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Thank you all!

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Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of November 2011. Nevertheless, Transparency International Albania cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

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Foreword

Political finance is a vital issue for democracy, governance and development. Political parties stand as the castle of democracy, being utmost essential to open and competitive democratic politics, particularly in emerging democracies.

The aim of political finance regulations is not to hamper the performance of political parties. Representative democracies cannot function without them. Furthermore, political parties and candidates to elected office need money to communicate their platforms and policies to voters. Parties need funding in order to survive, compete, and perform their democratic functions, both during and between election campaigns. Yet political money and those who donate it are widely seen as problematic - at times, even, as threats to democracy. The challenge is to limit the opportunities for corruption, while promoting political equality and recognising the demands on political parties and candidates.

The CRINIS assessment for Albania has focused in the annual, non-electoral funding of political parties and presents an evaluation of the important aspects of legal regulations on annual party financing. It also provides key recommendations for ensuring their effective implementation, improvement of supervision and disclosure. This report aims to serve to the public and all interested actors as a tool to increase transparency and accountability of political parties in the country. Transparency, through the full disclosure of their political financing policies and practices, provides the ability to verify that no malpractice has occurred and that regulatory frameworks are being effectively implemented. By increasing levels of transparency, voters are empowered to make informed choices on Election Day.

Lutfi Dervishi

Executive Director
Transparency International Albania
I. Executive Summary

Political financing in Albania scored an average result of 4.1 points through the analysis of CRINIS research, with a focus on annual funding of political parties. Results of the research are categorized in three main evaluation groups: insufficient (0 to 3.3), average (3.4 to 6.7) and good (6.8 to 10). Albania’s score is evaluated to be on the “average” category. This evaluation is a reflection of an ameliorated legal infrastructure, but poor implementation into practice. In Albania, political parties have not yet shown concrete results on annual accounting mostly due to the fact that the law did not oblige them.

The lowest scored indicators were evaluated to be public disclosure with 2.8 points, sanctions with 2.5 points and preventive measures 1.7 points. Public disclosure is one of the major failures of political financing, which carries over a juridical responsibility as well as a moral one toward the citizens through the will of which parties are created. The wide public as well as the party members and delegates or members of the highest structures within a political party have not access to information on the financial activity, sources of funding, and accounting books. Sanctions and preventive measures prove to be inter-related to each other, because the non-compliance practice with the sanctions applicable by law does not provide a relevant background for proper implemented preventive measures.

Bookkeeping, Scope and Depth of reporting provide good legal standards, and score respectively 4.5, 8 and 7.5 points. Financial reports should contain detailed explanations on income and expenditure, and private donations. Auditing reports must be prepared by independent and certified auditors.

Having a close look at the dimensions of law and practice, we conclude with the results of 5.4 points in law toward 2.7 in practice. This difference is caused mainly due to the fact that the research was developed under circumstances of lately improved legal infrastructure of annual funding of parties. And the application of relevant law dispositions has not yet been tested into practice. Political parties in Albania have been the only activity not rendering accountable to the state and public as well. A notable lack of regular reporting to the tax authorities or keeping internal accounting is noticed.

The competences for the oversight and control of political parties financing are delegated to the Central Elections Commission (CEC), which makes this institution the key guard for transparency and public disclosure. The CEC has a major role not only with the functions of monitoring and control, but as well with functioning of the entire process of financial reporting and auditing. The law provides CEC with the competences to issue legal dispositions and decisions for the format of reporting, date, auditors’ selection and public disclosure. State
Oversight scored 5.7 points in this research. Deriving from a difficult political situation in Albania, the CEC shall demonstrate the necessary independence and political consensus in order to keep on track the practice of ameliorated legal framework on one of the fundamentals pillars of political parties and democracy, their money.

Finalising of this first research of CRINIS project offers as well a set of recommendations for our country legal system:

1. **The threshold for the disclosure of donations should be lowered.** The current threshold is set at the limit of 100,000 ALL (equivalent to 720 Euros) which is relatively high compared to the average salary in the country and the limits set in other countries in the region. Such high thresholds hinder transparency of donations, as a large number of small donations would go unaccounted for and would not need to be disclosed.

2. **Reports on annual funding and election campaign funding need to be submitted separately in the case of electoral years.** The Political Parties Law should include an article to define what constitutes election-related spending, in order to avoid political parties disguising election campaign spending as ordinary spending. The law should provide clear regulations that any expenditure on items or services that are used for campaign purposes counts as election campaign spending, even if it is made before the start of the official election campaign period.

3. **Identification and reporting on in-kind donations should be regulated by clear and adequate legal provisions.** The actual law implied that this will be solved through standardised reporting templates issued by the Central Election Commission. This is a general disposition, which could not be left to sub-legal acts. The law should mention clearly at least by explicitly stating that donations in-kind and loans and guarantees are to be defined and regulated through specific sub-legal acts issued by the CEC.

4. **The timeframe within which the financial reports have to be submitted to the CEC should be specified by law.** Article 23 of the Law on Political Parties lacks this specification and leaves the decision on the deadline to the Central Elections Commission. CEC should at least make public what criteria it will use when deciding on the deadline for submission – in order to prevent every pretence of partiality.
II. Introduction and background to the study

In the framework of the regional project “CRINIS – shining a light on money in politics”, Transparency International Albania conducted this research to measure the level of transparency in political party funding. CRINIS is an assessment tool that evaluates legislative systems and studies the practices of key actors involved in political finance. It aims to identify gaps and shortcomings in political financing systems, with the objective of promoting transparency in political party funding. It is premised on the conviction that transparency is a prerequisite for monitoring money in politics.

About 21 years ago in Albania the multi-party system was legitimated. From December 1990 when the first political parties were created and later on with the obligations defined in the Constitution of year 1998, political parties in Albania have regularly refused and violated these obligations. Parties have not rendered accountable to disclose their finances and donations addressed from individuals or juridical persons to their gain. Only a truncated and non-efficient auditing of public funding has been the case. Annual political accounting was an area of activity not regulated by law until the beginning of year 2011, when new legal amendments were put in place to tackle the issue of annual financing of parties and their reporting to the state oversight institution. The current legislative framework offers good principles of transparency and accountability and opens a new gate for political parties to disclose their financial power to the public.

The following report is focused on the analysis of legal framework for the annual funding of political parties in Albania for year 2011, and provides findings on the importance and standards of money in politics. The transparency of political parties’ finances and the civic right to disclose such information to the public offers one of the best guarantees for a transparent governance and effective institutions delivering high levels of accountability for the citizens.
III. General context on political party financing

Elections in Albania are held on a national level for a legislature of 4 year terms. The electoral system is defined as closed list of proportional representation.

The President is elected by the Parliament of Albania.

The political financing regime is composed with these legal dispositions:

a) Article 9, paragraph 3 in the Constitution of Albania cites that “the financial resources of political parties, as well as their expenses, shall be made public in every time”.

b) Campaign financing of legislative elections is regulated by the Law no. 10 019 date 29.12.2008 “The Electoral Code of the Republic of Albania”

c) In Albania, the financing of political parties annual activity is covered by the Law no. 8580 date 17.2.2000 “For Political Parties” – amended with the Law no. 9542 date 2.2.2006 and with the Law no. 10 374 date 10.2.2011. Until this year, there were no comprehensive regulations in place for annual financing of political parties. Its dispositions regulate the financing of political parties from financial and material resources, public and private, which are not regulated by the dispositions in the Electoral Code. The law determines the competences of finances control to Central Elections Commission, the rules of auditing and compiling regular financial reports, sanctions for irregularities and refuses for declaring donors or the amount of donation.

Limits on private finance

The Law no. 8580 date 17.2.2000 “For Political Parties” – amended with the Law no. 9542 date 2.2.2006 and with the Law no. 10 374 date 10.2.2011 prohibits the political parties through the Article 21 to profit financial and material donations from foreign governments, public or private entities.

On the other side, this article allows gifts or aids which come from parties or international unions parties, politics organizations or foundations, Albanian and foreign, individuals, Albanian physical or juridical private persons.

The Article 23/1 (disposition no.2) states that the donation of private funds in a larger amount than 100,000 Leke (approx. 720 Euro) should be made only through a particular bank account opened from the political party. Disposition no.3 of this Article prohibits the gain of private funds made from subjects who do not declare their identity or whose identity is undefined clearly from the beneficiary political party.
The Article 89 of the Electoral Code states that electoral subjects can profit funds for purposes of their elections campaign only by Albanian physical or juridical persons (also from Albanian physical persons residing out of the territory of Republic of Albania).

According to the disposition no.2 of this article, the amount of money that a physical or juridical person can donate to a party should not exceed the limit of 1,000,000 Leke (approx. 7,195 Euro) or the counterpart in materials or services.

Donating is prohibited when a juridical person or each of its shareholders is on any of the conditions as below mentioned:

a) Has profited from public funds, public contracts or concessions during the last two years for an amount of money exceeding 10,000,000 Leke (approx. 71,950 Euro);

b) Bases its activity in the field of media.

c) Has been a partner with public funds on different projects;

d) Have monetary obligations toward State Budget or any public institution.

This obligation is not applied when the shareholder possess these shares as a result of a public offer.

*Public subsidies*

*The Law no. 8580 date 17.2.2000 “For Political Parties” – amended with the Law no. 9542 date 2.2.2006 and with the Law no. 10 374 date 10.2.2011* states in the Article 19 that every year in the state budget is assigned a found which serves as public financial subsidy for the annual activity of the political parties. This financial subsidy during non-electoral years should not be lower than the subsidy provided in the predecessor year.

The rules of distribution are as follows:

a) 70 %, according to the number of MPs in the recent parliamentary elections. Every parliamentary party profits financial subsidy in accordance with the number of MPs won as per the electoral system predicted in the Electoral Code;

b) 20 %, equally, to the parliamentary parties;

c) 10 %, in accordance to the percentage won between political parties who participated in the recent parliamentary elections and won more than 1% of the votes nationwide.

The part left unallocated from the 10 %, is added to the fund of 70 % and is re-allocated to parliamentary parties.
According to Article 22, the parliamentary parties are habilitated with a building for their central and local headquarters. This access is available also for the political party, whose average of votes in the three last parliamentary elections has been more than 1% nationwide. When there are no free state buildings for this purpose, the state takes the responsibility for paying the rent of central and local headquarters of the party (Article 22/1).


The amount of public fund allocated to each of the electoral subjects is defined by a decision of Central Elections Commission (CEC), as per below mentioned rules:

a) 50% of the fund is divided between political parties registered as electoral subjects and mandated in the Parliament. The amount is distributed on the base of number of parliamentary mandates won during legislative elections.

b) 50% of the total fund is divided between political parties registered as electoral subjects, which in recent legislative elections have won not less than 2 mandates in the Parliament, comparing to the total votes gained nationwide.

The political party which gained public fund (as above mentioned at point “b”) and doesn’t win any mandate in the regular elections, should return the respective amount of fund. The returned funds from political parties who do not win any mandate are then re-allocated with a decision of CEC to the political parties who won mandates in the Parliament, in a direct proportion with the percentage of parliamentary mandates.

This is the only direct public subsidy defined by law to the legislative elections, and no other subsidies are available. The Article 88 of the Electoral Code cites clearly the forbiddance of public resources (movable, immovable, and human resources) using for purposes of legislative elections.

*Media regulation*

In Albania, the law does not regulate the role of private and public media in political advertising during their annual activity (non-electoral campaign).

According to Article 81 of the *Law no. 8410, date 30.09.1998 “For the Public and Private Radio and Television in the Republic of Albania”* - amended with the *Law no. 8655 date 31.7.2000, Law no. 8974 date 10.5.2001, Law no. 9016 date 20.2.2003, Law no. 9124 date 29.7.2003, Law no. 9531 date 11.5.2006 and Law no. 9677 date 13.1.2007*, the Albanian public radio-television channel should make available to the political parties a free transmission time during electoral campaigns and referendums. This timing is determined in the respective legislation for elections and referendums.

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The Law no. 10 019 date 29.12.2008 “The Electoral Code of the Republic of Albania” regulates the media role during electoral campaign in Part VI (Articles 77-85). In Article 77 is determined the period of campaign (30 days before the date of elections) and “electoral silence” (24 hours before the elections’ date and on elections’ date is prohibited any electoral campaign through the media organs).

The Article 80 of the Electoral Code cites that during elections campaign, the public radio television makes available to all registered political parties a free airtime divided as per below regulations:

a) for the parliamentary parties which in the last elections for the Parliament have more than 20 % of votes in the parliament, CEC defines an equal timing not less than 30 minutes in the public television as well as the public radio. For the other parliamentary parties this timing is less than 15 minutes. Increase of timing of a party or respective coalition;

b) every non-parliamentary party that takes part in elections benefits 10 minutes in the public television and 10 minutes in the public radio;

c) in every program or advertisement on radio-television, served as elections propaganda, the electoral subject should be clearly defined.

The Article 84 of the Electoral Code cites that in the private radios and televisions, the presentation of elections campaign is made only during regular editions and special informative ones. Private radios and televisions do not allocate transmission time to the political subjects for presenting their election campaigns. The overall airtime for transmission of political advertisements in every private radio or television during the electoral campaign should not be more than 45 minutes for each party which gained up to 20 % of MPs and 90 minutes for each party which gained more than 20 % of MPs. The radio and televisions operators should apply the same price list at the same timeline. Private media is obliged to provide free of charge half of this airtime to political subjects. This cost is then calculated as minuend expense for taxation effects.

The airtime for each of the non-parliamentary parties could not be more than 10 minutes for all the electoral campaign. The price list should be the same as for parliamentary parties, as well as the same criteria for free airtime.

State control

The Central Elections Commission is the institution responsible for the control and oversight of political parties and elections financing. It used to be the Supreme Audit Institution but the article which gave these competences was repealed with a decision no.33 date 9.5.2011 by Constitutional Court because no control was put in practice by this institution.
The competences of CEC are defined in the Article 15/2 of the Law no. 8580 date 17.2.2000 “For Political Parties” – amended with the Law no. 9542 date 2.2.2006 and with the Law no. 10 374 date 10.2.2011 as below mentioned:

a) Compiles and passes the rules for reporting of finances, for monitoring, overseeing and financial auditing of the political parties, also for the standardized formats of annual financial reporting;

b) Adopts the format of the special register for private funds of political parties, and also the format and content for the declaration of non-public fund donations;

c) Selects the list of licensed auditors and elects them through an occasional lot for the purpose of auditing the funds and expenses of political parties;

d) Monitors, oversees and audits financing of political parties, through the control of financial documentation and accounts of political parties, the subjects associated directly or indirectly with political parties or under their control;

e) Puts sanctions in place when ascertains irregularities of this law’s dispositions;

f) Compiles directives, awareness programs and organizes trainings for financing of political parties and subjects included in this process in accordance with this law’s dispositions;

g) Assigns the amount of public fund that profits each party as a form of annual financial aid in accordance with this law;

h) Enacts regulations in accordance and for the implementation of this law’s dispositions.
IV. Methodology

The CRINIS methodology entails assessment of two different types of political financing: non-electoral finances of political parties and election campaign funding for legislative and where applicable, presidential elections. This report looks only at the assessment of funding of annual activities of political parties in Albania in 2010, whereby resources were mobilized to support the party structure and its activities during this non-election year.

The methodology involves examining the regulatory framework on transparency of political financing, so as to compare it to internationally recognized principles. Through different research methods, it also examines what happens in practice. By providing thorough diagnosis of the legal framework and actual practice, it provides strong empirical evidence to create a clear picture of areas in the need of reform.

The information collected during the research was used to build an index on the transparency of political party funding. The level of transparency is quantified taking into consideration the following ten dimensions:

1. **Internal bookkeeping** refers to the way in which political parties manage their financial resources internally.

2. **Reporting to the electoral management body** evaluates the extent to which parties or candidates report to a government oversight body.

3. The next three dimensions: **comprehensive of reporting**;

4. **depth of reporting**; and

5. **reliability of reporting** centre around the nature of data furnished in the financial reports, and help to determine the quality of data submitted to the electoral bodies. These evaluate crucial areas such as relevant financial activity, including cash, in-kind and other transactions; donor identity; the credibility of submitted data; and the perception of the credibility of reports by key actors.

6. **Disclosure of information to citizens** examines public access to political finance information.

7. Dimensions encompassing **prevention**;

8. **sanctions**; and

9. **state oversight** address the monitoring of compliance with established rules and regulations. This includes preventive measures to facilitate effective oversight, the existence of sanctions that can be imposed and the institutions and actors in charge of performing oversight functions.
V. Research Findings

This section presents the system of annual funding of political parties in Albania and draws some general conclusions and lessons. The main focus of the analysis is on identifying strengths and weaknesses in legislation and practices.

Table 1: Crinis Index: Graph showing overall findings with aggregated averages
**Dimension 1: Internal bookkeeping**

The first stage of reporting by parties is internal bookkeeping. Legal obligations in the area of bookkeeping and the political culture of the parties are factors that can influence this dimension. For parties to comply with legal regulations and uphold their own values and principles, it is essential for them to have a functioning administration, with the necessary capabilities.

In this study, the internal bookkeeping of parties was measured with five general indicators. These include legal requirements for parties to keep books on income, expenditure and assets and their actual practice in this regard. Other indicators address questions of disclosure of this information to party members, the standard of accounting procedures followed, authorized individuals to sign financial accounting reports and whether financial records are kept for a prescribed length of time.
The Law on Political Parties obliges political parties in Albania to keep internal accounting books and report on their income and expenditures. Parties should submit financial reports once a year to the Central Elections Commission (CEC), together with an auditing report prepared by licensed accountants as prescribed in the law.

The annual financial reports are prepared, signed and submitted by the responsible person for finances within the political party or the elected person defined in the Statute of the party.

The annual financial report, the auditing report and the report of CEC shall be published in the official website of the CEC not later than 30 days after the submission date to the CEC.

Since the new amendments were introduced in the law in February 2011, earlier there were no regulations dealing with the annual political financing not related to the election campaigns. Political parties have not disclosed any financial information for their previous annual activity claiming that this has not been a requirement of the law. In this context, the practice of this dimension could not have been evaluated for this research and therefore the score on internal bookkeeping only reflects the assessment of the legal framework.

**Dimension 2: Reporting to the Oversight Agency**

For this dimension, the study focused on five indicators that covered both the legal framework and reporting to the designated government oversight agency. These indicators included questions regarding whether parties must render accounts to a state agency, whether donors, vendors and media companies are required to report, whether there is a specific standardized format for submitting information and how often reporting is required.
Article 15/2 of the Law on Political Parties assigns the competences of oversight of political party finances to the Central Elections Commission, through controlling the financial documentation and accounts of political parties, of subjects related directly or indirectly to the party or the ones under the party’s dependence.

Each political party should register in a specified format of register, as approved by CEC, the total amount of funds received from each person or legal entity, as well as specified general data. The donor must sign a declaration of donation form which is a format approved by the CEC. A list of persons, donating more than 100,000 ALL should be disclosed to the public.

**Dimension 3: Scope of Reporting**

Scope of reporting looks into two main indicators: what types of funding sources are included in the reports (e.g., donations and public funding) and what expenses are included in the reports (e.g., expenses from private donations and expenses from public subsidies).
Graph here:

![Scope of Reporting](image)

**Law: 8.0**

**Practice: n/a**

Article 17 of the Law on Political Parties defines that the financial and material resources of political parties include: membership fees, public funding, private funding which could be financial donation, in kind donation, services, sponsorships, loans or other guarantees, and any other financial transaction. Article 23 of the law specifies that the annual financial reports must contain detailed information for all income and expenses. They should be reported accordingly to a standardized format approved by and with a decision of the Central Elections Commission.

Relevant data for the practice analysis of the research were not used due to the fact that political parties in Albania have not yet submitted annual financial reports to the CEC. The new law amendments which oblige parties to submit annual financial reports were adopted on 10.02.2011 and entered into force on 17.03.2011. Thus, this research could not refer to the practice of indicator.

**Dimension 4: Depth of Reporting**

The detail or depth of information provided is just as important as the comprehensiveness of the reporting. The usefulness of financial reports depends largely on the information included in them. Therefore, reports should identify each donor, the amount and the date of each donation, and similarly itemize expenditures. This depth of information allows oversight bodies, civil society groups and voters in general to examine the accuracy of information provided, identify parties who depend excessively on a few selected donors and monitor future representatives for any potential action that may benefit their donors at the expense of the public. This dimension...
was measured by aggregating multiple indicators such as how detailed income and expenditure reports are and whether there is a threshold for disclosure of income in financial reports.

Graph here:

![Depth of Reporting Graph]

**Law**: 7.5

**Practice**: n/a

In the financial reports of political parties, it should be explicitly mentioned the date of each donation, amount and name of donor or official registration of corporate donors. Also for the reporting of expenditures, copies of original invoices should be provided with detailed by items, including the date, number of receipt, name and official registration of each vendor.

The law\(^1\) also defines a threshold for disclosing a list of donors to the public with the respective amounts donated, which is above the level of 100,000 ALL\(^2\). This list shall be made public at all times.

Analysing the fulfillment of legal obligations in practice was not relevant even for the depth of reporting due to the reasons explained in the previous indicator.

**Dimension 5: Reliability of Reporting**

One key element of reporting - due to its close ties to transparency - is its reliability, or the belief that the data contained in a report is accurate. This dimension, therefore, is perception based and there are no law indicators (see graph below). The reliability of a report is related to how

\(^1\) Law on Political Parties, Article 23/1, paragraph 1

\(^2\) Equivalent of 720 EUR
accessible it is to the public and what extent the public controls its veracity. If the reliability of the data is questionable, the public’s interest in monitoring will naturally wane.

Measuring the reliability of data is difficult. The Crinis methodology relies on data from surveys with key actors in this thematic area such as party accountants, officials of oversight agencies and members of civil society.

Multiple indicators processed the responses to questions such as: how accurate reports are (example, in terms of the percentage of donations likely to be reported) and whether it is possible to obtain an accurate idea of the financing of parties by looking at the official accounting statements.

As this indicator would be measurable by data provided by practice, it was not included in the research for Albania. Before the new law amendments which address the annual party funding were adopted by Albanian Parliament on February 2011, political parties in our country did not prepare or submit to the state regular financial reports. Hence financial reporting for non-electoral periods was missing, we could not measure the reliability of reporting.

**Dimension 6: Public Disclosure**

The disclosure of financial information is a key element in ensuring that the media, civil society organizations, citizens and aspirants to public office can engage in monitoring party finances. This dimension is based on indicators, which describe the types of requirements to which the parties are subject: the disclosure of information on public subsidies; the disclosure of information on private financing received, the frequency of disclosure; and the channels through which the public is made aware of such information (visits to the party, the electoral management body, internet access etc).

Furthermore, additional indicators based on the findings of field tests were used to measure practices of disclosure. This included the citizen experiment, in which a group of citizens, journalists and students, requested information addressed to various stakeholders (such as political parties, donors, TV stations). These indicators are based on the following questions: what information was obtained by way of field tests conducted by volunteers? What was the rate of response achieved with requests for information submitted by local research teams? And whether parties voluntarily disclose financial information?
The annual state budget in Albania allocates a fund which serves as public financial subsidy for the annual activities of the political parties. This financial subsidy during non-electoral years should not be lower than the subsidy provided in the previous year.

The rules of distribution of public funds are defined in Article 19 of the Law on Political Parties as follows:

- d) 70%, according to the number of MPs in the recent parliamentary elections. Every parliamentary party profits from the financial subsidy in accordance with the number of MPs elected;
- e) 20%, equally, to the parliamentary parties;
- f) 10%, in accordance to the percentage won by political parties who participated in the recent parliamentary elections and received more than 1% of the votes nationwide.

The part left unallocated from the 10%, is added to the fund of 70% and is re-allocated to parliamentary parties.

The annual financial report, the report of the certified accounting experts, the financial report of the election campaign and the report of the Central Election Commission shall be published in the official website of the Central Election Commission no later than 30 days from the date of their submission by the political party. Additionally, Article 9, paragraph 3 of the Constitution of Albania obliges political parties to publish information on their sources of financing and expenditures whenever needed. However, the law should further address detailed explanations on the way and date of disclosure by political parties themselves in order to avoid possible

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3 Article 23, paragraph 5 of the Law on Political Parties
legislative gaps in this case. Previous experience shows that political parties do not disclose financial information or reporting to the public.⁴

**Dimension 7: Preventive measures**

This study assesses the dimension of preventive mechanisms in political party funding by using six indicators. These include existence of a centralized system of bank transactions (known as a “single account”) and a ban on cash deposits which could prevent identification of the origin of donations. Furthermore, this dimension looks into the existence of preventive measures against abuse of government resources and whether fiscal incentives are present for disclosure of donations. Another indicator focuses on whether there are media regulations on preventing potential abuse of political influence.

Graph here:

![Preventive measures graph](image)

**Law**: 0.7

**Practice**: 2.7

The law specifies that the donation of private funds in an amount larger than 100,000 ALL shall be made only through bank transaction, in a special bank account opened by the political party itself. The responsible person for finances in the political party, within three months from the creation of the political party, declares the bank account number and information for this purpose to the CEC. The bank account number for each political entity shall be published in the official

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⁴ Political parties did not disclose financial reporting to the public for the period of parliamentary elections of June 2009. The only available information could be found on the official website of CEC.
website of the CEC. Donations from private sources which do not declare their identity or whose identity is not defined clearly by the beneficiary party, is strictly prohibited. 

Practice from previous periods (referring also to electoral campaigns) has shown that not all financial transactions are executed through bank transactions. Irregularities are also found in some cases, when parties have not declared their bank account number to the CEC. 

The legal framework lacks media regulations and its role in political advertising during political parties’ annual activity (non-electoral campaign). Even though the law does not guarantee any price equality to parties for advertising in the media, they have access to paid media advertising. The frequency of advertising is high especially during electoral campaigns or prior to the official date of campaigns. Comparing with the regular prices of media companies, the cost of airtime and advertising seems to be high and parties shall disclose in details this cost in the financial reporting. We recommend the insertion of some dispositions in the law that would guarantee fiscal incentives for media companies when disclosing information for the airtime and cost of advertising used by political parties.

**Dimension 8: Sanctions**

As with most other dimensions, indicators that focused on the legal framework were used to evaluate the dimension of sanctions. Questions included: Is current legislation in this area adequate? Are sanctions for violation of established rules appropriate?

Graph here:

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5 Article 23/1, paragraph 2-3 of the Law on Political Parties

6 Facts refer to the financial reporting of 2009 parliamentary elections

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New amendments defined in the Article 23/4 of the Law on Political Parties provide in general a good framework for preventing political parties from financial misbehaviors or non-compliance with the rules. The sanctions contain adequate rules, however clear definitions should be provided for specific cases in order to not leave space for gaps into practice. The below sanctions are explicitly prescribed by law:

- Financial misbehavior of legal dispositions by the responsible person for finances within the political party or the person assigned as in its respective statute is subject to a fine ranging from 50,000 ALL to 100,000 ALL.

- The infringement of the obligation of the political party to cooperate with the certified accounting expert assigned by the Central Election Commission is subject to a fine of 1,000,000 to 2,000,000 ALL.

- Failure or refusal to make the financial sources of the political party transparent or to allow the auditing by the certified accounting expert of Central Election Commission to take place is subject to a fine ranging from 2,000,000 ALL to a five-year suspension to fund the political party.

- The failure to submit the financial report within the established timeframe or the submission of reports which fail to comply with the standardised template approved by the Central Election Commission is subject to a fine of 50,000 to 100,000 ALL.

- Non-public funds received by the political party, if the identity of the donor is unknown or not clearly defined, shall be passed on to the Central Election Commission.

- Receipt of non-public funds exceeding the amount of 100,000 ALL and the failure to go through with a bank transaction is subject to a fine of 30% of the donated amount.

**Dimension 9: State Oversight**

State oversight is an indispensable element in strengthening the systems that regulates political financing. The independence and clear mandate of the oversight body is necessary for its effective functioning. It is also vital that the institution has sufficient resources and technical capacity to carry out its duties. The three indicators used in this study include questions on legal mandate and institutional arrangement to evaluate whether the body has necessary legal powers to carry out independent oversight of political party funding. Other questions focus on examining actual practices, such as, how independent is the electoral management body, as evaluated by relevant actors in the field? What are its capacities and shortcomings in terms of its resources?
The Central Elections Commission (CEC) is the institution responsible for the oversight of political parties and elections financing. It used to be the Supreme Audit Institution (SAI) but the article which gave these competences was repealed with a decision no.33 date 9.5.2011 by the Constitutional Court as the SAI had not put any oversight mechanisms in place.

The competences of CEC include drafting and adopting the rules on reporting of funding, on monitoring, overseeing and financial auditing of the political parties, and standardized formats of annual financial reporting, as well the format of the special register for private funds of political parties. CEC selects certified accounting experts and assigns them by lot to audit the funds and expenses of political parties, and also supervises their funding through checks on financial documentation and accounts of political parties. CEC imposes sanctions in case of law infringements and determines the amount of public funds each political party shall receive as annual financial aid. The institution is also in charge of organizing awareness programmes and training sessions on funding of political parties and subjects included in this process in accordance with this law’s dispositions.

**Dimension 10: Public oversight**

In addition to the oversight functions performed by state bodies, other actors such as the media, academics, civil society organizations and citizens and at times, political parties themselves may engage in monitoring funding of political parties. Monitoring may include activities such as reporting irregularities to government bodies, analyzing finance reports to inform the public and pressuring authorities to ensure that their oversight is functioning and effective. This study addressed this dimension by focusing on the oversight activities performed mostly by civil
society organizations and media. The specific questions included: whether there are organizations that oversee political financing, whether they are independent, active and influential in their activities. Another indicator also looks into the question of whether civil society, citizens or political parties report irregularities to the state oversight body.

Text:

Law: n/a

Practice: 4.6

Several civil society organizations have been engaged in monitoring the finances of political parties and elections in Albania. But as this issue is relatively new in Albania, few of the organizations have conducted comprehensive research or developed well drafted monitoring documentation.

We could mention here a monitoring project implemented by the Institute for Development and Research Alternatives (IDRA) and Forum of Free Thought, financed by the Open Society Foundation for Albania-SOROS and National Endowment for Democracy. The results of this research were published under the title “Promoting Transparency of Political Party and Campaign Financing”. It contained a monitoring of all political advertisements in 5 main Albanian telecommunications and calculations of electoral campaigns’ expenditures. This research also provided analysis and identification of facts when the Electoral Code was not respected.

The main issues of debate during the last two years, have been: 1) the need for a comprehensive and clear law for financing of political parties; 2) the need for a good legislation which would
tackle the annual finances of political parties (the legislation was improved only on February 10th 2011); 3) the oversight public institution for monitoring the political parties’ financing.

Discussions have been included the capacities of Central Elections Commission (CEC) for monitoring financing of parties. There have been discussions to pass these competences to the High Inspectorate of Declaration and Audit of Assets (HIDAA) because it is considered a more independent institution than CEC, and has more sufficient capacities to deal with such issue as it is also responsible for the control and audit of high officials’ income and assets.

Debate has also focused on the high costs of electoral campaign by two major political parties in the country, and also the fact that the candidates for the legislature are usually the richest individuals in the country.

VI. Recommendations

1. The threshold for the disclosure of donations should be lowered.

   The current threshold is set at the limit of 100,000 ALL (equivalent to 720 Euros) which is relatively high compared to the average salary in the country and the limits set in other countries in the region. Such high thresholds hinder transparency of donations, as a large number of small donations would go unaccounted for and would not need to be disclosed.

2. Reports on annual funding and election campaign funding need to be submitted separately in the case of electoral years.

   The Political Parties Law should include an article to define what constitutes election-related spending, in order to avoid political parties disguising election campaign spending as ordinary spending. The law should provide clear regulations that any expenditure on items or services that are used for campaign purposes counts as election campaign spending, even if it is made before the start of the official election campaign period.

3. Identification and reporting on in-kind donations should be regulated by clear and adequate legal provisions.

   The actual law implied that this will be solved through standardised reporting templates issued by the Central Election Commission. This is a general disposition, which could not be left to sub-legal acts. The law should mention clearly at least by explicitly stating that donations in-kind and loans and guarantees are to be defined and regulated through specific sub-legal acts issued by the CEC.
4. The timeframe within which the financial reports have to be submitted to the CEC should be specified by law.

Article 23 of the Law on Political Parties lacks this specification and leaves the decision on the deadline to the Central Elections Commission. CEC should at least make public what criteria it will use when deciding on the deadline for submission – in order to prevent every pretense of partiality.

5. Legal provisions on preventive measures need to be strengthened.

Abuse of state resources must be addressed rigorously through relevant regulations and legislation. There is an essential need to clearly define what constitutes such practices and prescribe clear penalties for breaching the established rules.

6. Political parties are strongly encouraged to publish their financial information and assign special persons responsible for disclosure.

In Albania, most of the political parties do not publish financial reports online. For this reason, a person or entity within each party should be clearly responsible for answering information requests. In addition, for the purposes of internal transparency, political parties in all countries need to keep their membership more engaged and informed about funding sources and party spending on a more frequent and consistent basis.
ANNEX 1

OVERVIEW OF SCORES BY DIMENSION

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Law</th>
<th>Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bookkeeping</td>
<td>9.1</td>
<td>n/a</td>
</tr>
<tr>
<td>Reporting</td>
<td>4.9</td>
<td>n/a</td>
</tr>
<tr>
<td>Scope of reporting</td>
<td>8</td>
<td>n/a</td>
</tr>
<tr>
<td>Depth of reporting</td>
<td>7.5</td>
<td>n/a</td>
</tr>
<tr>
<td>Reliability of reporting</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Public disclosure</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>Preventive measures</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Sanctions</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>State oversight</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Public oversight</td>
<td>4.6</td>
<td></td>
</tr>
</tbody>
</table>
## ANNEX 2

**TEN DIMENSIONS OF TRANSPARENCY IN POLITICAL FINANCE**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Generic questions for building indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal bookkeeping of parties</td>
<td>Is bookkeeping mandatory by law? How professional is staff in practice?</td>
</tr>
<tr>
<td>2. Reporting to state oversight agency (Central Election Commission)</td>
<td>By law, do parties, service providers, donors and media render accounts on their role in political finance? When and in what format?</td>
</tr>
<tr>
<td>3. Comprehensiveness or scope of reporting</td>
<td>Do reports include public and private sources? Do they cover income and expenses? Do they cover monetary contributions, in-kind contributions, rebates etc?</td>
</tr>
<tr>
<td>4. Depth of reporting</td>
<td>By law, do reports include information on individual donations? Do they clearly identify the donor of each donation?</td>
</tr>
<tr>
<td>5. Reliability of reporting</td>
<td>Do different actors disclose all resources in reports? How accurate are reports, to the knowledge of experts?</td>
</tr>
<tr>
<td>6. Disclosure to the public</td>
<td>Is it mandatory for state agencies/parties to disclose information on political finance? In practice, how accessible is such information to experts, journalists and ordinary citizens?</td>
</tr>
<tr>
<td>7. Preventive measures</td>
<td>Are donations channeled exclusively through official bank accounts? Are there any loopholes for anonymous donations?</td>
</tr>
<tr>
<td>8. Sanctions</td>
<td>What are the existing sanctions - civil, criminal and political – according to the law? In practice, are the existing laws strictly enforced?</td>
</tr>
<tr>
<td>9. State oversight (Central Elections Commission)</td>
<td>Do experts evaluate institutions of state oversight as independent? Are they considered efficient? From the perspective of self-evaluations, do they lack human resources? Do they lack training?</td>
</tr>
<tr>
<td>10. Public oversight</td>
<td>Do civil society organisations monitoring political finance exist? In which areas of political finance do they develop activities? Do experts evaluate organizations of public oversight as independent?</td>
</tr>
</tbody>
</table>