

New Actors, Same System

Monitoring of election campaign financing
and
Activities of Public Officials
During the Campaign for Elections 2014

Transparency – Serbia
Belgrade, June 2014

Summary of Findings

Introductory Remarks

Reasons for Monitoring

After the election of 2012, citizens still did not have some essential information, including reported campaign expenses. In fact, nearly half of reported costs did not specify the ultimate source of funding, but only the fact that the costs were financed by bank loans or remained unpaid. Also, during the last election campaign there was a recorded increase of certain public expenses - for the procurement of goods and services, and for subsidies (especially in April 2012).

After the 2012 elections, Transparency – Serbia proposed a number of recommendations to supplement the regulations, and suggestions for the state authorities in charge. Most of these recommendations did not receive an appropriate response. According to available information, a working group established by the Ministry of Finance is working on draft amendments to the Law on Financing Political Activities. We have addressed all of our suggestions, comments, and analysis regarding weaknesses in the existing legislation to this task force.

In the wake of the announcement of elections, we pointed out the most urgent issues that should be resolved in order to improve the situation, including a detailed examination of the accuracy and completeness of reports on campaign financing, launch of infringement procedures, investigation of all suspected vote-buying and abuse of public resources by the public prosecutor's office, regulation of issues of media representation through more detailed binding instructions of the RBA, the formation of the Supervisory Board of the National Assembly in accordance with the Law on Election of Deputies, testing the viability of the promises given during the campaign by the Fiscal Council and others.

In the election of 2014, Transparency – Serbia monitored certain aspects of campaign finance and law enforcement. Our foci were the activities of state authorities and public officials, as well as the expenditure side of the campaign. Due to limited resources, but also because of the fact that parliamentary elections took place simultaneously with the election of deputies in the City Assembly, the focus of our attention was the activities of the participants in the campaign in Belgrade. Preliminary findings of the monitoring were presented at a press conference held on March 21, 2014¹ and a final event on June 13th.

The deadline for political parties to submit reports on the costs of the election campaign expired in the meantime. These reports are published on the website of the Anti-Corruption Agency.

¹ The materials from the March conference are available at
http://www.transparentnost.org.rs/index.php?option=com_content&view=article&id=459%3Akratka-i-skupakampanja-ostaju-sistemski-problemi&catid=41%3Akonferencije&Itemid=53&lang=sr

The wider context of the research

This research is part of the activities of Transparency – Serbia within the project "Monitoring of the election campaign in Belgrade in 2014," as well a broader effort of TS to improve the legal framework and practice of funding political entities and the fight against corruption in general (bearing in mind that the scope and depth of the research are much broader than was planned as part of the aforementioned project).

The wider context of the elections

Parliamentary Elections

Early elections for deputies were held on March 16, 2014, with a repeat at one polling station on March 23, 2014.

Early elections were not called as a result of a vote of no confidence to the Government, the inability to secure a parliamentary majority for the adoption of important laws, or other similar factors, but based on the agreement of the ruling coalition government to resign.

Elections were called on January 29, for March 16, in order to be held together with the elections for the previously dissolved Assembly of Belgrade. In addition to the fact that merging the two electoral processes (and the elections in several other municipalities) was more cost effective, it also had obvious political goals. In fact, it was clear from the beginning that holding these two types of elections at the same time would favor SNS, a party with a very popular leader. In this way, the support on the republican level would spread locally as well, where this party did not appoint a candidate for the mayor until or after the election date. An important political factor in this election was the fact that, shortly before they were held, the strongest opposition party split and one wing gathered around the former President (of the party and the state), Boris Tadic.

Dominant topics of this election campaign were economic issues, unlike previous campaigns that focused on foreign policy and national issues - "Europe and Kosovo", due to a broad consensus on the path to the EU and support for the "Brussels Agreement" with Pristina authorities (except by the members of the national opposition - DSS, SRS, Dveri and several smaller groups). Another important feature was the obvious absence of elaborate pre-election platforms. Instead, citizens were offered more or less abstract slogans. The most striking example was the slogan of the winning coalition, "With all the power to reform," which was not followed by a description of the reforms in some program platform document (e.g., the laws whose adoption was planned). The third interesting feature was the fact that the election bore no doubt about the winner, and that most of the actors in the campaign sought to present reasons why the expected winner should form the government with them after the election.

The fight against corruption functioned as an important issue in the election campaign. After the elections were called, Transparency – Serbia sent a proposal of specific measures in this field for the future Assembly and Government to all participants in the

campaign (14 points which grouped more than 70 specific recommendations²). A survey by the newspaper "Danas" that called for opinion on the most important proposals from this list was responded to by the representatives of SNS, DS, and URS³.

The election results brought the absolute dominance of SNS, maintenance of the previous level of support for SPS-PUPS-JS coalition (but without the potential to decide on the composition of the future government), a huge drop in support for DS (even when viewed together with the separated fraction - NDS), and a drop below the electoral threshold for the three lists that had regularly managed to jump over it in the previous elections - DSS, URS, and LDP. As before, groups of citizens again failed to reach the election threshold, and minority parties mostly accomplished results in line with expectations.

Belgrade City Elections

Election of members of the Belgrade Assembly was called on January 17, 2014, for March 16. This was preceded by the removal on September 24, 2013 of Mayor Dragan Djilas, who was also the president of the opposition Democratic Party. However, after his removal, there was no majority for the election of a new mayor, so an interim authority was appointed. The time of the announcement of the elections was apparently caused by political considerations, which are most probably closely related to the functioning of the coalition on the national level and the forthcoming parliamentary elections.

The election campaign included common communal issues (functioning of the utility services, infrastructure projects, investments, social benefits, etc.) and promotion of candidates and potential candidates for mayor (SNS). This campaign was often simultaneous with the one for parliamentary elections. The fight against corruption was not among the dominant topics and corruption was discussed only through mutual accusations between the past and future ruling parties (DS and SNS).

The elections brought the victory of the SNS list, the retention of the previous position of the coalition around SPS in parliament (but without the capacity to determine who would rule the city), and the defeat of DS (but greater support than at the national level). Also, the parties who had not managed to reach the threshold two years earlier again faced the same destiny, despite a strong campaign (URS, LDP). The same happened to the newly formed NDS.

²

<http://www.transparentnost.org.rs/images/stories/prioriteti2014/predlozi%20TS%20za%20borbu%20protiv%20korupcije%20izbori%202014.docx>

³ http://www.transparentnost.org.rs/index.php?option=com_content&view=article&id=446%3Aurs-o-sistemskim-merama-protiv-korupcije&catid=34%3Afacebook-naslovi&Itemid=27&lang=sr

http://www.transparentnost.org.rs/index.php?option=com_content&view=article&id=445%3Asns-o-sistemskim-merama-protiv-korupcije&catid=34%3Afacebook-naslovi&Itemid=27&lang=sr

http://www.transparentnost.org.rs/index.php?option=com_content&view=article&id=444%3Ads-o-sistemskim-merama-protiv-korupcije&catid=34%3Afacebook-naslovi&Itemid=27&lang=sr

The legal framework of the campaign and campaign funding

The legal framework for conducting the election campaign and its funding has not changed in relation to the election of 2012, despite the fact that, in the meantime, many shortcomings were clearly identified in the laws, regulations and their application, as well as in the standards, which can be interpreted in many ways⁴.

⁴ More on this topic in Transparency - Serbia publications
<http://www.transparentnost.org.rs/images/stories/materijali/31072013/TRANSPARENCY%20ENG.pdf> and
<http://www.transparentnost.org.rs/images/stories/materijali/31072013/TRANSPARENCY%20ENG.pdf>

Reported Income and Expenses

Parliamentary Elections

The participants in the parliamentary elections of 2014 reported expenses of over two billion RSD (17.8 million euros). By comparison, in 2012 parties reported 1.9 billion RSD of expenses for the parliamentary elections (and 975 million RSD for presidential). Over 40% of this amount, 942 million RSD, was reported by SNS; all other parliamentary parties amounted to only 640 million RSD. The three parties that led expensive campaigns but ended up without the MPs spent a total of 442 million RSD.

This time, the budget funded 754 million RSD (6.5 million euros). This is similar to the volume of funding in 2012, if observed only through the "parliamentary elections". But then, the same parties received much more money from the budget due to the simultaneous holding of presidential, provincial and local elections (over 17 million euros), and the scope of the campaign was not much higher.

Donors are listed as a source for 328 million RSD of revenue (2.8 million euros), of which one quarter was received from the legal entities. Almost all of parties reported this type of income, but as much as four-fifths of reported contributions went to SNS and SPS. Other funds from party invoices account for 81 million RSD, but almost all of this money was received by URS. "AIK Bank" loans were used by three lists with a total of 440 million RSD (3.8 million euros), but 90% of this amount was given to SNS. Close to 448 million RSD (3.9 million euros) are the debts that were not paid by the time the report was submitted.

Table 1: Reported income and expenditure for parliamentary elections

Reported income and expenditures of political entities in early elections for deputies, March 2014											
Political entity	Expenses	Funds from public sources				Contributions of individuals		Contribution of legal entities	Transfer from the party's account	Loans and credits	
	Total reported expenditures	Before the election	According to the election result	Funds spent	Services and goods	Money	Giaway	Money	Personal funds	Approved funds	Spent funds
DSS	96,329,387	8,915,555		8,915,555		1,311,146		11,500,000	1,742,400	30,000,000	30,000,000
Treca Srbija	8,936,838	8,915,555		8,896,541		9,010,000					
Dveri	9,330,543	8,915,555		8,915,555		414,960					
DJB	9,509,766	8,915,555		8,915,555							
URS	180,933,198	8,915,555		8,915,555		4,415,640		9,975,000	76,762,000		
NDS	173,312,112	8,915,555	48,196,568	57,112,123		3,263,320	248,086	1,326,541	2,288,000		
SVM	25,120,578	8,915,555	16,065,523	24,981,078		135,000			4,500	10,000,000	10,000,000
LDP	165,286,482	8,915,555		8,915,555		13,013,970					
SPS-PUPS-JS	341,593,584	8,915,555	117,813,834	126,729,389		98,976,158	113,250	52,363,489	400,000		
DS	100,385,251	8,915,555	50,874,155	59,789,710		2,339,625	245,600	8,058,000	420,000		
SNS	942,147,076	8,915,555	423,058,766	431,974,321		111,724,684		505,000		400,000,000	400,000,000
Total	2,052,884,814	98,071,105	656,008,846	754,060,938		244,604,503	606,936	83,728,030	81,616,900	440,000,000	440,000,000

Application of the Law again did not lead to the realization of one of its most important goals – transparency of revenue streams. Specifically, 21.87% of the reported expenditures had no coverage at the time of submission of the report. The largest share of unpaid bills belongs to LDP (86%), followed by NDS (almost two thirds), DSS and URS (over 44%), and DS (almost 30%). It is obvious that these parties will be in big financial trouble due to the expensive election campaigns, and because many of them (except DSS and NDS) also have large debts from the previous period, and in the meantime (LDP, URS, DSS) lost their parliamentary status and consequently the right to income from the state budget.

Table 2: Unpaid expenses, expenses not covered by previously known income and ultimate source of funding unknown – parliamentary elections

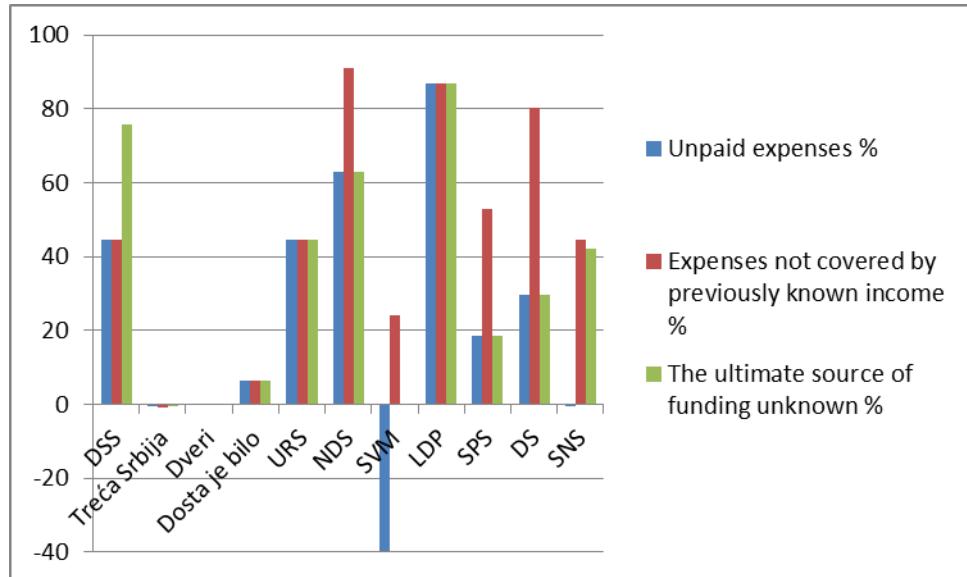
Political entity	Unpaid expenses %	Expenses not covered by previously known income %	The ultimate source of funding unknown %
DSS	42,860,285	42,860,285	72,860,285
Treca Srbija	-54,148	-73,162	-54,148

Political entity	Unpaid expenses %	Expenses not covered by previously known income %	The ultimate source of funding unknown %
Dveri	28	28	28
DJB	594,211	594,211	594,211
URS	80,865,003	80,865,003	80,865,003
NDS	109,322,128	157,518,696	109,322,128
SVM	-10,000,000	6,065,523	0
LDP	143,356,957	143,356,957	143,356,957
SPS	63,124,548	180,938,382	63,124,548
DS	29,777,916	80,652,071	29,777,916
SNS	-2,056,929	421,001,837	397,943,071
Total	448,874,443	1,113,779,831	897,789,998

An additional form of non-transparency comes from campaign loans. A bank loan can only be an initial source of funding – these debts must be paid from other income, which at the time of submitting the reports was not known. Therefore, the total proportion of reported costs with the unknown ultimate source of funding is in fact 43.73%. From this perspective and apart from the before-mentioned parties, this percentage is also high in case of SNS (42%).

In these elections, Serbia's budget was again the most frequently cited source of income. However, it should be recalled that four-fifths of the budget grants are allocated on the basis of actual election results. Therefore, no party could safely count on these revenues and plan the campaign expenses, keeping in mind uncertain future income. So it is important to understand the extent to which this year's expensive campaigns had coverage from realistic and predetermined sources of income. In this respect, the situation is alarming; almost the same as in 2012 – as much as 54% of reported costs had no coverage from private donations, budget grants, or even credits. The degree of coverage is very low in all studied election lists, except for SVM, DJB, Dveri, and Treca Serbia.

Graph 1: Unpaid expenses, expenses not covered by previously known income and ultimate source of funding unknown – parliamentary elections



City Elections

The campaign for city elections in Belgrade reported 142 million RSD of expenses, which is considerably less than two years ago (217.8 million RSD), but it still presents a significant amount (1.2 million euros). Apart from the City budget, which was this time the most important source of funding, the financing also involved the contributions of individuals with approximately 25 million RSD, of which two-thirds went to SPS. Ten times fewer funds were transferred from the permanent party accounts (mainly URS), and a campaign loan was used only by DSS (5 million RSD).

Table 3: Reported income and expenditures – city elections

Reported income and expenditures of political entities in early elections for deputies, March 2014											
	Expenses	Funds from public sources		Contributions of individuals	Contribution of legal entities	Transfer from the party's account	Loans and credits				
Political entity	Total reported expenditures	Before the election	According to the election result	Funds spent	Services and goods	Money	Giwaway	Money	Personal funds	Approved funds	Spent funds
DSS	8,573,983	539,061	3,043,246	3,582,307						5,000,000	4,998,534
Treća Srbija	9,060	539,061		0							
Dveri	654,130	539,061		539,061		115,000	30,000				
DJB	538,761	539,061		539,061							
URS	14,555,567	539,061		539,061					2,448,000		
NDS	3,519,723	539,061		539,061		700,000			5,076		
SVM	121,120	539,061							121,120		
LDP	18,351,326	539,061		539,061	15,000	1,735,000					
SPS-PUPS-JS	49,055,715	539,061	5,410,215	5,949,276		11,344,500		3,500,000	2,000		4,998,534
DS	21,279,007	539,061	7,439,045	7,978,107							
SNS	25,487,685	539,061	21,302,720	21,841,782		7,936,000				5,000,000	
Total	142,146,079	539,061	37,195,778	42,046,778	15,000	21,830,500	30,000	3,500,000	2,576,196		

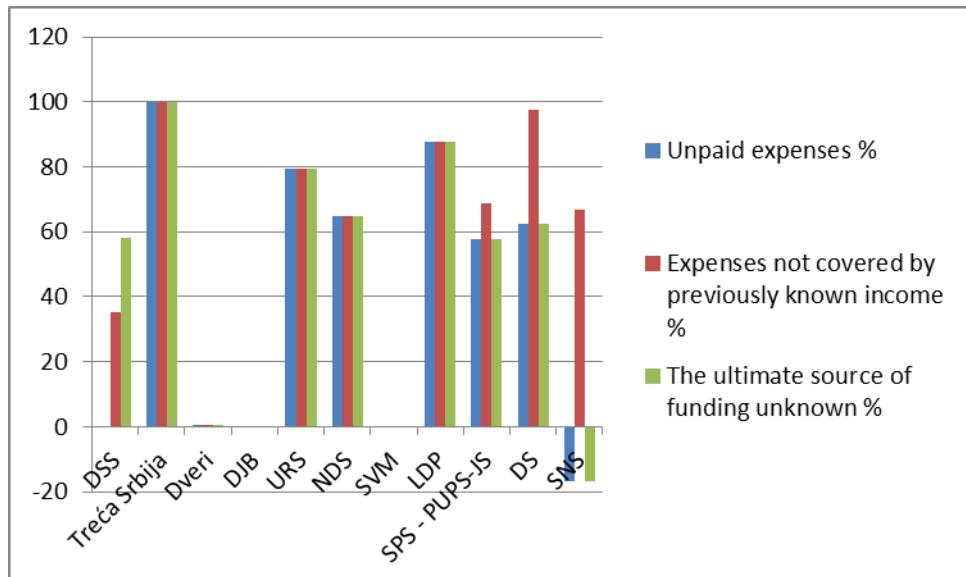
The share of expenditures that remained outstanding was extremely high – almost half of reported expenses. This percentage is even higher in the case of Treca Srbija, LDP, URS, and NDS, which did not cross the threshold, as well as for DS and the coalition SPS-PUPS-JS. Taking loans into account, the ultimate source of campaign financing remains unknown for more than 50% of reported expenditures, and apart from the mentioned parties, that percentage was also high in case of DSS.

Table 4: Unpaid expenses, expenses not covered by previously known income and ultimate source of funding unknown – city elections

The coverage of campaign expenses by income			
Political entity	Unpaid expenses %	Expenses not covered by previously known income %	The ultimate source of funding unknown %
DSS	-6,858	3,034,922	4,991,676
Treca Srbija	9,060	9,060	9,060
Dveri	69	69	69
DJB	-300	-300	-300
URS	11,568,506	11,568,506	11,568,506
NDS	2,275,586	2,275,586	2,275,586
SVM	0	0	0
LDP	16,077,265	16,077,265	16,077,265
SPS - PUPS-JS	28,259,939	33,670,154	28,259,939
DS	13,300,901	20,739,946	13,300,901
SNS	-4,290,097	17,012,624	-4,290,097
Total	67,194,071	104,387,831	72,192,605

The situation is even worse when looking at the income level that the participants in the city's election could certainly rely on when they conducted their campaigns. Nearly three-quarters of the expenditures had no actual coverage when incurred. This percentage is very high for DS, LDP, and URS, and slightly smaller (about two-thirds of the total expenses) for SPS, SNS, and NDS.

Graph 2: Unpaid expenses, expenses not covered by previously known income, and ultimate source of funding unknown – city elections



Advertising on TV stations

By far, the largest part of the costs in all previous elections went to advertising on TV stations. It was the same in the 2014 parliamentary and city elections. The data on which we based the assessment of TV advertising costs are as follows:

- The monitoring of TV advertising during the campaign conducted by the AGB Nielsen agency and the calculation of its value (clips and paid terms) according to the published price lists for TV election campaign;
- This sample included national terrestrial broadcasters (five private TV stations with national coverage), as well as public services - RTS 1, RTS 2, RTV, and STB. The sample does not include other regional and local stations or cable broadcasters;
- Officially obtained data on the value of TV advertising are reduced by officially published quantity discounts (these discounts are calculated in relation to the total advertising of the parties with a particular broadcaster);
- The obtained data are increased by the VAT and the value of the EUR is calculated at the rate 1/115;
- The data in the tables for comparison of reported costs are sorted according to the TV station on which the advertisement was released (where indicated) or they are listed as special items when it was not possible to determine which TV station was related to a certain advertising (the reports published on the website of the Anti-Corruption Agency do not present the name of the service provider and the entry in the media column related to the advertising is not always visible);

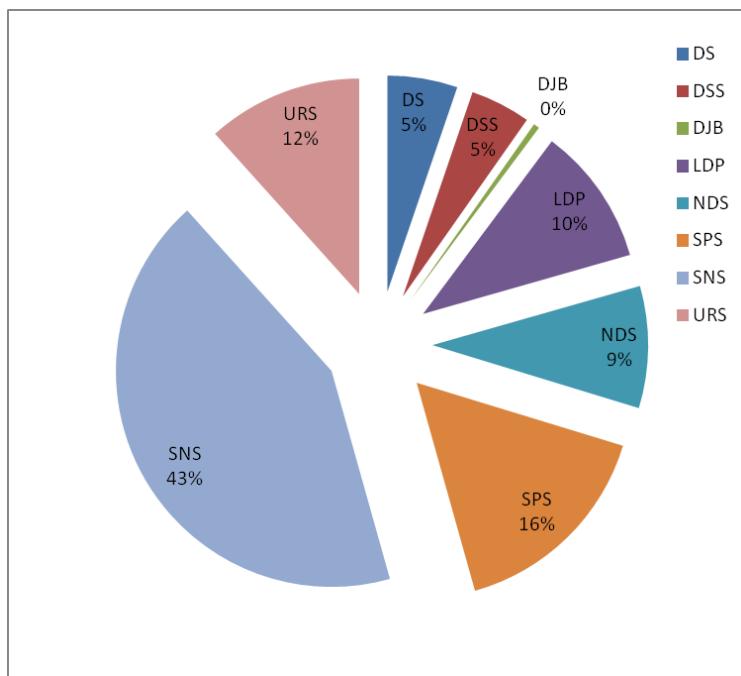
Table 5: TS estimation of TV advertisement

TV advertisement - parliamentary and Belgrade local elections 2014		
List	Including VAT in RSD	EUR
DS	60,630,661	527,223
DSS	52,153,368	453,508
DJB	5,182,889	45,069
LDP	120,001,330	1,043,490
NDS	105,432,111	916,801
SPS	184,212,633	1,601,849
SNS	493,458,535	4,290,944
URS	134,979,014	1,173,731
Total	1,156,050,541	10,052,613

The data obtained show that the value of TV advertising for the observed parties was over 10 million euros, which is, when taking into account the duration of the campaign, much like the data for the election of 2012. By far the largest part of the "pie" of TV advertising was purchased by SNS (43%), the party that won the most votes in the election. Next in line is the second ranked coalition SPS-PUPS-JS, where the percentage

of funds invested in the TV campaign was slightly higher than the percentage of votes received. Very expensive campaigns (over million euros) were led by URS and the LDP, lists that did not reach the electoral threshold. They are followed by NDS, which had a 9% share of investment in TV advertising and exceeded the threshold of 5%, and then DS and DSS whose share in the ads is very similar to the achieved success in the elections (about 5%).

Graph 3: Share in overall TV advertisement



The structure of the advertising for the parliamentary elections shows even more apparent dominance of SNS, with almost 45% of the observed expenditures, while the share of other lists mostly decreased proportionally.

What costs were reported?

Table 6: Reported and estimated TV advertisement

List	Reported	TS Assessment	Variation	Coverage
DSS	55,505,204.92	52,153,368.00	-3,351,836.92	106.43
Treca Srbija	1,098,912.00	0.00	-1,098,912.00	0.00
Dveri	910,191.30	0.00	-910,191.30	0.00
Sasa Radulovic	4,515,752.40	5,182,889.00	-667,136.60	87.13
URS	149,514,601.33	131,223,927.00	-18,290,674.33	113.94
NDS-Zeleni Srbije	111,028,738.76	103,415,679.00	-7,613,059.76	107.36
SVM	8,424,159.62	0.00	-8,424,159.62	0.00
LDP	117,440,526.48	107,927,815.00	-9,512,711.48	108.81
DS	40,626,543.23	48,932,173.00	-8,305,629.77	83.03
SNS	567,511,615.97	493,458,535.00	-74,053,080.97	115.01
SPS	225,285,016.00	158,278,079.00	-67,006,937.00	142.33

List	Reported	TS Assessment	Variation	Coverage
Total	1,281,861,262.01	1,100,572,465.00	181,288,797.01	116.47

Overall, the parties reported all costs of TV advertising as observed during our monitoring, and 181 million RSD expenditures over it. The total reported amount is lower only in the case of DS (about 8 million RSD, excluding any advertising of this list on TV stations that were not observed). It can be concluded with certainty that the bulk of TV advertising costs was documented in reports on campaign financing, which is progress in relation to elections of 2012, when considerable costs of this type were registered under the wrong categories ("other expenses" in case of SNS) or when the costs in one type of elections were shown within a different category, according to the party's convenience (DS, SNS, LDP).

A somewhat clearer idea on the proportion of the costs of TV advertising in the media not covered by our sample is provided by the reports of SNS and SPS, where the part of the report displayed on the Agency's website presented the names of TV stations as well. These data enabled the calculation that 12.35% of SNS advertising was released through cable, regional, and local broadcasters, while in the case of SPS their share was higher, at 22.7%. If these percentages were applied to other parties as well, it could be roughly estimated that cable, regional, and local TV broadcasters earned (or at least charged) between 1.2 and 2 million euros during the campaign.

The amounts reported on the observed TV stations show that the sums declared by SNS differ only slightly from what our monitoring has determined that this party should pay. However, there are significant differences when it comes to individual TV stations. In case of SPS, the difference between reported and estimated costs is quite notable – they paid about 10% more than our calculation had predicted as necessary.

This phenomenon can have various explanations – from the fact that published price lists for the campaign were not followed (which may be a problem in the context of respect for rules set by the RBA, if the procedures are not equal for all parties); the possibility that parties who had excess inflow cash used this money to settle the dues from previous campaigns; the possibility that such spillovers are the result of doing business through advertising agencies or due to the ownership associated with various broadcasters.

We estimated TV advertising costs in Belgrade local elections by applying the criteria summarized above and taking into account what was found in party reports:

Table 7: Comparison for local Belgrade elections

According to the data collected by the Agency and televisions STB and RTS						
TV channel and party	Price excluding the VAT and discount	Including discount	Discount	Including the VAT and discount	Reported	Variation
RTS 1	1,350,000	1,350,000	0	2,430,000	2,430,000	0
PRVA	3,375,600	2,531,700	25	3,038,040	2,582,640	-455,400
B92	5,280,000	2,640,000	50	3,168,000	4,209,016	1,041,016
B92 Info	48,000	24,000	50	28,800	45,081	16,281
Happy	375,840	375,840	0	451,008	0	-451,008
Studio B	4,524,000	4,524,000		2,582,640	1,236,542	1,346,098
DS Total	14,953,440	11,445,540		11,698,488	8,179,279	-3,519,209
RTS 1	3,489,000	2,965,650	15	3,672,000	1,521,497	2,150,503
Studio B	13,413,000	13,413,000		8,209,980	4,002,511	4,207,469
?					1,376,323	1,376,323
?					3,672,000	3,672,000
LDP Total	16,902,000	16,378,650		11,881,980	10,572,331	-1,309,649
Studio B	2,897,800	2,897,800		2,016,432	2,585,741	569,309
NDS Total	2,897,800	2,897,800		2,016,432	2,585,741	569,309
RTS 1	2,962,500	2,518,125	15	3,060,000	3,488,352	428,352
PRVA	3,578,832	3,042,007	15	3,650,409	4,358,858	708,449
PINK	29,788,160	10,425,856	65	12,511,027	13,710,060	1,199,033
B92	1,222,500	794,625	35	953,550	1,123,200	169,650
B92 Info	67,840	44,096	35	52,915	48,384	-4,531
Happy	2,709,526	2,032,145	25	2,438,573	339,082	-2,099,491
Studio B	5,703,000	5,703,000		3,268,080	3,268,080	0
?					480,000	480,000
?					120,000	120,000
?					1,278,879	1,278,879
SPS total	46,032,358	24,559,854		25,934,554	28,214,895	2,280,341
B92	5,378,500	2,420,325	55	2,904,390	0	-2,904,390
B92 Info	213,280	95,976	55	115,171	125,250	10,079
Happy	875,626	612,938	30	735,526	900,000	164,474
URS total	6,467,406	3,129,239		3,755,087	1,025,250	-2,729,837
	?	/	/	0	51,480	51,480
DSS total		/	/	/	51,480	51,480

In the case of local elections, the highest percentage of advertising that we did not find in party reports was recorded with URS (almost three-quarters of the total costs), but there is a possibility that advertising was shown in the report of the parliamentary

campaign because it was a rather small amount. Less discrepancy was found in the cases of DS and LDP (they reported approximately 90% of the estimated value of the local elections campaign). On the other hand, SPS and NDS reported higher payments than those we registered, which may be the result of the simultaneous payment of ads on TV and radio stations or registering the costs related to parliamentary elections. Still, this is impossible to determine without additional data.

A special feature of the campaign at the city level is that the definite winner of the election – SNS – did not even have this kind of advertising on city level. However, it is obvious that voters were won by other forms of communication – messages of the party leaders in the ads for parliamentary elections and the appearances of city leaders at "informative" programs often enough to overshadow any amount of paid advertising.

It seems that the monitoring brought results not only in terms of more accurate reporting of campaign expenses but also because of the fact that we conducted it and that the preliminary data were published before the deadline for the submission of parties' financial statements. The expensive TV campaign, which promotes the development of spiraling total costs of the election campaign, remains the biggest threat to the independence of the parties from undue influences. Because they cannot stand the financial race with competitors, the parties enter advertising campaigns that exceed their capacities, ending up with outstanding loans and unpaid invoices, so they reach for the public resources to make up for media services, and so on. On the other hand, the campaign confirmed the subordination of the media, not only to the parties that govern and influence the allocation of budget subsidies, but also to the parties of opposition against whom the media has not submitted payment of claims for years.

Problems with TV advertising are numerous. The area of campaign finance regulations obviously needs to set limits for expenditures or at least for this type of charges. In addition, it is high time for the by-law of the Anti-Corruption Agency to be revised and to allow the names of all TV stations – providers of advertising services – to be visible at the Agency's website, in order to enable comparisons of what was observed during the campaign and what has been reported. The second type of change is needed in media regulation itself – clear ownership of the media, and public information about major media funders are a prerequisite for the prevention of hidden influences. The regulations that RBA promotes before each election are not subject to adequate monitoring. There is no value in the fact that broadcasters must provide advertising under the same financial terms if the data on the provision of such services are not published or verified officially.

Even though the situation appears to be better than in 2012, the cost control of media presentation is still a priority for the Agency, especially since there is yet no clearly established legal practice for past violations of norms (e.g., reporting the advertising for one type of elections within a different type, discounts provided to intermediaries in advertising sale, etc.).

Billboards

When we compare the costs of billboard advertising with our estimates of this type of advertising rates, we notice large differences. The winner of the city's elections, SNS, did not use this form of advertising at all, that is, all the billboards of this party either referred to the national level or were of a general nature. Other important actors on the political scene organized campaigns to promote their candidates for mayor, so it was possible to attribute the large number of the observed billboards to the category of local elections.

Overall, only half the value of our estimates was reported. Although, of course, it is quite possible that our estimates were not accurate, it is very unlikely that the differences can be explained solely by this factor. Our sample observations covered about one third of billboards in the City and the estimate of values was based on official prices and the largest known discounts. In addition, the differences in the assessment between individual parties are not negligible (i.e. 42.5% coverage for LDP and almost 76% for DS).

Table 8: Comparison of billboard campaign costs (local elections)

Reported and estimated costs of billboards advertising for the campaign in Belgrade				
Political party	Presented in the report - billboards spending - local elections	Estimate based on a sample from Belgrade - local elections	Variation	Coverage in %
SPS - PUPS- JS	12,870,468.00	28,733,066.00	- 15,862,598.00	44.79
DS	5,250,496.94	6,912,696.00	- 1,662,199.06	75.95
NDS	0	753,480.00	- 753,480.00	-
DSS	1,506,328.55	2,350,278.00	- 843,949.45	64.09
LDP	6,857,827.74	16,134,166.00	- 9,276,338.26	42.51
URS	11,287,805.43	19,121,970.00	- 7,834,164.57	59.03
Total	37,772,926.66	74,005,656.00	- 36,232,729.34	51.04

Our monitoring of the costs of billboard advertising in the city of Belgrade gave the following estimate:

Table 9: TS assessment of billboard campaign costs in Belgrade

Assessment of the billboards value - campaign in the City of Belgrade 2014
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List	Parliamentary lease	City lease	Undefined lease	Printing - all elections	Total EUR
SNS	379,582.45	9,954.00	11,793.60	45,720.00	447,050.05
SPS - PUPS-JS	174,250.13	249,852.75	49,031.33	25,530.00	498,664.20
DS	61,475.40	60,110.40	0.00	10,680.00	132,265.80
NDS	159,459.30	6,552.00	19,756.80	11,550.00	197,318.10
DSS	206,220.00	20,437.20	12,234.60	13,350.00	252,241.80
URS	36,187.20	166,278.00	9,021.60	10,680.00	222,166.80
LDP	175,049.70	140,297.10	13,914.60	20,280.00	349,541.40
Treca Srbija	73,521.00	0.00	0.00	5,940.00	79,461.00
SNP1389	27,921.60	4,275.60	0.00	1,830.00	34,027.20
DJB (SR)	7,862.40	0.00	0.00	0.00	7,862.40
Total	1,301,529.18	657,757.05	115,752.53	145,560.00	2,220,598.75
Note: The estimate is based on published price lists, calculated 30% discount, and observations on a sample representing one third of the total number of billboards in Belgrade during the four weeks of the campaign. Source: Transparency – Serbia, Belgrade, March 2014.					

According to these estimates, in overall billboard rental costs, over 58% of costs was for the parliamentary campaign, almost 30% was for the local government campaign, 5% was for advertising that could apply equally to both campaigns. The cost of printing billboards for all campaigns accounted for about 6.5% of total billboard costs.

Did the parties report all costs?

The data from the report of the parliamentary elections seem to indicate that the election participants reported higher expenditures than what was observed during TS monitoring. However, this is far from the truth. The TS monitoring covered only the territory of Belgrade (in the sample), and the billboard campaign was conducted in all other cities in Serbia, which have broad billboard coverage.

Table 10: Comparison of billboard campaign costs (overall)

List / Description	Total reported	Total TS assessment for the territory of Belgrade	Total – „()“ – additionally reported
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List / Description	Total reported	Total TS assessment for the territory of Belgrade	Total – „()“ – additionally reported
SNS	67,583,012.27	51,410,686.00	(16,172,326.27)
SPS – PUPS – JS	39,831,207.00	57,346,382.90	17,515,175.90
DS	14,881,444.79	15,210,567.00	329,122.21
NDS	20,452,301.23	22,691,581.00	2,239,279.77
DSS	24,219,940.56	29,007,807.00	4,787,866.44
LDP	26,751,106.86	40,197,260.00	13,446,153.14
URS	24,810,298.02	25,549,182.00	738,883.98
Treca Srbija	-	9,138,015.00	9,138,015.00
SNP 1389	-	3,913,128.00	3,913,128.00

When the cumulative costs of billboard campaign were jointly compared (billboard lease for parliamentary, local, and undefined elections, and the estimate of printing costs), it was found that the reported costs were either lower or significantly lower (in the entirety of Serbia) than our estimates that apply only to the City of Belgrade. The only exception is SNS, which reported an amount one-third larger than our estimates. In the case of the lists of Treca Srbija and SNP 1389, things are clear – the costs of this type of advertising were simply not reported. The differences among other parties can be explained by undeclared expenses, as well as by other factors – e.g., that service providers gave much higher discounts to political parties than usual and advertised. This practice is permitted, but only if it is applied in the same way to all advertisers. Of course, part of the differences can be explained by imperfections of the sample based on which we performed the evaluation. Whatever the case, it is obvious that the Anti-Corruption Agency will have to make one of its most important tasks in the process of oversight to make sure the data on advertising billboards are true and to establish if any of the service providers financed the campaign through non-market discounts.

Meetings, conventions and rallies

Monitoring of major events shows that the situation is improving compared to 2012, when we registered a larger number of public meetings with no recorded costs. However, it was shown that this type of expenses is still one of the most challenging, and requires a thorough check by the Agency.

The first group of problems includes public gatherings held at the time of the election campaign and which undoubtedly aimed to attract the attention of voters, but were not reported in the financial statements because they can on some basis be attributed to "the regular activities of the party." This is the case with SRS' public meeting on the anniversary of the Vojislav Seselj's arrest on March 11th, SDPS' convention at 'Dom Sindikata' on February 23rd, the 'Walk for Zoran; organized by LDP, and to some extent the convention of Civic Initiatives Gorani that clearly aimed to support the electoral list of SNS.

The second group of problems includes failure to report the cost of transportation of participants in public meetings; as noted in the case of URS' meeting in New Belgrade on February 23rd and SRS' meeting at Republic Square on March 9th. Several other public meetings reported somewhat lower transportation costs than what we estimated initially, which can be explained by more favorable rates of the carrier than expected (e.g., SNS' meeting on March 11th and DSS' convention in 'Sava Centar').

The third problem is related to events where both rental and transportation expenses were reported, but not all the other costs were. This was undoubtedly the case with SNS' meeting with retirees in 'Hala Pinki' on February 26th, and SNS' convention in 'Hala Sportova' on March 11th. The only pre-election meeting that registered high organizational costs was the convention of the SPS-PUPS-JS coalition in 'Kombank Arena' on March 2nd, which, according to our observations as well, was the most expensive single event of the campaign in the city of Belgrade.

The fourth problem is related to classification and disclosure of the data from the reports on the Agency's website. It is evident that the format of reporting and disclosure should be changed in order for the data-specific costs to become public – e.g., the number of buses and cities where the transportation was provided.

The fifth problem is also related to regulation – it is a matter of which report should record the data on the costs of an event in case both campaigns are being held at the same time; or whether the parties have the liberty to decide this more or less at their discretion.

The "door to door" campaign

One kind of campaign that is common in democracies is visiting the voters, or similar types of direct contact. The electoral campaign of this kind is also important from a financial point of view as it involves the engagement of party activists (usually not reported in financial statements or not paid at all), as well as the involvement of specific resources – leaflets, phone costs, small gifts, and postal costs.

Table 11: Door to door campaign in Belgrade

Direct campaign according to the voters in Belgrade in%						
Party	Visits	Second visit	Post	Phone call	Second phone call	On the election day
SNS	45	12.5	63.75	26.25	7.5	6.25
DS	13.75	6.25	43.75	12.5	5	0
NDS	7.5	0	26.25	3.75	0	0
LDP	1.25	0	18.75	0	0	0
SPS - PUPS - JS	1.25	0	0	0	0	0
DSS	0	0	11.25	1.25	0	0
URS	0	0	3.75	0	0	0
Treca Srbija	0	0	1.25	0	0	0

Monitoring showed that the "door to door" campaign pays off. A very high percentage of people were visited by party activists, most often by those from SNS (the winning party) – in a significant 45% of cases. Such activities were particularly noticeable in New Belgrade. Three times less active were activists of the Democratic Party, half as active were those from the newly formed NDS, while all the others rarely practiced this kind of campaign. The second round of home visits to citizens was carried out by the activists of SNS and DS. If this sample were fully representative, it would mean that the party activists knocked on the door of Belgrade citizens about 400,000 times!

The vast majority of citizens found leaflets and other election materials in their mailboxes (or received them directly during visits). Again, the most active party was SNS, which reached as many as two-thirds of homes, then DS with less than half of the observed sample, and NDS with a quarter of it. The representatives of LDP and DSS were also among the hard working ones. These data show that, by means of post or home visit, the citizens of Belgrade received around 800 thousand pamphlets, letters, and other similar materials.

Some parties contacted citizens by telephone, using the existing records of supporters or a random selection. Again, the most active were the representatives of SNS, who covered over one quarter of the sample and called citizens several times, even on election day (to check "will you vote?"). DS was also active in this way, while other parties contributed significantly less. Overall, it can be estimated that citizens received close to 300 thousand phone calls in this way.

Although not prohibited, the practice of direct visit and telephone calls to voters can be very problematic from the standpoint of the basic principles of the electoral process. In fact, practice shows that such visits are not intended only for the distribution of political ideas, but also for the creation of records based on the indirect question of whether or not people will vote for a party whose representatives paid the visit (and the follow-up check if these citizens have voted before). Regardless of the fact that the answers given do not oblige the citizens in any way when it comes to their choice at the polling stations, and therefore do not directly interrupt the principle of secrecy of voting, the questions can put them in an awkward situation, especially when the visitors belong to the party in power.

Posters and Leaflets

Although many parties use posters and leaflets in the campaign to spread their messages to voters, in financial terms it is not a big expense. For example, the largest reported expenditure for posters in the city election was 3 million RSD. Therefore, the monitoring of these types of activities may serve primarily as a test of whether costs are registered, or as an indication for further research in cases when fewer promotional materials were reported than the amount circulated. The legal obligation of political entities is to report not only the total number of posters and leaflets that were distributed, but to classify all costs according to the type of promotional material (that is, for each type of leaflet that was printed and distributed). In most cases, the parties reported all expenses of this kind, and even a greater number of types of leaflets than our monitoring of the sample observed. Only in the case of NDS, DS, and DSS did our monitoring register one additional type of leaflet for city elections than what was stated in the reports of these parties.

Public Expenditures in Times of Election Campaign

The election campaign period is a particularly delicate time for public expenditure. During this period, there is a natural tendency among parties in power to increase the expenses in a way that will make them more popular among the voters, either directly (e.g., increased welfare payments and investments in public projects) or indirectly (e.g., commitment to attract investors, which will be displayed in the campaign). If the position of the current ruling structure is uncertain, that is, changes are likely to take place after the election, this can be a powerful motive to empty the cash budget to a greater extent than is necessary at that time of year.

A significant increase in public expenditure or reduced public revenues may be related to other forms of abuse of public funds – for example, the companies that do business with the state are required to return part of the money received through the support of the political party in power. Therefore, we paid attention to certain indicators of budget spending during the election campaign and during the comparable period in the past, non-election year. On a general level, the findings indicate the increase of certain public expenditures.

Data from the Ministry of Finance bulletins published so far indicate that there was a significant increase in certain public expenses in February and March of 2014, compared to the same period in the past, non-election year. This is particularly evident in the payment of subsidies (1.4 billion RSD more) and social security entitlements (over 3 billion RSD more). On the other hand, the amount of costs for the procurement of goods and services in the same period was not increased, but even slightly decreased (less than 1%), which can be linked to the implementation of the new Law on Public Procurement (effective from April 1st, 2014). When it comes to the same period, the local government level recorded a slight increase in the value of public procurement - 3%. On the other hand, there was a perceptible decline in payments of subsidies and social insurance (17.7 and more than 40 percent).

Similarly, the published data on mandatory social insurance indicate the reduction of the majority of observed public expenditures. So in February and March, the Pension Fund's payment for goods and services were only 2.4% higher than during the same months last year, the Health Fund had a reduction of over 55%, and the National Employment Service more than 23%. When it comes to the payment of social security entitlements, they were slightly higher in the Pension Fund and Health Fund (3%), and significantly higher in Employment Service (13%). Although it should be noted that data obtained for two months could significantly distort the report due to periodic fluctuations, it is evident that one cannot talk about the trend of significant increase in these particularly sensitive public expenditures that could be explained by the election campaign.

Regardless of whether there has been an increase in public spending or misuse of public funds for election campaign, the problem remains in the fact that Serbia has no specific oversight of these expenditures. Only regular forms of surveillance and control are applied to these types of public spending, which are related to the general legality of

financial transactions, but not to the question whether any public expenditure was intentionally implemented just at the time preceding the election rather than at the time originally planned.

When it comes to the City of Belgrade, the factor that significantly limited the possibility of increased budget expenditure in the pre-election period was the fact that the City was on a restrictive regime of temporary financing during the entire time, so that there was not even a theoretical possibility to implement the costs during the first quarter of the period, as they were scheduled for at a later date. Planned expenditures for the observed categories ranged mostly within the limits and proportions of the budget allocated for the previous year.

Activities of public officials

As in 2012, Transparency – Serbia monitored the activities of officials during the 2014 election campaign, and concluded that the officers substantially used their functions for the promotion in the campaign in order to provide additional appearances in news broadcasts, and outside segment designated to the promotion of the election candidates.

We found the situation identical with the election in 2012, which abounded in this kind of promotion. In addition, the use of functions for party promotions on the observed pattern was even more intense than two years ago.

These types of promotions favor the parties in power and create additional costs of hiring public resources. Also, it has been shown that regulations insufficiently govern this matter. Therefore, Transparency – Serbia believes that it is necessary to clearly regulate this area and restrict promotional activities of public officials during the election campaign. This does not mean that "the state should stop" during the campaign, but that the activities of public authorities at that time need to be carried out by professional public servants (and not political officials), whenever possible.

An example of regulating this matter exists in the nearby region – during their campaign period, Macedonia's Election Code prohibits state institutions from organizing opening ceremonies for completed projects and cornerstone-laying ceremonies for projects funded by the state. The Code also prohibits the payment of any unscheduled salaries, pensions, social benefits, and annual or one-time transfers. Similar solutions related to the payment of additional financial benefits have recently been established in Montenegro as well.

TS monitored the activities of 27 officials during the six-week campaign (the President of the Republic, the President of Parliament, 11 members of the Government of Serbia, two directors of state public companies, two members of the provincial government, ten Belgrade officials) and compared these results with the same period a year earlier, and with the period after the elections.

The comparison with the period a year ago was supposed to show whether the interest in visits to schools, factories, and construction sites was the part of regular activities that were not affected by the campaign or just marketing. Comparison of pre-election and post-election activities was supposed to show whether the increased activity prior to March 16 was due to the fact that, regardless of the election, it was necessary to accomplish a vast number of current affairs or just part of the political promotion.

It was established that during the campaign, officials had a huge increase in the number of promotional activities in relation to the same period a year earlier: 848%.

Similarly, a huge decline in activities was recorded in the period immediately after the elections - the number of promotional activities was five times lower, and was reduced to 18 percent of the activities from the campaign period.

The observed sample of officials during the election campaign showed that the most promotional activities were carried out by: Zorana Mihajlovic (36), Goran Vesic (32), Vanja Udrovicic (25), Sinisa Mali (21), Aleksandar Vucic (17), Slavica Djukic Dejanovic (16), Tomislav Jovanovic (14) and Aleksandar Vulin (14). A large percentage increase in the volume of activities during the campaign compared to the previous year was recorded among other officials as well – Velimir Ilic, Nebojsa Stefanovic, Nikola Selakovic and Vesna Kopitovic.

It is interesting to compare the number of promotional activities of these officials **in the period after the elections**: Zoran Mihajlovic (1), Goran Vesic (2), Vanja Udrovicic (5), Sinisa Mali (0), Aleksandar Vucic (0), Slavica Djukic Dejanovic (2), Tomislav Jovanovic (1), and Aleksandar Vulin (3).

This monitoring specialized in tracking the activities of Belgrade City officials, due to the fact that upon the dismissal of the mayor, a number of city officials and directors of public companies were replaced as well, so comparisons with the year 2013 are not fully achievable. What is more relevant among these officials is the comparison of the number of promotional activities during the campaign and after the election. Thus, the case of the President and the Secretary of the Interim authority and the current Mayor Sinisa Mali and the City Manager Goran Vesic show quite a number of promotional activities during the campaign (21 and 32) and none or two after the elections.

These findings can also be linked with campaign spending. For example, according to the findings of the monitoring program carried out by TS, the party that was an absolute winner in city elections – SNS – did not even have a paid TV campaign for city elections in Belgrade. On the other hand, the President and the Secretary of the Interim authority had a total of 53 promotional activities that dominated the news media programs, providing a much stronger presentation to voters than would have been possible to achieve through paid TV clips and “rented TV terms” (5 to 30 minutes long).

When it comes to different forms of using official functions for promotion, the monitoring recorded a number of cases in which officials, acting in the capacity of public office holders, openly promoted their parties at the same time, as well as cases when officials appeared at the events which were beyond their scope of work (these cases were significantly more noticeable during the campaign in 2012.).

However, a regular occurrence was a combination of state and party activities during the same visit, as well as regular promotional activities that involved contacts with foreign investors – the presence of government officials at the launch of investments, funding plans, the signing of memoranda. The examples of ways public office was used for additional promotion are presented in detail in a separate chapter – from gala opening of pedestrian crossings with transportation to the site provided for, to the commissioning of appliances purchased four months before the campaign, and party visits to private factories which promised the involvement of ministers and government assistance.

One of the positive aspects of this year's campaign, when it comes to the activities of officials, can be seen in the fact that Serbian president was very passive (as opposed to the election in 2012), which can be explained by the fact that this time presidential elections were not held simultaneously with parliamentary, and by the fact that current president is not an official of any party. Another positive change was that the days of electoral silence were not interrupted by any significant activities of officials.

Numerous proposals that Transparency – Serbia gave to resolve this issue after the election of 2012, in earlier years and just before the announcement of the elections, have not yet given any results. The Ministry of Finance is currently preparing amendments to the Law on Financing of Political Parties and this will be the first opportunity for this issue to be regulated on legal level. However, there are still remaining questions whether there were any promotions of officials in previous campaigns and contrary to existing regulations, and this issue apparently is not thoroughly investigated.

This year, National Assembly again failed to form a Supervisory Committee (an obligation under the Law on Election of Deputies), which could, in the absence of precise rules, monitor this aspect of the campaign. The Republic Broadcasting Agency's report on the supervision of broadcasters noted that television monitoring of the campaign was less than half as long than in 2012, but still very high (it recorded 22.5 hours of such broadcasts in news programs). This body has not established any violations of the General Binding Instructions that would relate to the presentation of officials during the campaign. An encouraging fact is that the Anti-Corruption Agency more actively addressed the issue of officials' promotional activities this year, and it remains to be seen whether there were any violations of the regulations in any case.