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Pursuant to the Article IV 4., e) of the Constitution of Bosnia and Herzegovina, Parliamentary Assembly of Bosnia and Herzegovina on the 32nd session of the House of Representatives held on July 19, 2012 and on the 22nd session of the House of Peoples held on November 16, 2012, adopted the

LAW ON POLITICAL PARTY FINANCING

Article 1 Objective of the Law

This Law shall lay down manner and conditions under which political parties and their members, who act on their behalf, obtain working funds.

Article 2 Definition of political parties

For the purpose of this Law, political parties shall be considered organizations into which citizens are freely and voluntarily organized to participate at the elections, and which are registered according to the law with the relevant court in either entity aimed at expression of political activities and actualization of political aims.

Article 3 Sources of funding

- (1) A political party may obtain funds from the following:
 - a) Membership fee;
 - b) Contributions from legal entities and natural persons;
 - c) Publishing activities, selling propaganda material and organizing party events;
 - d) Incomes generated by property owned by political party;
 - e) The budget of Bosnia and Herzegovina in accordance with the Article 10 of this Law, entities' budgets, cantonal budgets and the budget of Brčko District of BiH, and from budget of other units of local government and self-government in accordance with the law;
 - f) Profit from the income of the enterprise owned by political party.
 - g) Loans from the banks.
- (2) Enterprise referred to in paragraph (1), point f) of this Article may only carry out culture-related or publishing activities.
- (3) Annual income of the party referred to in paragraph (1), points d) and f) of this Article may not exceed 20% of the amount of the total annual incomes of the party.

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Article 4 Use of the funds

(1) Funds referred to in Article 3, paragraph (1) of this law shall be exclusively used by a political party actualize the aims set by its program and statute.

(2) A party shall donate any incomes referred to in Article 3, paragraph (1), points d) and f) exceeding 20% to one or more charitable organizations, which are registered in Bosnia and Herzegovina for charitable work, within 30 days of submitting its financial report in line with Article 11.

Article 5 Membership fee and contributions

(1) For the purpose of this Law, membership fee shall only be regular amount paid by a member of a political party in the manner and under conditions set by its Statute or any other act.

(2) For the purpose of this Law, a contribution made to the political party shall be occasional or regular payments by which natural persons or legal entities give money to a political party in the amount higher than membership fee, as well as providing services and giving products to a political party free of charge.

(3) Legal entities or natural persons that provide service or sell a product to a political party must issue an invoice to the party, which will indicate market value of donated product or provided service, and which will be issued to the name of political party indicating that it is not subject to the payment.

(4) Political parties shall be obligated to keep a record on paid membership fees and contributions, as well as to issue receipt on received membership fees and contributions. An authorized person in a political party shall directly deposit received membership fees and contributions to the transaction account of the political party no later than 10 days following the receipt of the payment.

(5) Services referred to in paragraph (2) of this Article shall not mean voluntary work of party's volunteers.

Article 6 Limitation to donation

(1) Natural persons and legal entities may give contributions to political parties once or several times in a calendar year.

(2) The contributions shall be paid to the transaction account of the political party's headquarters.

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(3) The total amount of contributions made by a natural person to a political party shall not exceed the amount of 10.000,00 KM (ten thousand convertible marks) in a calendar year.

(4) The total amount of contributions made by a legal entity to a political party shall not exceed the amount of 50.000,00 KM (fifty thousand convertible marks) in a calendar year.

(5) The total amount paid to the political party by a member of the political party during one calendar year shall not exceed the amount of 15.000,00 KM (fifteen thousand convertible marks), membership fees included.

Article 7

Appropriations from the state budget

(1) The budget of institutions of Bosnia and Herzegovina and international obligations of Bosnia and Herzegovina (hereinafter: the budget) ensures the funds for political party financing, namely for financing coalitions of political parties and independent candidates represented in the Parliamentary Assembly of BiH and parliamentary groups, namely the delegates' and representatives' clubs in the Parliamentary Assembly of BiH.

(2) The total funds referred to in paragraph (1) of this Article cannot exceed the amount of 0,2% of the BiH budget in a calendar year.

(3) The funds from the budget are allocated to political parties, namely to the coalitions of political parties in the manner that:

a) 30% of the total amount of funds is equally distributed to all political parties, namely the coalitions of political parties that won the mandate,

b) 60% of the total amount is distributed equivalent to the number of delegates' mandates that each political party, coalition of political parties, and/or independent candidate hold at the time of allocation.

c) 10% of the total amount is distributed to parliamentary groups proportional to the number of seats belonging to less represented gender

(4) The members of a coalition of political parties shall participate in distribution of the funds referred to in paragraph 3 of this Law pursuant to an Agreement for distribution of funds, deposited with the BiH Central Election Commission, and if such an agreement does not exist, the funds are allocated between the coalition's members according to the number of won mandates.

(5) Parliamentary groups, namely clubs of delegates and envoys and independent candidates in Parliamentary Assembly of Bosnia and Herzegovina participate in the distribution of funds referred to in paragraph (3) of this Article, according to the number of mandates in the both houses of the Parliamentary Assembly of BiH.

(6) The joint commission for administrative tasks of the Parliamentary Assembly of Bosnia and Herzegovina shall in their regulations devise a detailed method for allocation of these funds, control of expenditures and other financial issues related to implementation of this law.

Article 8
Prohibited contributions

- (1) Financing political parties shall be prohibited to:
- a) state, entity and cantonal bodies, bodies of Brčko District of BiH, and city and municipal bodies,
 - b) Public institutions,
 - c) Public enterprises,
 - d) Humanitarian organizations,
 - e) Anonymous donators,
 - f) Religious communities,
 - g) Labor unions, associations and other non-profit organizations, which are financed by public funds regardless of the amount,
 - h) Legal entities in which invested capital amounts at least 25%,
 - i) Other states, foreign parties and foreign legal entities.
- (2) The prohibition referred to in paragraph (1), point a) of this article shall not relate to use of business premises, which are used by political parties pursuant to the decision of a competent body.
- (3) Exceptionally, financing prohibition referred to paragraph (1), point i) of this Article does not refer to financing educational programs, aimed at developing and promoting democratic goals.
- (4) Private enterprises that closed contract on public procurement of services, contract on public procurement of goods or public procurement of work with the bodies of executive authorities at all levels in BiH in accordance with the regulations on public procurement in BiH, cannot financially support political parties if the value of the contract in one calendar year exceeds the amount of 10.000,00 KM (ten thousand convertible marks).
- (5) Political parties cannot obtain any incomes from property that is not owned by them.
- (6) It is prohibited to give contributions in cash or in kind contributions through third persons (by a proxy).
- (7) Likely contributions paid from sources prohibited in paragraph (1) and (6) of this Article to the account of a political party, as well as contributions exceeding the amount set in Article 6 of this Article, and possible payments of contributions by anonymous sources, shall be paid to the BiH budget by a political party, no later than eight days following receipt of such contributions.

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Article 9 Prohibited activities

- (1) Any political pressure to natural persons and legal entities regarding contributions to political parties is prohibited.
- (2) It is prohibited to finance political parties by getting a loan from the banks in which the share of the state founding capital exceeds 25%.

Article 10 Financial control of political parties

- (1) The Central Election Commission of Bosnia and Herzegovina shall establish an office for audit of political parties' financial reports (hereinafter: the Audit Office) responsible for conducting examination and control of the financial reports submitted by the political parties and auditing political parties' financing in accordance with this law.
- (2) The audit of political parties' financial reports shall include the reports from the party's headquarters and at least two lower organizational units selected by the Audit Office.
- (3) If there are no objections after the party receives the preliminary written audit report, the auditor shall issue a final report with auditor's opinion on whether the political party was financed in accordance with this law.
- (4) If the political party filed a complaint to the preliminary audit report, the auditor shall be obligated to consider the allegations in the complaint. If the complaints by political party are argumentative, and the party submits new evidence that were not presented to the auditor during the audit and refer to violations of this law, the auditor shall, based on these evidences, correct the previous finding and issue final report with the auditor's opinion.
- (5) If the political party based on the findings and recommendations given in the preliminary report voluntarily removes shortcomings that can be corrected and within given deadline submits to the auditor the evidence thereof, the auditor shall not list the violations, corrected by the party, in the final report.
- (6) The final report shall contain the names of all organizational units of the parties that were subject of the audit.
- (7) The BiH Central Election Commission shall ensure public access to the audit reports of political parties, along with the audit's findings and auditor's opinion. The final audit reports with the auditor's opinion, after being submitted to the political parties, shall be published on the web page of the BiH Central Election Commission, and the opinions shall be also published in "the Official Gazette of BiH".
- (8) The Audit Office shall be granted access to the party's premises, if it founds necessary to conduct a detailed financial investigation in order to ensure validity of the accounting report. If

the access to the party's premises is denied, it shall be deemed that the party in question failed to submit a financial report and the BiH Central Election Commission shall withhold the party's right to stand for the next election.

Article 11
Obligation to keep financial records

A political party shall be obligated to keep financial records and submit financial reports in the manner set by the law and other regulations in accordance with the law.

Article 12
Obligation to render financial report

(1) Political party keeps a record on its incomes and expenditures. A political party shall be obliged to submit with the Central Election Commission of Bosnia and Herzegovina a financial report for each calendar year (accounting year).

(2) A political party shall submit a special financial report for the period of election campaign in the manner set by the Election Law of Bosnia and Herzegovina.

(3) Political parties shall submit the financial report in a form approved by the Central Election Commission of Bosnia and Herzegovina by March 31 of the following year. This report contains information set by the BiH Election Law. The Central Election Commission of Bosnia and Herzegovina shall enact rules for implementation of the provisions establishing content, form, manner and other details of reporting.

(4) All persons obliged to submit the report, must also submit additional reports as reasonably requested by the Central Election Commission of Bosnia and Herzegovina.

(5) The Central Election Commission of Bosnia and Herzegovina shall be entirely authorized to implement and execute provisions of this Article in a manner provided by the Election Law of Bosnia and Herzegovina.

Article 13
Appointment of authorized person in political party

(1) A political party shall be obligated to appoint an authorized person responsible for submission of the reports and record-keeping, and who shall be authorized to contact the Central Election Commission of Bosnia and Herzegovina.

(2) Applicant shall inform the Central Election Commission of Bosnia and Herzegovina about appointing the authorized person referred to in paragraph 1 of this Article within 15 days following his/her appointment, and in case of any change in the status of that person, they shall be obliged to inform the BiH Central Election Commission about that change within 15 days.

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(3) The authorized person shall sign all reports and shall be responsible for record-keeping regarding the reports, and the authorized person must submit reports for consideration upon the request by the Central Election Commission of Bosnia and Herzegovina.

(4) The political parties shall keep their financial reports at least six (6) years following submission.

(5) The Central Election Commission of Bosnia and Herzegovina shall make all reports accessible to the public through its web page and shall take appropriate measures in order to ensure access to reports' information for all citizens.

Article 14

Competence of the Central Election Commission of Bosnia and Herzegovina

(1) The Central Election Commission of Bosnia and Herzegovina shall be authorized to investigate all cases where the provisions of this law were not acted upon, and it may order certain persons to provide their written answers in order to ensure documented and other evidence, and to obtain witnesses' statements regarding the investigation eventually initiated by the Central Election Commission of Bosnia and Herzegovina. The Central Election Commission of Bosnia and Herzegovina may independently or upon a filed complaint initiate an investigation or undertake appropriate measures.

(2) The Central Election Commission of Bosnia and Herzegovina shall be responsible for implementation of the provisions of this Law, and it shall be authorized to decide as to whether a political party or other person is in breach of this Law, as well as to pronounce sanctions to any political party for non-compliance with the mentioned provisions or to undertake necessary administrative measures within its jurisdiction under this Law.

(3) The Central Election Commission of Bosnia and Herzegovina shall strive for a political party found in breach of these provisions to voluntarily act according to these provisions and remove observed shortcomings, if they can be removed, before it pronounces a sanction or undertakes administrative measures.

Article 15

Role of the Central Election Commission of Bosnia and Herzegovina

(1) Any irregularity and violations of the provisions of this Law observed by the Audit Office shall be submitted to the Central Election Commission of Bosnia and Herzegovina.

(2) If a political party fails to act in compliance with the provisions of this Law, the Central Election Commission shall be authorized to impose the financial penalty in accordance with this Law and the Election Law of Bosnia and Herzegovina.

**Article 16
Role of Appeal Council**

The Appeal Council shall be responsible to review appeals to the decisions of the Central Election Commission of Bosnia and Herzegovina. The Appeal Council shall be authorized to impose financial penalties in accordance with the Election Law of Bosnia and Herzegovina.

**Article 17
Obligation to report to the Parliament**

The Central Election Commission of Bosnia and Herzegovina shall be obliged to annually submit a report on audited financial transaction to the Parliamentary Assembly of Bosnia and Herzegovina. The report shall be disseminated as the parliamentary printed material.

**Article 18
Independent candidates**

The provisions of this Law referring to contributions, prohibition of financing and favoring, and monitoring and financial transactions shall be appropriately applied to lists of independent candidates and independent candidates.

**Article 19
Financial penalties for political parties' violations**

A financial penalty in the amount from 500,00 KM (five hundred convertible marks) to 5.000,00 KM (five thousand convertible marks) shall be pronounced for the violation to:

- a) a political party that used the funds contrary to the provision of Article 4, paragraph (1) and (2) of this Law,
- b) a political parties that failed to keep records on received membership fees and contributions and that failed to issue a receipt on received fees and contributions in accordance with provision of Article 5, paragraph (4) of this Article,
- c) a political party that is financed by obtaining a loan from banks in which the share of state founding capital exceeds 25%.

Article 20
Financial penalties of violations up to triple amount

A financial penalty up to triple amount of received funds shall be pronounced for a violation to:

- a) a political party that received the funds in the amount exceeding set annual income in Article 3, paragraph (3) or exceeding the highest set amount of contributions in Article 6 or received in a manner prohibited by Article 8 of this Law,
- b) a political party, list of independent candidates and a candidate failing to report and to pay to the state budget the amount of contributions exceeding the amount set in Article 6 of this Law, as well as likely payments of contributions by anonymous sources, in accordance with Article 8, paragraph (7) of this Law,
- c) a political party, list of independent candidates and a candidate failing to report payment received from prohibited sources and failing to transfer received funds to the state budget, in accordance with article 8, paragraph (7) of this Law.

Article 21
Repeal

The Law on political party financing (“Official Gazette of BiH”, no. 22/00, 102/09 and 54/10) shall be repealed by entry into force of this Law.

Article 22
Entry into force

This law shall enter into force eight (8) day following its publication in “the Official Gazette of Bosnia and Herzegovina”.

Number: 01, 02-1-28/12

Sarajevo, November 16, 2012

Chairman
of the House of People
of Parliamentary Assembly of BiH
Sulejman Tihić

Chairman
of the House of Representatives
of Parliamentary Assembly of BiH
Dr. Milorad Živković