on October 23 2017

(čl.31) U odnosu na zabranu otpisa dugova ovlašćeni predstavnik subjekta kontrole izjavio je da ne vrše otpis dugova građanima i pravnim licima. Jedina vrsta optisa je otpis dugova isključivo po osnovu sudskih presuda zbog zastarjelosti duga. Subjekt kontrole ima 2.000 fizičkih lica i 200 pravnih lica. Izvršen je uvid u informacioni sistem DOO "Komunalne usluge - Gradac" Mojkovac i konstatovano je da ne postoji opcija za otpis dugova korisnicima.

Prilog: Izvještajna kartica po mjesecima za fizička i pravna lica

Excerpt from the ASK Minutes on the control performed into Ltd "Utility services"- Gradac", Mojkovac dated on November 02 2017

[233] The utility companies in question are DOO "Komunalne djelatnosti" Petnjica, DOO "Komunalne usluge – Gradac" Mojkovac, DOO „Komunalno“ Cetinje and DOO "Vodovod i kanalizacija" Cetinje

B.6. SUPERVISION AND CONTROL

Case study 34: The Agency does not see a single misuse

Not a single case of misuse of state resources was identified ever since the Agency for Prevention of Corruption has been established. After the Agency had rejected all the objections lodged ahead of parliamentary elections, no further objections were submitted.

Given the manner in which it controls implementation of the law, it is no wonder that the Agency did not detect any misuse of state resources in the three years of its operation [234].

Only in its first-ever election report, the Agency does not present a final conclusion, although the contents of the document itself show that the ASK detected no irregularities regarding the use of state resources during election campaign.

All the other reports even replicate identical sentences, such as “there was no misuse of public resources” or “the Agency did not identify a violation of the law.” In the case of presidential elections, reports are formulated somewhat differently, as the Agency states that there had not been so much as a suspicion of misuse of public resources in that election cycle.

2016.	Local elections: Tivat	Parliamentary elections	Local elections: Budva, Andrijevica, Kotor, Gusinje
	No conclusion	The conclusion is that there was no misuse of public resources in the course of election campaign	The conclusion is that there was no misuse of public resources in the course of election campaign
2017.	Local elections: Niksic	Local elections: Herceg Novi	Local elections: Cetinje, Mojkovac, Petnjica, Tuzi
	The Agency did not detect violation of the Law, i.e. there was no misuse of public resources during election campaign	The Agency did not detect violation of the Law, i.e. there was no misuse of public resources during election campaign	The Agency did not detect violation of the Law, i.e. there was no misuse of public resources during election campaign
2018.	Local elections: Ulcinj i Berane	Presidential elections	Local elections: 12 municipalities
	The Agency did not detect violation of the Law, i.e. there was no misuse of public resources during election campaign	The Agency did not detect violation of the Law that could lead to suspicion of misuse of public resources during election campaign	The Agency did not detect violation of the Law, i.e. there was no misuse of public resources during election campaign

The ASK evaluations on misuse of public resources during election campaigns, quotes from the ASK report

According to the data contained in the report, after having rejected all the initiatives lodged by MANS ahead of parliamentary elections, the Agency received no other complaints in other election cycles [235].

[234] The Agency has taken office on January 01 2016.

[235] The Agency rejected as many as 1,895 initiatives submitted ahead of parliamentary elections, claiming that it had no right to control the contents and accuracy of the data pertaining to the budget consumption by institutions. More detailed information available in the MANS Report on the 2016 Parliamentary Elections, Chapter 2.2. Agency decisions and court rulings.

B.7. ACCESS TO INFORMATION

Access to information on pre-election spending of public resources is limited. Prior to elections, the Government had proclaimed multi-million euro budget expenditures as secret, and the data on consumption and employment were being concealed by municipalities, state funds and companies alike. Significant funds are still being spent without public control, which is why state-owned institutions and companies should be required to proactively publish additional data on consumption and recruitment in pre-election periods.

B.7.1. Non-disclosed data on pre-election spending

Some institutions were concealing information about spending in the pre-election period, although such information had been published prior to the calling of elections.

The Ministry of Finance declared as secret the pre-election payments from the budgetary reserve amounting to over € 2 million. Some municipalities and state-owned companies were also hiding financial and employment-related data. The Investment and Development Fund is particularly problematic as it has major resources at its disposal, but persistently hides data on loans granted during election campaign periods.

Case study 35:

Secret payments from the budget reserve

During election campaigns, the Ministry of Finance was concealing particular payments from the budget reserve, claiming that the Government had declared them secret. Thus, Cabinet members awarded over € 2 million of state aid to individuals or companies prior to elections, and then decided to keep the public in the dark about it.

As stated in the previous studies [236], it is the Government and several ministers [237] that get to decide on allocating budgetary reserve funds to natural and legal persons.

The Ministry of Finance declared certain budget expenditures as secret, explaining that this information was marked with the classification level of "RESTRICTED" by a decision issued by the Government of Montenegro.



The Decision of the Ministry of Finance declaring certain pre-election payments secret

[236] Case study 19: One-off social aid from budget reserve and Case study 31: Social aid payments from budget reserve to legal persons

[237] The decisions on social aid to legal entities are issued by the Government, whereas social allowances to natural persons are allocated by the Commission for Allocation of the Part of the Budgetary Reserve Funds, composed of three Deputy Prime Ministers and three ministers: M.Simovic, R.Husovic, Z.Pazin, M.Nuhodzic, K.Hrapovic i M.Vucinovic, and Deputy Secretary General of the Government N.Dedic.

B.7. ACCESS TO INFORMATION

The documentation shows that, besides concrete payments, **the Ministry of Finance even expunged the total sum of payments made in that period, in order to keep the public in the dark about the amount of secret transactions.**

40022246	4710000000	4710405085	Odluke Vlade -Uprava za imovinu	MOJKOVAC SUMARSKO PRED.STECAJ	52.000,00	23.02.2018	BUDGET
Naziv kor.budžeta Budžetske rezerve							
<p><i>The payment from the Budget Reserve of February 2018, with payment amount and the total sum concealed; source: the reply from the Ministry of Finance to MANS in line with the Law on Free Access to Information</i></p>							
40051403	4720000000	4720001000	Stalna rezerva- sr.za izbore	ATLASMONT BANKA PODGORICA	16.999,98	10.04.2018	BUDGET
40051409	4720000000	4720001000	Stalna rezerva- sr.za izbore	CRNGORSKA KOMERCIALNA BANKA	16.999,98	10.04.2018	BUDGET
40051422	4720000000	4720001000	Stalna rezerva- sr.za izbore	SOCIETE GENERALE MONTENEGRO	16.999,98	10.04.2018	BUDGET
40051425	4720000000	4720001000	Stalna rezerva- sr.za izbore	HIPOTEKARNA BANKA	16.999,98	10.04.2018	BUDGET
40051430	4720000000	4720001000	Stalna rezerva- sr.za izbore	SOCIETE GENERALE MONTENEGRO	16.999,98	10.04.2018	BUDGET
40051434	4720000000	4720001000	Stalna rezerva- sr.za izbore	HIPOTEKARNA BANKA	16.999,98	10.04.2018	BUDGET
40051436	4720000000	4720001000	Stalna rezerva- sr.za izbore	ATLASMONT BANKA PODGORICA	16.999,98	10.04.2018	BUDGET
40057785	4710000000	4710411015	Odluke vlade- Ministarstvo poljoprivrede	VELETEX AD	291.040,00	24.04.2018	BUDGET
Naziv kor.budžeta Budžetske rezerve							
<p><i>The payment from the Budget Reserve of February 2018, with payment amount and the total sum concealed; source: a reply from the Ministry of Finance to the MANS request lodged in line with the Law on Free Access to Information</i></p>							

There is no legitimate reason for such a decision of the Ministry, since the amount of payments can not contain any information that could threaten defense, security, foreign affairs, monetary or economic policy of Montenegro, which are the legally prescribed reasons for declaring an information secret [238]. This data are concealed from the public for at least two years, but this can be prolonged [239].

MANS has compared the data published by the Ministry with information on budget execution in the first quarter of 2018. The comparison leads to conclusion that the two secret payments from the budget reserve totaled over € 2 million, while the amount of the third payment can not be determined based on data available [240].

Thus, government members awarded over € 2 million of state aid to individuals or companies prior to elections, and then decided to keep this information from the public for the period of two years.

[238] The Law on Classified Information, Art 3: Classified information are those whose disclosure to an unauthorized person has or might have adverse consequences for the security and defense, foreign, monetary and economic policies of Montenegro; Article 12 paragraph 5: The classification marking of "RESTRICTED" is assigned to data whose disclosure would have adverse consequences for the discharge of function of that authority.

[239] According to Art 19a par 1 item 4 of the Law on Classified Information: The classification level marked as "RESTRICTED" shall cease after expiration of a two-year period.

[240] Explained in more detail in Case study 31: Social aid payments from budget reserve to legal persons

Case study 36:

Secret loans of the Investment and Development Fund

The Investment and Development Fund (IRF) is one of the most insular institutions that does not publish important data regarding its operations, especially in the pre-election period.

The IRF is a state-owned financial institution that grants loans to private companies and entrepreneurs, but also to municipal public enterprises. The lending funds are borrowed from international creditors, and the State guarantees for the repayment thereof.

The IRF loans represent state aid, as they are given under lower interest rates than those offered elsewhere on the market. In five years, the IRF has doubled the total amount of loans, distributing over € 175 million in 2017 [241]. As of 2018, the IRF is also in charge of distributing agricultural loans from funds of the Abu Dhabi Fund [242].

Prior to the election, the IRF had created new credit lines, such as loans intended for local infrastructure or farmers [243], with lowered interest rates and loan processing fees, especially in the less developed municipalities [244]. The IRF is headed by the ruling party's senior official, one of the participants in the well-known "Audio recording" affair [245].

The IRF refuses to publish data on the conditions under which favorable loans are granted and persistently hides the amounts it distributes in the pre-election period.

Instead, they periodically publish a table with approved loans on their website, indicating the borrower, the amount, the name of the project and the location where it is being implemented. It does not provide basic information about the conditions under which the loans were approved. The dates of such decisions are not provided either, apart from a broad multi-month timeframe, making it impossible to clearly distinguish the number of loans granted before the election.

The IRF does not update the information pertaining to loans on their website in a timely manner. For example, at the time of drafting of this publication, March 2019, the IRF website contains only a tabular overview of loans approved in the first half of last year.

During the local elections campaign, MANS requested, based on the Law on Free Access to Information, that the IRF publish decisions on loans and accounts receivable factoring issued in the first quarter of that year [246].

[241] Source: Official data of the Investment and Development Fund, published on their web page; link: <http://www.irfcg.me/me/2014-03-11-10-19-39/2014-03-11-10-20-42>

[242] It is a loan facility worth € 50 million that the Government concluded with the Abu Dhabi Development Fund three years earlier, in order to finance projects in agriculture through millions of euros worth loans. The Ministry of Agriculture and Rural Development was responsible for the ADMAS project for three years; more about the project in the Information of the Government of Montenegro from the session held on June 15, 2017, item 5; www.gov.me/sjednice_vlade_2016/30. The distribution of these loans was extremely non-transparent, as, apart from the cursory information occasionally published by the Government, the decisions on granting loans, loan agreements and other documentation were not made available to the public. Before the project was transferred to the IRF, almost \$ 23 had been invested, and, immediately after taking over, the IRF lowered the criteria for allocating funds and the loan limit, enabling them to distribute more loans. www.irfcg.me/me/2014-03-10-14-49-50/program-podrske-razvoju-poljoprivrede-otkup-poljoprivrednih-proizvoda-2

[243] More detailed information available in the MANS Report on the 2014 Local Elections

[244] More detailed information available in the MANS Report on the 2016 Parliamentary Elections

[245] The "Audio recording" affair refers to the publication of transcripts from the sessions of the most senior party structures of the ruling Democratic Party of Socialists, which uncovered numerous mechanisms for exerting unlawful influence on voters through misuse of state funds; the affair was launched in April 2013

[246] The MANS Requests for free access to information No 18/120528-120532 and 18/121466-121469 dated on March 14 2018 and April 04 2018 respectively

B.7. ACCESS TO INFORMATION

The IRF refused to provide this information, claiming them to be a “business secret”, as so prescribed by their Trade secret rulebook. It is interesting that the IRF had been providing us with the very same data in the non-election period [247]. This decision was annulled following a complaint lodged by MANS [248], but a year later, although the Law prescribes that a decision on a complaint must be issued within a 15-day deadline [249]. These information have not been submitted to us by the time this publication was concluded.

The IRF had issued an almost identical decision and denied access to the same loan-related data ahead of the 2016 parliamentary elections. This decision was also annulled following a complaint lodged by MANS [250], nevertheless, over a year later, the IRF still fails to submit the information requested.

In addition, some municipalities were concealing information on pre-election employment and finances, citing protection of privacy, business and banking secrets.

For example, in the run-up to parliamentary elections, the Niksic Municipality declared recruitment-related information as secret by invoking protection of privacy [251].

On the outset of the election year, the Capital City of Podgorica declared their bank accounts balances as classified, invoking trade and banking secrecy [252]. They claim to have conducted the damage test of disclosure of the requested information, which concluded that “such information **might be misused**, as its publication would constitute trade secret infringement, which is why access to the information in question should be restricted” [253].

Large state-owned companies, such as “Plantaze” and “Montenegro airlines” were concealing data on consumption prior to elections, while publishing such information in the non-election periods [254]. These companies were persistent in hiding data, despite court rulings favoring the public’s right to know [255].

[247] In September 2014, we received from the Investment and Development Fund all the decisions on approved loans concluded that year, in line with the Law on Free Access to Information. The Decision of the Investment and Development Fund AD No 05-3512/1 dated on September 09 2014

[248] On March 03 2019, the Agency for Personal Data Protection and Free Access to Information adopts a decision annulling the IRF decision dated on April 17 2018.

[249] Art 38 par 1 of the Law on Free Access to Information The Agency shall make a decision upon the complaint against a decision on the request for access to information and deliver it to the applicant within 15 days since the day of its submission.

[250] On January 28 2019, the Agency for Personal Data Protection and Free Access to Information adopts a decision annulling the IRF decision dated on November 03 2016.

[251] The MANS Report on the 2016 Parliamentary Elections, Chapter 1.3.1 Non-disclosed data on pre-election spending

[252] The Decision of the Secretariat for Finance of the Capital City dated on Feb 22 2019

[253] Ibid.

[254] The MANS Report on the 2016 Parliamentary Elections, Chapter 1.3.1 Non-disclosed data on pre-election spending

[255] Ibid.

B.7. ACCESS TO INFORMATION

B.7.2. Institutions exempt from proactive publishing of information on budget consumption

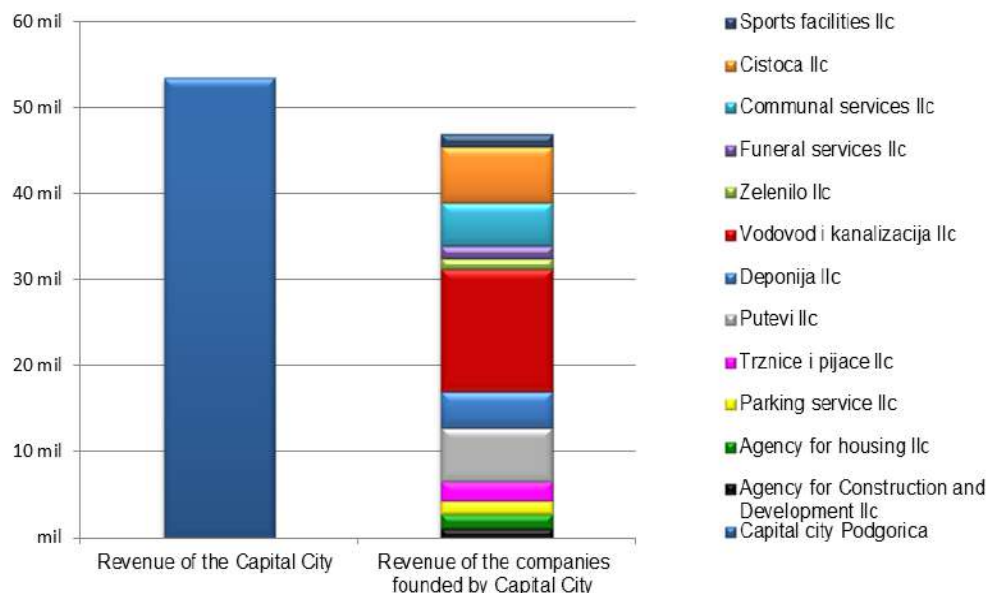
State-owned and local public companies are not obliged to publish data on pre-election spending, nor are they subject to prohibitions of excessive consumption and recruitment. These companies cater to significant budgets and a large number of employees, which leaves much room for misuse. In addition, these companies provide public services and have no competition in the market, so the publishing of their data could not threaten their business.

Case study 37:

Companies owned by the Capital City of Podgorica

The companies founded by the Capital City of Podgorica have almost the same budget as their founder, and employ twice as many people. These companies are public service providers, have no competition as such, and are owned by the Capital City, yet have no obligation to publish data on pre-election spending, nor are they prohibited from excessive budget consumption and pre-election employment. Year in year out, these companies increase their workforce.

The Capital City established 13 companies that have almost the same budget as the municipality itself [256]. In 2017, these companies were allocated nearly € 47 million, while the Capital City's budget was about € 53 million. "Waterworks and Sewage" had highest revenue, as much as € 14 million.

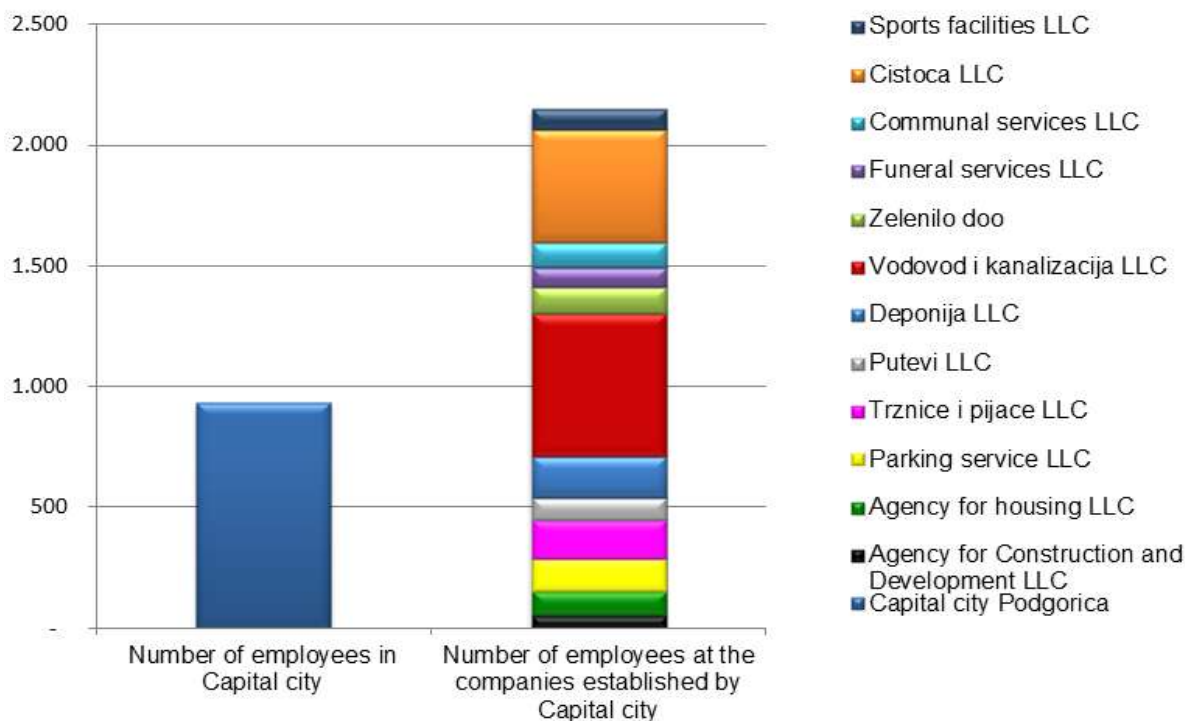


Graph 41: The 2017 revenues of the Capital City and the companies it founded
source: Official financial statements

[256] According to official data of the 12 companies that submitted their final statements for 2017.

B.7. ACCESS TO INFORMATION

These companies have twice as many employees as their founder, the Capital City, counting over two thousand employees, whereas the city administration employs less than a thousand people. “Vodovod i kanalizacija” has almost 600 employees, while “Cistoca” employs almost 500 people.

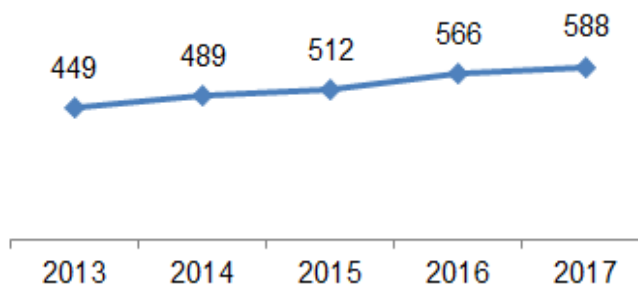


Graph 42: The number of employees in the Capital City and the companies it established at the end of 2017, source: Official financial statements

None of the companies established by the Capital City are obliged to publish data on budget consumption, or prohibited from excessive consumption or recruitment in the pre-election period.

The majority of them kept hiring more people from one year to another.

For example, the number of employees in the PE “Waterworks and Sewage” has been increased by as much as 139, or by just under one-third, in the past five years.



Graph 43: The number of employees in PE “Waterworks and Sewage” per year (2013 - 2017). Source: Company financial statements

The official data [257] show that the number of employees amounted to 449 in 2013 and went up to as much as 588 by 2017.

[257] Data published on the Taxis portal of the Tax Administration of Montenegro; link: <https://eprijava.tax.gov.me/>

B.7.3. Recommendations for the standardization of proactive publication of information

The Law on Financing of Political Entities and Election Campaigns needs to prescribe additional obligations of institutions in publishing data on pre-election spending.

A requirement should be imposed on **the Agency** for Prevention of Corruption to prescribe a specific **template** for data publishing, which would be binding for each institution, and adjusted to the accounting system used by the state administration and local self-governments.

Institutions that are required to publish information on spending should:

- proactively publish data throughout the whole year in which regular presidential, parliamentary or local elections are to be held; or
- retrospectively publish data for a period of six months prior to the calling of early elections until the end of that fiscal year.

In addition to the job **recruitment** data prescribed by law, institutions should also be required to provide the Agency with **temporary service and voluntary work contracts, as well as payrolls.**

The law should require the institutions to proactively publish additional information:

The Ministry of Finance should publish on its website, on a monthly basis [258]:

- data on collection of all the budget receipts, broken down per type,
- decisions on the allocation of funds from the Equalization Fund and payments made from the account of the Fund,
- decisions on granting loans from the Equalization Fund to local self-governments,
- the number of submitted and approved requests made by natural and legal persons for the allocation of social allowances from the budget reserve;
- reference numbers and dates of decisions issued and social assistance payments made to individuals from the budget reserve,
- decisions and payments from the budget reserve for legal entities,
- loan agreements, transfer loan and cession agreements, annexes thereto, and statements on the transfer of funds,
- reporting templates on supervision of foreign loans.

[258] It should be noted that funds from the Equalization Fund are disbursed from a separate account of the Ministry of Finance, and, for the time being, these payments are not shown among regular budget expenditures from the State Treasury, which the Ministry of Finance publishes on its website during the election periods.

B.7. ACCESS TO INFORMATION

The Government and the Ministry of Finance should announce clear procedures for granting cash benefits to individuals and legal entities from the budget reserve. **The law should prescribe that institutions may not declare payments from the budget as secret in the pre-election period!**

Local governments should also be required to publish this information on their websites [259].

It is necessary to impose upon **state and local public enterprises as well as companies** owned by either state or local self-governments, who act as public service providers, to proactively publish consumption-related data, namely:

- analytical cards showing monthly consumption,
- loan agreements, cession agreements with annexes thereto, on a monthly basis,
- employment contracts, temporary employment and part-time employment contracts, contracts for services and volunteer work contracts.

The Investment and Development Fund should be required to proactively publish on their website:

- contracts concluded with international and domestic credit institutions and annexes thereto; bank statements on the inflow of funds thereof;
- decisions on approved loans, loan agreements and annexes thereto for all the credit lines it is implementing,
- analytical cards of loan disbursements for all credit lines it implements.

The IRF should also undertake to compile and publish a separate report on loans granted in the previous period, per individual credit lines it had implemented, with detailed data on beneficiaries, terms and time of approval, compliance of the request and the percentage of the use of loans approved. This way, the availability of comparative data from the previous period would allow for a better monitoring of the performance of this institution in the following election cycles.

[259] Among other things, local governments should be required to publish, on a monthly basis, all the receipts with inflows from the Equalization Fund shown separately.

ANNEX 1

Methodology

This publication refers to parliamentary, presidential and local elections held in all Montenegrin municipalities in the period from 2016 to 2018, following the entry into force of the new Law on Financing Political Entities and Election Campaigns.

Data on the financing of election campaigns of political entities were taken from their official reports submitted to the Agency for the Prevention of Corruption. The Agency has prescribed a list of rather vague expenditure categories in a form that the parties are obligated to use, so we have classified each reported expenditure into one of the categories presented in this publication.

We also used official data on expenditures of institutions, or so-called analytic cards, which were downloaded from their respective sites. In addition to this, we monitored the employment data that the institutions submit to the Agency, which are then published on the Agency's website. During the analysis, we used the Agency's official reports on their supervision during election campaigns, as well as its annual work reports.

In addition, invoking the Law on Free Access to Information from Political Entities and State Institutions, we have requested additional documentation on their expenditures and revenues, along with the data on control and supervision we requested from the Agency. Ever since the parliamentary elections, we have continuously requested from all the parliamentary parties, which are predominantly financed from the state budget, to publish their bank account statements related to financing their campaigns, as well as to publish contracts and invoices.

In all cases when we did not receive the requested information, we filed complaints to the Agency for Free Access to Information, or pressed charges against such entities before the Administrative Court, or, in certain cases before the Supreme Court.

In the course of the development of this publication, we used our own reports on monitoring election campaigns that were published in the observed period. We also used the data we collected through our monitoring of media, websites and social networks of political entities in the pre-election period.

The data on individual political parties that formed coalitions at the local level were provided separately in the case of parliamentary elections. However, on the eve of local elections, a number of political parties formed coalitions in certain municipalities, while in others they would submit their electoral lists independently. It was not possible to clearly distinguish this data for the needs of this analysis, so we provided information on the total expenditures reported by these political entities in all municipalities. Such are examples of Democrats and URA, SDP and Demos, as well as DF and SNP.

The data on the "Ključ" coalition, which existed during the parliamentary elections only and consisted of Demos, URA and SNP, were provided separately, while the data on the political party Pozitivna, which lost its parliamentary status, have been provided in the category titled Others that includes other non-parliamentary political entities.

List of entrepreneurs included in the analysis of donations for Parliamentary 2016, Presidential and Municipal 2018 elections [1]

1. Veselin Pejovic
2. Tomislav Čelebic
3. Đorđije Goranovic
4. Veselin Barovic
5. Dragan Brkovic
6. Branislav Martinovic
7. Ranko Ubovic
8. Blagota Radovic
9. Žarko Buric
10. Dragan Bokan
11. Duško Ban
12. Danilo Petrovic
13. Vlastimir Golubovic
14. Čedo Popovic
15. Milovan Maksimovic
16. Vuk Rajkovic
17. Komnen Lakovic
18. Željko Miškovic
19. Vojislav Vujkovic
20. Gojko Bajovic
21. Nina Vukotic
22. Hilmija Franca; Parliamentary elections 2016 – € 2000
23. Miomir Mrvaljevic
24. Branko Čupic
25. Risto Drekalovic
26. Blaša Mitrovic
27. Vojin Žugic
28. Ljubomir Šćepanovic

[1] Meeting of Prime Minister Markovic with businessmen, <http://www.gov.me/vijesti/195929/Predsjednik-Markovic-sa-privrednicima-Stvaramo-prilike-za-nova-radna-mjesta.html>

ANNEX 3

Overview of the elections held after adoption of the new Law

After adoption of the new Law on Financing of Political Entities and Election Campaigns [2], elections were held at all levels: local elections in all municipalities, parliamentary and presidential elections.

The following table provides an overview of the elections held after adoption of the new Law.

Type of elections and venue	Date of announcement of elections	Date of holding the elections
2016		
Local elections: Tivat	15 February 2016	17 April 2016
Parliamentary elections	11 July 2016	16 October 2016
Local elections: Budva , Andrijevica , Kotor , Gusinje	11 July 2016	16 October 2016
2017		
Local elections: Nikšić	04 January 2017	12 March 2017
Local elections: Herceg Novi	23 February 2017	07 May 2017
Local elections: Cetinje , Mojkovac , Petnjica , Tuzi	25 September 2017	26 November 2017
2018		
Local elections: Ulcinj and Berane	05 December 2017	04 February 2018
Presidential election	19 January 2018	15 April 2018
Local elections: Pluzine	17 March 2018	20 May 2018
Local elections: Podgorica (+ Golubovci) , Bar , Bijelo Polje , Danilovgrad , Žabljak , Kolašin , Plav , Pljevlja , Rožaje , Šavnik	17 March 2018	27 May 2018

Dates of announcement and holding of the elections organized pursuant to the new Law on Financing of Political Entities and Election Campaigns



Overview of the duration of election campaigns for elections held pursuant to the new Law on Financing of Political Entities and Election Campaigns

[2] The Parliament adopted the new Law on Financing of Political Entities and Election Campaigns on 9 December 2014.

Transcript of journalists' questions and answers of the President Djukanovic, Villa Gorica, 22 January 2019

Question: Ljubica Milicevic, TV Vijesti:

Mr. Djukanovic, in light of these allegations of the head of the Atlas Group Dusko Knezevic, can you tell us is the 2,000m² house located here near the Villa Gorica, for which Knezevic claims to be yours, really yours? And how do you comment on the allegations that he has illegally financed DPS for 25 years since these donations are not in the publicly available reports and how do you comment the situation where your now associate, and former mayor of Podgorica Slavoljub Stijepovic, as claimed, has taken money from Knezevic before the 2016 parliamentary elections. Thank you.

Answer: Let's respond to this expected interest. I want to tell you that of course you will get very precise and very reliable answers from me, but at the same time I would really like to start by reminding you that this is a practically ideal field for what you persistently pursue as your core business, namely investigative journalism, which I strongly support, but I do not see that investigative journalism should come down to accepting any nonsense that someone says without a single argument, publishing it in your media, and that your research should consist of asking the accused about that. All right, I have not considered so far that I should be involved in a highly irresponsible public engagement of this particular person. Today we are here together, and of course I have been expecting your interest and it will be my pleasure to contribute to clarifying certain issues and thus meet your curiosity, but allow me, my expectation was that you also do something and ask, for example, the person that is making these accusations to show you one argument for that.

...question of Samir Kajoševic, Vijesti... (incomprehensible)

The State Prosecutor's Office is doing its job and let us leave it do its job. Neither you nor I know what the State Prosecutor's Office has done but this is about the media treatment of these accusations that are so easily communicated without a single argument. My question is: What if it happens tomorrow that I have been charged with possession of a nuclear weapon? Will you ignore this stupidity? Will you ask the man who says it to give you an argument for that or will you come to my garage to check where the nuclear weapon is? To me it looks like this. But now, let's go back to my obligation to respond to your curiosity, when we are already here.

First of all, it is absolutely untrue that this house we are talking about is in my property. Moreover, it is absolutely untrue that Mr. Knezevic and I could have ever talked about that topic. This falsehood is obviously a consequence of his idea that we are friends, though, as you know, I have a very attentive attitude towards friends, I have a very strict selection of friends and he has never been part of that circle. If in any case I wanted to hide a property by registering it on someone else's name, as you know, I have my family, I have my friends, and I would not talk to someone I do not consider to be my friend about such things.

ANNEX 4

So, we never talked about that topic. On the other hand, I would never have the need to hide a property because it would mean that I had acquired it illegally. No. Everything that I acquired in Montenegro and elsewhere, I acquired in a very regular and very legitimate manner and I have no need to hide it. Moreover, I will not be listening to anybody's suggestions, either from a friend or an imaginary friend – about what I could do, or not do in Montenegro. Well, I guess I could do as much as any other business person in Montenegro can do, because, you know, I was involved in a responsible public engagement my whole life. Among other things, on several occasions, I left the public office and, as you recall, I was involved in business. It was your media that wrote about how I have acquired a certain capital in these business activities, and I will remind you that I have informed the public that I have paid tax on the acquired capital and everything was done perfectly legally. Do I need to ask for someone's approval when I convert my income into a property or not? Of course not. Because I do not agree with what I have just told you, that this or that media puts me in the category of a desirable or undesirable property owner or owner of any business in Montenegro. That right does not belong to any media. I absolutely consider my idea or wish, if it appears, to have a house in Montenegro to be regular. What is the problem with that? Every issue regarding the house is a consequence of manipulation communicated by this man. It is possible that he himself is manipulated. I really do not know what is it all about but I remind you of the possibilities offered by investigative journalism. You could have gone to the cadastral administration and checked who is the owner? You could have gone to the Municipality and checked who bought this property? You could have gone to the Municipality and checked who paid the utilities for that property? You could have gone and seen who performs the work there? So instead of all that, we are now ready to deceive the public with what one man, who is obviously facing legal problems and is a fugitive from Montenegro's justice, tries to manipulate and accuse others believing that he will thus protect himself, in order to escape from legal to political terrain, and that he will, in the political field, raise a dust in order to actually camouflage its actual legal responsibility. So, the only thing that is true regarding this house, I just do not want to leave it incomplete, and to have to explain it again in a year, two, three or five, it is true that the owner of that facility talked to me about offering the property to me. It is true that I talked to him because we were friends and I wondered how much was his offer? And when he told me, I said I was not interested at that moment, and if, by any chance, I valorize something that is currently in my property owned by my company, it is about a property in Budva, about which you have also written several times, that I do not rule out the possibility that I might be a buyer of that facility. Because guess what, I want to spend the rest of my life in Montenegro maybe in a house, not in an apartment. And I do not think this is forbidden to me and I do not think it is anything irregular, and I do not think I should be discriminated against those who already have it. Therefore, there is no mystery. Just for you to know, if it were mine, it would have been registered on my name already. It is not mine, and whether it will be mine, we will see. If I acquire certain capital on the basis of valorisation of properties owned by my companies developed in time while I was not part of the public office, then I will consider carefully if this is my choice or something else and something more preferable will be my choice. This is it on that topic.

Another question about donations...

Let's put things into the sphere of regulations, and at the level of what is a political practice. Political practice is, of course, that political parties are being financed also through donations, and the regulation is the Law on Financing of Political Parties. We are all obliged to adhere to these regulations, regardless of the fact, and I believe I am not the only one who thinks that, and it is not only the experience of political parties, but I assume also of those who are engaged in monitoring the work of political parties, that we may have more restrictions in these regulations than what is desirable. So, I think it is always wiser to think about how to open up the possibility to make the financing really transparent and that no political party should have to struggle with funding or to be bothered by reporting to the competent state authorities how a particular political activity was funded. This is because politics is an important activity and because political parties are important subjects that, depending on the results of the elections, form the state policy of a country and can not do it for free or cheaply. It costs. Montenegro is not an exception in this regard. This is done in all democratic countries in the world. Do I need to remind you of the experience of America where a good donor may help the policy supported in the campaign and that based on that it can then be expected that he gets a high-ranking US ambassador position at some important prestigious destination? And it is all regular. Anyhow, I do not think that this is what we need to follow here. Each country has its own specific, not just normative, but cultural and political experience, but I think it is time to talk about whether these constraints in the law are too strict and whether they actually create a certain hypocrisy that appears later in the work of political parties, especially in pre-election time.

Mr. Knezevic, like all other people in Montenegro, had the opportunity to finance and help the policy he considered to bring good benefits to him. I do not believe in any altruism here. I believe that each of these people estimate that this policy is a policy that will help create an ambience in which they will be able to achieve their goals. And that is completely legitimate and there is no problem here at all. This was done by many business people, including Mr Knezevic. This is not controversial. All that was done ended at the appropriate address in the Democratic Party of Socialists, namely in its accounting. There it was carefully recorded, and the state authorities received reports in a manner they requested. Did they ask to have such or such donations entered there? I do not know that precisely because it is not a part of my attention. I am someone who is in charge of creating and managing party politics as the party leader. There are others in the party dealing with these issues and I am sure that you will receive any response to your interests in accordance with the law, which defines the obligation of each party to inform the public concerned about the issue of financing. What I categorically contest is that anyone, and especially I, invited anyone in Montenegro to tell him what to do and how to pay something to the party. That is absolutely untrue. And if we now assume the motives of this man who has caught our attention in this part of our present meeting, if we ignore it, come on please, you know all the business people in Montenegro and here I agree, please, find anyone who will confirm that at any time I or any of the leaders of the Democratic Party of Socialists told them how much they need to pay in order to help the party. Never! It is true that I have had on a couple of occasions in these 25 years, not more than two or three times, meetings with the business people we invited, most often on their initiative.

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So, those business people we knew to fully belong to our politics, because as I told you, we have always seen it as a part of our interest. We are pursuing a policy with which we want to establish in Montenegro the rules that apply in a developed part of Europe. Those business people see a chance to develop their business in such an ambience. So why not talk about how we can cooperate in accordance with the law that sets out the rules for financing of political parties. In these talks, none of us, especially myself, have mentioned any obligation, and especially, I repeat, I did not even think to order someone how much he or she should finance the political party.

So here it is about voluntariness, absolutely about an interest voluntariness on the one hand. And on the other hand, now we have here an obvious problem with a man whose interests have been disturbed and who thinks he can escape justice in this way, that he can be protected and that he can ultimately cause a political crisis from which he would try to make certain benefits. You know, part of the mentality matrix of Montenegro, we all know that, is that people like to be close to power. And here is the fact that I have been in power for a long time so for a long time I have been the one they want to get close to. And I have never had any illusions about that, and I always knew that certain interests are coming with it. Some wanted to get a better job, some wanted to make more money, and some like this gentleman wanted and had the illusion that they could accomplish to be amnestied from the responsibility for violating the law. It is not for the first time that we are confronted with the fact that people think that friendship, whether real or imaginative, should provide protection from illegal activity. I do not remember that anyone ever in Montenegro achieved that goal. Therefore, this was not achieved by this gentleman either. That is why he is nervous, and that is why he would now want to escape the issue of legal responsibility and he thinks he will do so by shifting the problem to the political scene and trying to present himself as a victim of political persecution. There is no political persecution.

If you wanted to engage in investigative journalism, you probably would have asked this gentleman when he says someone wants to take over his business, what business is he talking about? So, you might have approached those competitors to which he points a finger, that allegedly want to take over his business, to see if any of these competitors have shown interest in dealing with his businesses? Then you would have come to the conclusion that they have not. But you did none of these things. And instead, now I need to explain the situation where someone has imagined to have brought a mark to Montenegro, to have brought Montenegro into NATO. I read yesterday, or the day before yesterday another fabrication that he met Putin and Vucic, and in the meantime they forgot about him. And who knows what his other merits are, we still do not know, but I believe that we will be informed about it during this campaign that he leads. I just suggest that we should be serious and not spend too much time on people and stories that absolutely do not deserve that.

ANNEX 4

Question: Samir Kajosevic Vijesti... (incomprehensible)

So Knezevic gave the amount he gave. Mr. Stijepovic gave a statement to the relevant state prosecutor. There's everything in there. So, neither Mr. Stijepovic nor I should be that irresponsible to be informing the public while the preliminary investigation is still ongoing. What I can say with certainty is that it is untrue that the amount of money that Mr Knezevic mentioned has been paid and the other thing that I can say with certainty is that it is untrue that he had previously consulted me about it. And that I can tell you with certainty. Therefore, everything else is in the documents of the Special State Prosecutor, and he will certainly take it into account. I am absolutely convinced that the Special State Prosecutor did not go into this investigation by mistake or as an oversight. Therefore, if it turns out that the Democratic Party of Socialists has violated the Law on Financing of Political Parties, it will be responsible. And what is disputable about that? What matters most to the public is that no one is exempt from the law. Whether it is a ruling party or any important individual from that ruling structure. Everyone must be responsible for what one has done if that is not in line with the law.

Question: Danilo Ajkovic Fos media:

If you can only clarify what you have said that no one can be exempt from the law. This is now the second case. We had the case of Mr Marovic, now Mr. Knezevic's case, who are unavailable to the state authorities. How does it affect public perception that when certain legal consequences come to pass, they are not here and can not be liable? How do you comment that those persons who are or were close to the Democratic Party of Socialists are now not available to state authorities when certain legal consequences or actions by investigative authorities come to pass?

Answer: My comment is that it happens. And, as you may guess, it is not the state that is organizing certain processes so that it can help people in the end to avoid the corresponding punishment. So, there are people who obviously think that they can avoid serving punishment for what they have done illegally. Secondly, there is an obligation of the state to undertake all actions available within the scope of international law, to provide for the presence of these people and to ensure their responsible execution of punishment.

In the case of Mr. Marovic Montenegro has already done everything.

At this moment, as you know, Montenegro is preparing everything that is needed to be done in Mr. Knezevic's case. You saw that a national arrest warrant was issued. You saw that based on that the court made a decision on custody. Now, as far as I understand the law, the conditions are being created for issuing an international arrest warrant and then, of course, putting on a test the execution of signed agreements on cooperation in international legal and criminal matters with the countries concerned. Therefore, in any case, it is not something that is the best experience but in all of this you just have to take into account what is whose responsibility. What are the limits of this country? This state shows that no one is relieved of responsibility. This state demonstrates that everyone is exposed to the court proceedings and opens the possibility for everyone to prove their innocence, and after the validity of court judgments, then of course we have to ensure their realization through the consistent application of our international legal obligations that we have signed.

Note: Transcript downloaded from the official website of the President.



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