Untangling Political Finance
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Kosova 2013

Crinis Research Project

Kosova Democratic Institute (KDI)/
Transparency International Kosova (TIK)

Front-page (picture): Jeton Mikullovci

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Acknowledgements

CRINIS – ray of light in Latin – is a jointly developed project of Transparency International and The Carter Center. It evaluates and compares levels of transparency and accountability in party and campaign financing systems, and allows for targeted advocacy for reform of the legal structure and change in practices. Using nearly 150 indicators, it detects weaknesses and strengths in key areas. CRINIS is currently implemented in Albania, Croatia, Kosovo, Macedonia, and Serbia.

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Transparency in Funding of Elections Campaigns - Kosovo 2013

Foreword

Multiple political parties that compete with different philosophies and programs are crucial for further developing Kosovo’s democracy. Competition between parties creates democratic values and a more accountable government.

In democratic countries, party pluralism is a competition amid philosophies, choices, opinions, and the people who come to terms with their political ideologies and programs. For political parties, money is an important tool to develop and implement their ideas and programs.

Kosovo has significantly transformed its legislative approach toward regulating the finances of political parties. However, political parties are still in the process of developing and do not always function according to democratic principles. Lack of transparency – both from outside and from within – in their financing, lack of internal democracy, lack of participation in building political platforms, failure to hold elective assemblies to the deadlines defined in their statutes, and the extraordinary power of party leaders undermine the democratic values that political parties champion so dearly.

The low level of democracy in political parties also reflects the work of the state institutions that are often characterized by undemocratic decision-making processes.

In Kosovo, political parties are often challenged because some of their funding comes from taxpayer’s money, yet they are not transparent and misuse these public subsidies. The many ways in which political parties are financed still remain unknown due to the current legal loopholes, non-implementation of laws in the country and the weak capabilities of the state oversight institutions responsible for regulating political finance.

On multiple occasions, Kosova Democratic Institute (KDI)/Transparency International Kosova (TIK) has attempted to address this issue and strengthen the voice against corrupt practices in party financing, which damage the development of political parties and the development of democracy in Kosovo.

With the “Crinis" project, KDI/TIK’s primary purpose is to be able to “shine a light on money in politics” and to participate in the future drafting and implementation of adequate legislation, which would allow for transparent financing of political parties that would eventually contribute to the building of a democratic society based on values of the rule and respect of law.
I. Executive Summary

Since the 1999 conflict, Kosovo has made a substantial progress in reforming and regulating political finance and has held a total of six central and local elections. Learning from the mistakes made in each election, and with the help from international organizations such as the Organization for Security and Cooperation in Europe (OSCE), it has reformed the political party finance legislations notably. With many political finance reforms in place, Kosovo has developed a respectable legal framework regulating political finance that rivals other countries in the region. Although the legislation in place has improved rapidly, implementation remains weak across all the institutions responsible for regulating political finance and other activities of political parties. The main barrier for transparent party financing remains the lack of proactive monitoring of the laws in place, and proper sanctions for violations.

Concerning reporting, the majority of parties do not reveal all their donors; supporters themselves are discreet because they fear blackmail. In-kind contributions are underestimated or not reported at all. Information regarding campaign and regular finance is disclosed to party delegates only during annual party conventions. Political parties in Kosovo do not use a standardized format when reporting. Furthermore, the accuracy of reports is difficult to measure because income and expenses, excluding the public subsidy fund, are hard to verify and calculate accurately. Finally, reports are not trustworthy because the Central Election Commission (CEC) relies only on private accounting firms to ensure the accuracy of the information in the financial reports of political parties; moreover, the General Auditors’ office does not audit private donations, thus in Kosovo the verification of information is only done by private firms.

Political parties (except Lëvizja Vetëvendosje, hereinafter VV, and the CEC do not disclose financial records to the public.\(^1\) While the legislation obligates the CEC to publish all public documents on their page; the law does not specify an exact time frame and the publication channels. Benefiting from legislative loopholes, the CEC does not proactively publish financial and audit reports of political parties. Most of Political parties do not publish their annual or campaign financial reports also. The channels through which the public can get information on campaign finances are ambiguous to most people because it is unclear where and to whom to direct the requests.

The current sanctions in place are only symbolic and they do not incentivize political parties to implement the laws. The total amount of fines issued in 2011 was 2700 EUR (US $3,475), which averages to about 451 EUR (US $578) in fines per political party that is included in this research.\(^2\) Although the violations of laws are many, as stated in the 2010 audit report, the CEC did not issue any fines for non-compliance with major accounting rules (except for reports submitted late). The CEC rarely issues fines for minor offences, allowing political parties to be unpressured to improve the capacity and resources of their administrative staff who prepare the financial reports.

Results from the citizen’s test (a group of citizens, journalists and students requested information addressed to various stakeholders, such as political parties, donors, TV stations, etc) indicate that the majority of citizens do not know that their taxes fund political parties, signifying that public oversight is also weak. There is a need for greater public education on the subject of political finance. Most people are uninformed, which leads to inadequate supervision, and in turn creates a climate where the CEC and political parties do not feel any pressure for change. Most of the media in Kosovo do not carry out investigative reporting for party finance; they are

\(^1\) The CEC has only published the Annual Audit Report for 2010, and the Campaign Audit Report for elections in Kaçanik and Ferizaj in 2012
only reactive and rarely discover or publish violations of legal provisions.

To improve the current laws and practices on campaign finance, KDI/TK recommends the following measures be taken:

1. The CEC must demonstrate better transparency

The CEC must publish all financial reports (campaign and annual), including audit reports, immediately on their website. They should develop an electronic archive of all reports and relevant documents submitted thus far. Documents should be properly categorized (for instance: annual party reports, campaign reports, sanctions, etc.) to allow the public to easily evaluate the data over time.

2. The General Auditors’ Office (GAO) must check the accuracy of reports submitted by political parties.

GAO must audit the finances of political parties, including private donations. The current practice of outsourcing auditing to private accounting firms is not sufficient because they do not systematically verify the accuracy of reported income and expenses.

3. The CEC must adopt a zero tolerance policy and impose fines for all major and minor violations.

Sanctions should be increased and issued for all major and minor violations that political parties make. A zero tolerance policy would act as a strong incentive for political parties to implement the laws. Additionally, the CEC must set up a daily interest rate fee equal to the current market interest rates for all unpaid fines.

4. The Parliament must draft a new amendment to eliminate the 100 EUR thresholds, and outlaw, or at least reduce cash donations.

The legislation in place permits political parties not to report donations and expenses of 100 EUR or less. This measure should be removed as it reduces transparency by allowing for discreet donations and leeway for illicit donations.

5. The Parliament must draft a new law to combine all the legal provisions and the resulting set of laws regulating political finance into one law.

Combining all the laws and rules regulating political finance into one law would eliminate confusion, and enable faster access to information. The series of laws in place cause confusion, since they are not harmonized and sometimes contradict one another.
II. Introduction and Background to the study

Transparency International developed the assessment tool Crinis (Latin for ray of light) 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.

Political parties in Kosovo are perceived to be the most corrupt institution. The transition to democracy with multi-party system after the 1999 conflict has created an opportunity for political parties to be influenced in their policy decisions through donations. To reduce corruption in political finance, Crinis aims to make all donations publicly available for everyone to see.

This research will be used to advocate legislative reforms, especially in areas that are deemed to be the weakest and to inform the public in order to make political finance transparent.

2.1 Brief historical overview

Before the conflict, the majority of Kosovo Albanians were dedicated supporters of the Democratic League of Kosovo (LDK). After the conflict, many more political parties sprung up from the disbanded Kosovo Liberation Army (KLA). The most noticeable political parties that came out of the KLA are the Democratic Party of Kosovo (PDK) and the Alliance for the Future of Kosovo (AAK). Currently, PDK and LDK generally dominate the political scene. Self Determination Movement (VV) is lately picking up momentum by winning thirteen seats in the Assembly. Twenty seats are reserved for Minorities.

Prior to Kosovo declaring independence in 17 February 2008, the activities and finances of political parties were regulated with United Nations Mission in Kosovo (UNMIK) regulations. After Kosovo declared independence, the Assembly approved a number of laws that replaced UNMIK regulations and currently regulate political finance. The Central Election Commission (CEC) has drafted a set of rules on its own initiative that further defined and regulated the existing legislation. However the current legislation still has some loopholes and is not fully implemented by political parties and the institutions responsible for regulating them. Apart from continual reproaches from NGOs, there has not been any significant external pressure to change political finance in Kosovo thus far. Indeed, “political parties are extremely centralized, undemocratic and enjoy the image of being the least trusted institution.”

For more details, see:
http://www.transparency.org/policy_research/surveys_indices/gcb/2011
4 The current Prime Minister of Kosovo Hashim Thaqi is the party leader
5 Former short-term Prime Minister of Kosovo Ramush Haradinaj is the party leader
6 Lëvizja Vetëvendosje (VV) is a new political movement, which opposes some forms of international involvement in Kosovo’s internal affairs. They are considered nationalistic and want to hold a referendum on uniting Kosovo and Albania.
7 10 seats for the Serb community and 10 seats for other minorities: Roma, Askali, Egyptian, Turkish, Goran and Bosnian.
9 Law 03/L-073 on General Elections, Law 03/L-072 on Local Elections, Law 03/L-094 on the President of the Republic of Kosovo, Law 03-174 On Financing Political Parties and the Law 04/L-058 On Amending and Supplementing the Law No. 03/L-174 on Financing Political Parties.
10 The CEC has since 2008 drafted 16 Rules, the latest being on Financing of Political Parties
11 Kosova Democratic Institute: Assessment of Institutional Integrity, Kosova 2011, Political Parties Overview pg. 226
More than a decade has passed since the first free elections were held; yet, political finance still remains shady and political parties are facing many problems, such as: unprofessional staff (uncertified accountants), undefined political programs and philosophy, and lack of democracy in the internal functioning of the parties themselves.

The electoral system in Kosovo does not adequately represent all citizens, as Kosovo is treated as one electoral district. The Members of Parliament (MPs) do not represent all regions equally. Some municipalities are overrepresented, underrepresented or not represented at all.

Given that the assurance of adequate funding is one of the main ways to support a democratic system, the Crinis initiative is based on the belief that “money is a necessary element for democracies to run smoothly but only as long as financing is transparent, properly accounted for, with full public disclosure, and subject to effective governmental and social oversight mechanisms.” 12 To have a successful political funding system in place that meets internationally recognized standards, the responsible institutions must, among other things, proactively monitor the implementation of laws in place and adequately sanction violations.

III. General Context on Political Party Financing

The research results clearly show that emphasis should be placed on monitoring implementation of laws. There is clearly a greater need for the relevant institutions to proactively monitor the implementation of law and properly sanction violations. The institutions responsible for enforcing the law must be overhauled entirely as these institutions barely enforce the law.

Laws on Political Financing: Electoral and non-electoral periods

In post conflict Kosovo during 1999 and 2000, the United Nations Mission in Kosovo (UNMIK) was the first institution to establish rules for political party financing with UNMIK Regulations No.1999/1 and regulation No. 2000/16, “On Registration and Operations of Political Parties in Kosovo in March 2000.” 13 These regulations allowed the political parties to be financed from public subsidies, private donations, in kind contributions, membership fees and other income generated by political parties using their own resources. The UNMIK regulations obliged political parties to submit annual reports to the Political Party Registration Office (now the Central Election Commission, hereinafter CEC) and disclose them to the public. In practice however, the financial reports of political parties were never made public. 14

“The law on political party financing should be amended in a manner that prohibits or strictly regulates donations from legal entities that also provide goods and services to the public administration, obliges political parties to have a single bank account and defines time limits for publishing financial reports”

13 CEC Electoral Rule 10/2001
14 The CEC has only published the Annual Audit Report for 2010 and the 2012 Campaign Audit Reports for local elections held in Kaçanik and Ferizaj, political parties (except VV) have never made public their accounting books.
**Limits on Income and Expenses**

The lack of transparency and the ineffectiveness of the new regulations persuaded UNMIK to pass an additional political party finance reform. The new regulations required political parties to disclose all campaign expenditures, income and the assets that they owned. The amended law was an important step for political party finance reform. Learning from a series of general and municipal elections, and recommendations from the OSCE, UNMIK was led to pass another regulation which among other things established the finance disclosure and spending limits and toughened sanctions.

After independence was declared on the 17th of February 2008, the Assembly of the Republic of Kosovo passed a law which further regulated the financing of elections, and extended sanctions. The law was amended in 2010 to address considerable pressure from the international community and civil society. The newly amended law addressed only some of the concerns and left many issues unresolved, persuading the Assembly to pass another completely new law in 2010.

**Public funding**

The new law, among other things, regulated the public funds that political parties receive by allocating 0.17% of the overall state budget to finance the regular activities of the political parties and allocated another 0.05% of the total state budget to finance the local and central elections. The law further defined the way in which public subsidies must be disbursed by distributing 90% of funds “based on the number of seats in the Assembly” and 10% of the remaining funds for newly certified political parties.

The 2010 European Commission (EC) Report for Kosovo confirmed, however that “The law on financing of political parties has been adopted, but is not fully in line with European standards. One of the key weaknesses of the law is that it neither prohibits nor strictly regulates donations from legal entities which provide goods or services to the Public Administration.”

The Assembly passed another law but it did not address the remarks of the EC, in fact, it added a favorable amendment for political parties by increasing the public subsidies from 0.17% to 0.34% of the overall budget of the Republic of Kosovo.

The 2012 amendments to the Law on Financing of political parties further strengthened campaign financing legislation but did not tackle the EC remarks regarding donations from legal entities that provide goods and services to the public administration. The 2013 EC report from the European Commission to the European Parliament and the Council of Europe on progress by Kosovo in Fulfiling the Requirements of the Visa Liberalization Roadmap once more affirmed that “the law on political party financing should be amended in a manner that prohibits or strictly regulates donations from legal entities that also provide goods and services to the public administration, obliges political parties to have a single bank account and defines time limits for publishing financial reports.” At the time of writing this report, the Ministry of Finance is currently working on a new draft law to amend and supplement the laws regulat-
ing political finance again. The new draft law takes into consideration the EC remarks and is expected to go on the Assembly floor for a vote in October 2013.\textsuperscript{24}

Besides all the laws mentioned above (excluding UNMIK regulations) that regulate political finance, the CEC has adopted its own rules.\textsuperscript{25} The new CEC rules have bolstered political finance legislation even further. The additional rules among other things hold party leaders and accountants legally responsible for all the information submitted to the CEC. They also set limits on expenditures by allowing only 500 EUR (US $641) per 1000 voters (0.50 cents per voter) to be spent during elections. According to the CEC rules, political parties cannot accept donations from people or entities that cannot provide their full name, address, and their personal identification number.

Unfortunately, the series of laws in place cause confusion; they do not harmonize and sometimes even contradict one another. A good example of this muddle is the CEC rule which states that political parties can accept contributions of “no more than 20,000 EUR (US $25,815) per calendar year\textsuperscript{26} and the law on financing political parties which states that political parties can accept donations from “legal entities, in the amount of, no more than ten thousand (10.000) Euro [US $12,907] per one (1) calendar year.”\textsuperscript{27} Future adjustments to laws in place must incorporate all previous laws regulating political finance into one single law that brings all activities of political parties into line, including finance.

\section*{IV. Methodology}

The CRINIS methodology entails an 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 at the assessment of campaign election funding in Kosovo in 2010, whereby resources were mobilized by political parties to run the election campaign.

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 a thorough diagnosis of the legal framework and actual practice, it provides strong empirical evidence to create a clear picture of areas in 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 by taking into consideration the following ten dimensions (Table 1).

\textsuperscript{24} Based on the current Assembly practices, the EC recommendations go on the Assembly floor for a vote more rapidly than other issues. KDI/TIK has a copy of the proposed draft law, which is not yet public.
\textsuperscript{25} CEC Rule No. 01/2008 on Registration and Activities of Political Parties CEC Rule No. 12/2009: Campaign Spending Limit and Financial Disclosure, and the CEC Rule No. 14/2009 on Violations and Sanctions
\textsuperscript{26} CEC Rule No. 01/2008 on Registration and Activities of Political Parties, Article 17.1 (a)
\textsuperscript{27} Law No-03/L-174 on Financing Political Parties, Articles 5.1.1 and 5.1.2
Table 1: 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 political parties 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 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 stakeholders?</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 Election 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 organizations 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>
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</table>

Internal bookkeeping (dimension 1) ties in to the way in which political parties internally manage their financial resources. Reporting to the state oversight agency (dimension 2) evaluates the extent to which parties or candidates report to a government oversight body. Three dimensions – comprehensiveness of reporting (dimension 3), depth of reporting (dimension 4) and reliability of reporting (dimension 5) – center around the nature of data furnished in the financial reports and help to determine the quality of the information submitted to the oversight bodies. These evaluate crucial areas like all relevant finance activity, including cash, in-kind and other transactions, identity of the donor, credibility of submitted data and the perception of credibility of reports by key actors. Disclosure of information to the public (dimension 6) takes a look at the public’s access to political finance information. A third group of dimensions encompassing prevention (dimension 7), sanctions (dimension 8) and state oversight (dimension 9) addresses monitoring 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. Finally public oversight (dimension 10) addresses monitoring and oversight role of the civil society and media irrespective of the formal state oversight body with regard to political financing issues.

The information collected through the involvement of a broad spectrum of sources and different research methods, brings together over 75 evaluation indicators (law and practice). Questions feeding into each indicator have different range of answers, which translates into different weights for the final score for each indicator. The scale for each indicator ranges from 0 to 10, where 10 indicates that a country has met all criteria expected in terms of transparency and accountability and 0 indicates that none of these criteria has been met. Scores between 0 and 10 are grouped into three evaluation categories: insufficient (0 to 3.3), average (3.4 to 6.7) and good (6.8 to 10).

In accordance with the Crinis methodology used for this report, the legislation and the implementation of laws for financing political parties during campaign elections received an average score of 5.5 out of 10. The results position Kosovo in the average category, however when the averages for legislation and implementation of laws are calculated separately, we get a different picture. The average score for the legislation that regulates political finance is 7.2, placing Kosovo in the category of ‘good’ in regard to its laws. However the average score for implementing those laws in place is 4.6 out of 10, highlighting the need for the government to proac-

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Number of indicators</th>
<th>Weight Law/Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal bookkeeping</td>
<td>Total 5&lt;br&gt;3 Law&lt;br&gt;2 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>2. Reporting to state oversight agency (Central Election Commission)</td>
<td>Total 6&lt;br&gt;3 Law&lt;br&gt;3 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>3. Scope of reporting</td>
<td>Total 4&lt;br&gt;2 Law&lt;br&gt;2 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>4. Depth of reporting</td>
<td>Total 5&lt;br&gt;3 Law&lt;br&gt;2 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>5. Reliability of reporting</td>
<td>Total 3</td>
<td>100% practice</td>
</tr>
<tr>
<td>6. Disclosure to the public</td>
<td>Total 14&lt;br&gt;6 Law&lt;br&gt;8 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>7. Preventive measures</td>
<td>Total 10&lt;br&gt;5 Law&lt;br&gt;5 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>8. Sanctions</td>
<td>Total 12&lt;br&gt;6 Law&lt;br&gt;6 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>9. State oversight (Central Election Commission)</td>
<td>Total 5&lt;br&gt;2 Law&lt;br&gt;3 Practice</td>
<td>50% Law&lt;br&gt;50% Practice</td>
</tr>
<tr>
<td>10. Public oversight</td>
<td>Total 5</td>
<td>100% practice</td>
</tr>
</tbody>
</table>
tively monitor the implementation of laws and sanction violations properly.

The categories that received the lowest score, both for law and implementation, are the following: reporting (to the CEC in this case) with an average score of 5.2, disclosure (4.8), sanctions (3.3) and public oversight (4.9). The results clearly show that Kosovo still has legal loopholes, poor state and public oversight and weak implementation of the laws in place.

Data Sources

This study utilized both primary and secondary sources for collecting data. Relevant laws and regulations were examined for the assessment of the legislative framework. For analyzing the practice, the research team examined the reports from political parties and oversight bodies and interviewed various stakeholders to get insights into the operation of the party financing system and its oversight. Key actors surveyed included six political parties, selected based on the number of seats obtained in the last legislative election (see Appendix A), and their accountants/treasurers. Two parliament members from each of the six parties represented in the Parliament were also surveyed. The Central Elections Commission (CEC), as the major state oversight body, served as a primary source which also provided access to some of the secondary sources such as the 2010 Audit Report and their views on the current legislation and practices of campaign finance. However the CEC has not published the original financial statements, the sanctions that they have issued and the up-to-date Audit Report. The CEC blames its non-transparency on technical issues, such as a lack of staff.

Field tests were conducted to measure how easy it is for citizens to access information on the funding of political parties and thereby evaluate rates of response from different institutions, including parties, CEC, and donors. Access to information tests was conducted by a research team using a standard procedure to contact various actors. The second tests were conducted by a group of volunteers of average citizens and journalists. The aim was to contrast the ability to access the same set of information by actors with different levels of knowledge and contacts.

Data Collection Methods

Stakeholders, including the CEC, party accountants and donors contributing money to the election campaigns were personally interviewed based on the survey questionnaires. Media companies, donors and parties were primarily contacted through letters, requesting income and expenditure reports and details of airtime given or sold to parties. In the citizen experiment mentioned above, participants were given a list of specific information to be obtained regarding political party campaign funding, using different mediums of communication including the internet, phone or official letters requesting information.

Table 3 summarizes the type of information collected, the source of information and the data collection method used.

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28 For a visual presentation, see graph 1 and 2 on page 19
Limitations of the Study

There are several limitations of this study, including challenges that the research team faced during the project. For example, the area of study - political financing - is extremely new in Kosovo and there is limited public dialogue on the issue. No previous thorough research regarding campaign finance has been carried out; only research on regular annual party finance, completed by KDI/TK. This led to various challenges as the research team had a limited number of secondary data sources and had difficulties in contacting the key respondents. Furthermore, the research team was not able to verify the information collected from some key stakeholders because the CEC did not give the researchers access to the campaign finance reports. The CEC is obligated by law to publish the original reports received from political parties and the audit reports. Campaign reports for 2010 elections have not yet been published (March 2013). Political parties (except VV, although their finance reports do not have a detailed list of all their donors) refused to give the researchers access to their financial statements. The leading party in Kosovo (PDK) and the biggest minority party (SLS) refused to cooperate with the research team completely, they did not respond to any of our requests.

Table 3: Type and Sources of Information

<table>
<thead>
<tr>
<th>Type of Information</th>
<th>Source of Information</th>
<th>Data Collection Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Framework</td>
<td>Relevant laws and regulations</td>
<td>Legal review</td>
</tr>
<tr>
<td>Internal party practices on financial issues</td>
<td>Party reports, official records and public information</td>
<td>Team analysis, complemented by interviews of party accountants and experts</td>
</tr>
<tr>
<td>Disclosure of information</td>
<td>Political parties, oversight agencies, donors, media agencies</td>
<td>Research of publicly available information</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Testing availability of information from various stakeholders through written requests</td>
</tr>
<tr>
<td>Income and expenditure of political parties</td>
<td>Parties, oversight agencies, donors, watchdogs</td>
<td>Interviews</td>
</tr>
<tr>
<td>General Practice on political finance</td>
<td>Parties, MPs, CEC, CSOs, experts</td>
<td>Interviews</td>
</tr>
</tbody>
</table>
1. Research Findings

Table 1: Crinis Index: Graph showing overall findings with aggregated averages

<table>
<thead>
<tr>
<th>Bookkeeping</th>
<th>Reporting</th>
<th>Scope</th>
<th>Depth</th>
<th>Reliability</th>
<th>Disclosure</th>
<th>Prevention</th>
<th>Sanctions</th>
<th>State - Oversight</th>
<th>Non State - Oversight</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.8</td>
<td>5.2</td>
<td>8.3</td>
<td>7.5</td>
<td>2.2</td>
<td>4.8</td>
<td>4.4</td>
<td>3.3</td>
<td>6.2</td>
<td>4.9</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Table 2: Graph showing overall results Law and Practice

<table>
<thead>
<tr>
<th>Bookkeeping</th>
<th>Reporting</th>
<th>Scope</th>
<th>Depth</th>
<th>Reliability</th>
<th>Disclosure</th>
<th>Prevention</th>
<th>Sanctions</th>
<th>State - Oversight</th>
<th>Non State - Oversight</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>7.5</td>
<td>5.7</td>
<td>4.6</td>
<td>2.2</td>
<td>2.2</td>
<td>3.7</td>
<td>5.3</td>
<td>4.9</td>
<td>4.6</td>
<td></td>
</tr>
</tbody>
</table>

**Dimension 1: Internal bookkeeping**
The first stage of reporting by political 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.

Most political parties have accepted donations that exceed the legal limit allowed.\textsuperscript{34} Regarding expenditures, reporting is not sufficiently detailed. For instance, according to an article in the daily newspaper Zëri, in 2012 the Democratic Party of Kosovo (PDK) spent 52,252 EUR (US $66,961.5) on cars, but did not reveal the types of cars purchased.\textsuperscript{35}

The principal problem with internal bookkeeping relates to “in-kind contributions” which are underestimated or not reported at all.\textsuperscript{36} In-kind contributions, usually defined as goods or services of any value offered free of charge, is an area where political parties hide their donors the most. For example, in the 2010 audit report most political parties had underestimated their expenses in the following categories: office rent, salaries and utilities. Only some political parties claim to hold office of any kind.\textsuperscript{37}

All main political parties have branches and sub-branches throughout Kosovo; however, they have not declared expenses for branch offices or their headquarters.\textsuperscript{38} Therefore one must assume that their offices are provided free of charge by members or supporters of political parties, yet they do not report this as an in-kind contribution as required by law.

\textbf{Graph 1:}

\begin{center}
\begin{tabular}{c}
\hline
\textbf{Law} & 10 \\
\textbf{Practice} & 7.5 \\
\hline
\end{tabular}
\end{center}

Although the provisions in the law concerning internal bookkeeping are adequate, implementation remains weak as one can see from the graph above.

The law\textsuperscript{29} and the CEC rules\textsuperscript{30} require political parties to keep books on income, expenditure and assets. According to some party accountants\textsuperscript{31} included in this research, they update their accounting books quarterly, though the research team was not able to verify if political parties implement this legal requirement because they were not granted access to their accounting books.

However, looking at the 2010 audit report,\textsuperscript{32} one can clearly see that in practice almost all political parties did not comply with the law. The majority of parties do not reveal all their donors; supporters themselves are discreet because “they fear blackmail from the opposition party, whether in the form of frequent inspections, sanctions, or hitches in public procurement process.”\textsuperscript{33}

\begin{itemize}
\item \textsuperscript{29} Law No-03/L-174 on Financing Political Parties, Article 6.2
\item \textsuperscript{30} CEC Rule No. 01/2008 on Registration and Activities of Political Parties, Article 20
\item \textsuperscript{31} Accountants of LDK, AKR, and KDTP
\item \textsuperscript{32} Audit Report 2010 http://www.kqz-ks.org/SKQZ-WEB/al/materiale/raportiauditmit2010.pdf
\item \textsuperscript{33} Questionnaire 11, question 124, Answered by an academic who wished to remain anonymous.
\item \textsuperscript{34} Audit&Conto 2010 Audit Report: http://www.kqz-ks.org/SKQZ-WEB/al/materiale/raportiauditmit2010.pdf
\item \textsuperscript{35} Zëri (Kosovo), “Kryeministri Nuk i Deklaron Financuesit e Partisë” [The Prime Minister Does Not Reveal his Party’s financiers], 18 March 2013
\item \textsuperscript{36} Audit Report 2010: http://www.kqz-ks.org/SKQZ-WEB/al/materiale/raportiauditmit2010.pdf
\item \textsuperscript{37} Audit Report 2010: http://www.kqz-ks.org/SKQZ-WEB/al/materiale/raportiauditmit2010.pdf
\item \textsuperscript{38} Personal interview with an Anonymous political party accountant on 22.11.2012 and a local branch party leader in one of the municipalities of Kosovo on 12.01.2013
\end{itemize}
According to party accountants\(^{39}\) the information regarding campaign and regular finance is disclosed to party delegates only during annual party conventions. Some party members interviewed for this report have admitted that they do not know how their campaigns are financed.\(^{40}\)

In most cases, even the person running for legislative elections does not know how his/her campaign is financed by the political party he/she is representing. Ardian Gjini, a Member of Parliament (MP) and a member of Alliance for the Future of Kosovo (AAK), said, "I assure you that not even political parties themselves know where the donations are coming from."\(^{41}\)

According to the law,\(^{42}\) the party accountants and the party leader must sign every accounting report. Since the financial reports for 2010 campaign election are not available, the research team could not verify if this requirement is implemented. However, according to the party accountant for Democratic LDK, Mr. Lutfi Zharku, party leaders and accountants do not have to sign the reports because even if they do not, they are still legally liable for all the information provided in the reports.\(^{43}\)

The law does not require the party accountants to be certified; it only states that they should be properly trained.\(^{44}\)

As a result most of the staff managing the finances of parties is unqualified and unprofessional.\(^{45}\)

Lastly, the law requires political parties to keep records of all documents for a period of seven years.\(^{46}\)

According to party accountants, this part of the law is implemented.\(^{47}\)

**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 media companies are required to report, whether there is a specific standardized format for submitting information and how often reporting is required.

Besides annual reporting, the CEC rules require political parties to submit financial campaign election reports after elections take place.\(^{48}\)

The law does not require political parties to submit their accounting reports in a standardized format.

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\(^{39}\) Lutfi Zharku, Ilir Cacaj, and Enis Kervan accountants for LDK, VV and KDTP Party respectively

\(^{40}\) Naser Osmani, Safete Hadergjonaj

\(^{41}\) Zëri (Kosovo), "Kryeministri Nuk i Deklaron Financuesit e Partisë" [The Prime Minister Does Not Reveal his Party’s financiers], 18 March 2013.

\(^{42}\) Law No. 03 L-073 On General Elections in the Republic of Kosovo, Article 14.2

\(^{43}\) Personal Interview with Lutfi Zharku; November 12 2012.

\(^{44}\) Law No. 03 L-073 On General Elections in the Republic of Kosovo, Article 40.7

\(^{45}\) Audit&Conto 2010 Audit Report: , pg 7 "Almost all political subjects do not have professionals (official staff) certified as accountants who are competent in accounting and financial reports"

\(^{46}\) Enis Kervan, Lutfi Zharku, Ilir Cacaj

\(^{47}\) CEC Rule No.12/2009 On Campaign Spending Limits and Financial Reporting, Article 4.3
The law also does not require donors to submit details of their donations to the CEC. The CEC officials reason this by explaining that political parties are required by law to record all details of their donors and submit them to the CEC, thus it is unnecessary for donors to report to the CEC as well, doubling the work. Donors were the most difficult for the research team to contact because they are very secretive and like to remain anonymous. This fact is also confirmed by academics that completed the questionnaires.

The research team tried different methods of contact (post, emails, phone calls, and visits to their headquarters) but only managed to interview a few donors after assuring them that they would remain anonymous. The donors interviewed described the need to remain discreet about their political contributions for fear of retaliation from whatever party is in power. To avoid this, some donors donate to all political parties including their local offices so as not to “interfere with daily business affairs.” One donor in particular cited many examples, where only after donating big sums to the local party branch, did hygiene inspectors leave him alone. According to the donor, it is impossible to do business in this particular municipality if you do not donate to whichever party is in power at the moment. Furthermore, he cited examples where he had to pay money, on top of what he regularly pays to the public garbage pick-up company for them to collect the waste. After donating to the party in power, the garbage pick-up company began to collect the waste regularly.

Due to the lack of relevant legal provisions, media companies do not report details of advertisements to the CEC, whether paid or unpaid during campaign elections, they only report to the Independent Media Commission (IMC), however in the 2009 local elections, most media companies failed to report daily logs to the IMC as they are required to do by law during elections. Media companies are required to submit annual reports to the IMC, but not to the CEC. The IMC does not make these reports public. The research team requested them in writing, but they were not provided.

The research team used an old annual report of the IMC (2009) to try to examine how campaign finance advertisement time is reported, but it was very difficult to understand, given that campaign advertising and regular advertising were not specified and or separated. Furthermore, the report did not account for indirect advertising the political parties get, such as; coverage during campaigns and talk shows dedicated to political parties.

Although donors and media companies do not report directly to the CEC, they normally report to other regulatory bodies, like the tax authorities, as required by tax regulation. The media also reports to the IMC, an area regulated by broadcasting laws. It is important to mention that the research team could not find any evidence where the CEC requested information from the tax authorities to verify details of donors and from the IMC to verify advertisement time. An IMC member said that they are not obligated by law to re-

49 Roundtable debate meeting at Rings Restaurant, Pristina on 22.01.2013 with Safete Hadergjonaj, Naser Osman, Agim Kuleta (MPs), Miradie Mavriqi (head of the Political Party Registration Certification Office at the CEC) and the KDI/TK research team.

50 Questionnaire 11, completed by an anonymous professor who is an expert on the topic of political finance and political parties in general.

51 Answered by an anonymous political party donor who is a major businessman in one of the municipalities of Kosovo.

52 Anonymous businessman who owns a multmillion dollar business and operates in one of the municipalities of Kosovo was interviewed by the research team.

53 http://www.kpm-ks.org/materiale/dokument/1283523293.5373.pdf pg.26

54 Law no. 03/L-73 on General Elections, Article 49.7

55 Letter sent to the IMC office on 12/08/2012 and writing via email on 10/08/2012, for which we received an answer confirming the acceptance of the email and that the request was going to be followed up by the responsible person.


57 Tax Administration of Kosovo
port to the CEC, thus they do not collaborate. 58

In most countries the use of a standardized format when reporting is required. However, this is not the case in Kosovo. At the time of writing this report, The International Foundation for Electoral System (IFES), is working with the CEC to develop a standardized format with which political parties must report their regular and campaign election funding. 59

KDI/TIK has a copy of the Request for Proposal and Quotation, Political Finance Reporting Form from IFES, which outlines the work with the CEC to develop a new standardized format for reporting electronically or in hardcopy.

**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).

The legislation in place regarding the extent to which political parties are required to report is in line with international recognized standards. 60 The legislation requires political parties to include in their campaign reports the following: individual/corporate monetary donations, private donations in kind, and money from fundraising activities. 61 Furthermore, the law compels parties to record all campaign expenses for the election period, and a balance of payments sheet, which shows assets and liabilities 90 days prior, and 45 days after elections. The political parties that participated in elections must save all invoices and receipts above 100 EUR (US $128) for a period of seven years. The law, however, does not require political parties to include in the campaign reports discounts on goods and services.

The law also demands political parties to report all expenses and sets a spending limit of 1000 EUR (US $1,281) for every 500 voters (50 cents per voter) during elections. All major political parties significantly violated expenditure limits during 2010 elections. 62

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58 Phone call with Drita Begolli, Member of IMC, 02/01/2013
59 KDI/TIK has a copy of the Request for Proposal and Quotation, Political Finance Reporting Form from IFES, which outlines the work with the CEC to develop a new standardized format for reporting electronically or in hardcopy
60 Financial Reporting Standards (IFRS)
61 Law No-03/L-174 on Financing Political Parties, Law No. 04/L-058 On Amending and Supplementing the Law on Financing Political Parties, Law No. 03/L-072 On Local Elections, CEC Rule No. 01/2008 on Registration and Activities of Political Parties, and the CEC Rule No. 12/2009 on Campaign Spending Limit and Financial Disclosure
62 Kosova Democratic Institute and Transparency International Kosova: (November 2010) Monitorimi i Kostos së Fushatës Parazgjedhore, Zgjedhjet e Përgjithshme Për Kuvendit të Republikës së Kosovës; The report analyzed the actual expenses incurred (a group of people, split in teams, attended the events of the political parties being researched and estimated the cost of the event, or the cost of some other activity) with the expenses reported. The report found that almost all major parties underestimated their expenses.
**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 reporting income in financial reports.

**Graph 4:**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depth of Reporting</td>
<td>7.5</td>
</tr>
</tbody>
</table>

**Law: 7.5**  
**Practice: 7.5**

The legislation on the depth of reporting is relatively strong since all the information on each donation and expenditure must be properly identified and itemized. Current legislation has a threshold of 100 EUR (US $128), and anything exceeding this amount must be reported.\(^{63}\) The threshold is detrimental to transparency and creates a loophole for illicit donations, by creating a situation whereby political donors can give large totals to a party through small donations distributed to different individuals without having to report them.\(^{64}\) The reports on income must include the following details on all donations exceeding 100 EUR (US $128) during the regular and election period of reporting: the date, amount of each donation, and the name and official registrations of each donor.

Legal requirements for reporting expenses are satisfactory as well because reports must include information such as: the date of each expense, the amount of each expense, the name of each vendor and official registration for each vendor. The implementation of the law in practice however is weak because details regarding expenses are missing, or very often huge amounts of expenses are reported as “other expenses.”

The current legislation allows for the CEC, NGOs and voters to check the accuracy of information provided in the reports. However, in practice political parties do not reveal the full details of their donors and other relevant details.\(^ {65}\) This makes it difficult to identify parties who depend greatly on a few selected donors and to monitor future work of political parties for any potential action that the party may take for the benefit of its donors.

\(^{63}\) Law No-03/L-174 on Financing Political Parties, Article 15.3.4 AND CEC Rule No. 01/2008 on Registration and the Activities of Political Parties, Article 20.3.d & 21.1.b  
\(^{64}\) The threshold creates a possibility for political donors to distribute the total amount to different people and donate it discreetly.  
**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 that a report contains 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 accessible it is to the public and to what extent the public controls its veracity. If the reliability of the data is questionable, the public’s interest in monitoring will naturally wane. Multiple indicators processed the responses to questions such as how accurate reports are (for example, what percentage of donations is 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.

Measuring the reliability of data is difficult. The Crinis methodology relies on data from surveys with key actors working in and knowledgeable about party financing, such as party accountants, officials of oversight agencies and members of civil society. In Kosovo, the key actors missing from this survey are the election auditors as the CEC does not have auditors that audit campaign finances. Therefore the research team could not rely on their opinion of the reliability of financial reports. After recommendations from the General Auditor’s Office, the CEC hired an internal auditor, who does not audit the party finances, but only the internal finances of the CEC. According to some Members of Parliament (MPs), in the newly amended law they did not want to politicize the finances of political parties by authorizing auditors within the CEC to audit the financial reports, yet the current CEC members are representatives of political parties at the CEC. The internal auditor of the CEC also stated that the accuracy and reliability of reports is difficult to measure.

Reliability of reporting received a very low score because the CEC relies entirely on private auditing firms to ensure the accuracy of information, and there is a lack of scrutiny from the General Auditors office.

Party accountants and the internal auditor of the CEC, have admitted that this institution is not competent to verify the information that they receive. The fact that the CEC has accepted several incomplete reports from political parties, which is a violation of the law, is further proof of their incompetency and lack of professionalism. Members of the CEC also confirm the lack of professionalism. Due to

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66 Questionnaire #8 completed by the internal Auditor of the CEC, Mr. Sylejman Gashi, 10.12.2012
67 Naser Osmani and Safete Hadergjonaj
68 Questionnaire 8, question # 122 completed by the internal Auditor of the CEC, Mr. Sylejman Gashi, 10.12.2012
69 The General Auditor’s Office audits the public subsidies but they do not audit private donations as they are not obligated to by law.
70 Interview with Enis Kervan, accountant for Kosova Demokratik Türk Partisi (KDTP) party, 05/10/2013 KDTP is a minority party representing the Turkish community.
71 The General Auditor’s Office: (May 2012) Annual Financial Auditor’s Report For the Central Election Commission For the Year ended on 31 December 2011: “most of the reports submitted by political subjects to the CEC, are not properly filed” page 21
72 Questionnaire #8, question 343, Answered by Mr. Sylejman Gashi, the Internal Auditor at the CEC who wrote: “The frequent movement of the CEC employees, no doubt impacts the performance of the CEC.” AND Questionnaire #9, question 122, answered by Mr. Alban Krasniqi, member of the CEC who commented that “Irregularities that appear in the financial reports can be a result of: a) the lack of proper legislation b) the lack of professional/skilled employees preparing the accounting reports C) the lack of political will to be more transparent in the relationship between politics and business”
the lack of auditors within the CEC whose function would be to thoroughly analyze the finances of political parties; this institution often fails to stretch its oversight beyond verifying the information received from political parties. In short, it lacks teeth to make political parties submit reliable reports.

The accuracy of reports is difficult to measure because income and expenses, excluding the public subsidy fund, are hard to verify, and calculate accurately. In the 2010 Audit report, some parties did not reveal any information regarding their donors, whereas other parties did not record the personal registration number required by law with which donors could be identified. Therefore the research team was not able to identify many donors.

**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 parties are subject: the disclosure of information on public subsidies; the disclosure of information received on private financing, 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 test, 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? Do parties voluntarily disclose financial information?

Legislation in Kosovo obliges public institutions – in this case the CEC – to publish financial reports of political parties, but the law does not specify an exact time frame and the channels for publication. 

Thanks to these legislative loopholes, the CEC does not publish financial reports of political parties.

To evaluate the willingness of political parties to be open and transparent, the research team requested the campaign financial reports directly from them, but only Self Determination Movement Vetëvendosje (VV) handed them over. The other political parties referred us to the CEC. The CEC directed the research team and citizens to their website, but this contains very little information and no annual or campaign financial reports are published (except the campaign reports for 2012 local elections in Kaçanik and Ferizaj), and it frequently does not work. Despite recom-

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74 Law No. 03/L-174 on Financing Political Parties, Article 15.4 “CEC should publish all annual financial reports together with auditing declaration of political parties in its official page”
75 At the time of the writing of this report, we had difficulties accessing the CEC web-page. Recently, IFES has supported the CEC to develop a new and more sophisticated web-page which is more user-friendly and contains more documents.
mendations that the research team made last year to amend the law to specify a precise timeframe for making the finances of political parties public, annual finance and campaign election reports have still not been published. This year again, the research team faced many difficulties in obtaining financial reports and other relevant documents that they requested. The lack of a precise timeframe does not justify the non-publication of reports by the CEC.

The law mandating the CEC to disclose public documents is well-defined and not complex. It clearly states that “the CEC shall publish all annual financial reports together with auditing declarations of political parties on its official website.” The CEC and other public institutions have formed a complex bureaucratic system for obtaining financial reports that an ordinary citizen is unlikely to be able to navigate in order to find these reports or related information.

The citizens’ test showed that a random citizen in Kosovo is not able to get up-to-date information on party funding. For example, by multiplying the total central budget by 0.34%, and then dividing this figure by the number of seats in the parliament that each party controls, one can calculate how much each party receives through public subsidies. During elections, the percentage of public subsidies increases to 0.39% (0.34% for regular finance and 0.05% for elections) of the total central budget. However, the process of collecting information is difficult for citizens because the amount of subsidies that each political party receives is not clearly defined. Only VV party publishes its financial reports online. In a roundtable discussion organized by the research team, Ms. Miradije Mavriqi, Chief of the Office of Political Parties Registration and Certification (PPRO), said that the reason for the non-disclosure of documents is the lack of staff and resources. However, the Assembly has always approved any additional funds that the CEC requested and thus far it has not lacked financial resources, a fact confirmed by the internal auditor of the CEC.

The channels through which the public can get information on campaign finances are vague to most people because it is unclear where to direct requests. The law on Access to Public Documents obliges all public institutions (the CEC included) to appoint a special employee responsible for processing disclosure requests. The CEC does not have an employee responsible for processing the disclosure requests and for publishing the financial and audit reports. Furthermore, their website has a poor archive (at the time of writing this report, it has nothing) and the public cannot access the parties’ financial records.

**Dimension 7: Preventive measures**

This study assesses the dimension of preventive mechanisms in political party funding using indicators that look at the 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 preventing potential abuse of political influence.

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76 Except the campaign financial reports for municipal elections in Kaçanik and Ferizaj
77 Law No-03/L-174 on Financing Political Parties, Article 15.4
78 In the citizens’ test undertaken by 13 citizens (2 journalists, 6 students, and 5 random citizens), none of them was able to receive the financial reports of political parties. The research team had a similar experience.
79 The Test was organized by KDI/TK and undertaken by (13 citizens 2 journalists, 6 students, and 5 random citizens)
80 The roundtable debate was held at Restaurant Rings on 22.01.2013, present were: Naser Osmani, Agim Kuleta, Safete Hadergjonaj (MPs), Miradije Mavriqi (CEC), Merita Mustafa (Program Manager at KDI/TK) and the author.
81 Questionnaire #8, question 343, Answered by Mr. Sylejman Gashi, the Internal Auditor at the CEC who stated that “ layoffs and cut backs on financial resources have not happened”
82 Law No. 03/L-215 on Access to Public Documents
Legislation and practice on preventive measures has improved since our last report, where it received a low score of 3.0 (Law) 3.3 (Practice) out of 10, but not significantly. This year again, it received a very low score (see graph 9 on Preventive Measures below), reflecting the lack of legislative improvements and the non-implementation of the current laws in place.

The latest law regulating political finance, states that all “donations of natural and legal persons to political parties should be done in a transparent manner through a bank account and should be included in financial reports of beneficiary political parties.” However it does not outlaw cash donations (lending a hand for anonymous donations) or require political parties to have one single bank account. According to experts and party accountants, only a small amount of financial transactions are executed via banks. In most cases, the accountants blame economic operators for the poor infrastructure system of payments they offer and have no choice but to use cash, especially for small transactions. However the consumer part of the banking system in Kosovo has improved a lot and bank-to-bank transfers can be done almost instantaneously.

There are some legal provisions for preventive measures against the abuse of government resources during election campaigns, such as the use of public buildings, public employees, etc. Nonetheless they are not reaching far enough. The law prohibits civil servants to use state offices and other state assets for the benefits of the parties.

Allegations of abuse of government resources are many, but they are difficult to verify as the public employees are very cautious and do not talk about them.

Unlike some other countries in the region, like Croatia there are no fiscal incentives for contributors or political parties to disclose donations. To prevent the potential abuse of political influence, there are laws regulating the media by setting limits on advertisement, free airtime, guaranteed access etc. The research team has communicated with the IMC officials to inquire about the level of cooperation between their institution and the CEC. These two institutions do not cooperate with...
one another to verify free airtime, paid advertisements or whether the distribution of free airtime on the radio and television gave leeway to manipulation by political parties during elections.

**Dimension 8: Sanctions**

Sanctions play an important role for enforcing the current laws in place and are a great incentive to stop violations. As with most other dimensions, multiple indicators that focused on both the legal framework and practices were used to evaluate the dimension of sanctions. Questions included: are existing laws on financing of election campaigns of political parties adhered to in practice? Is current legislation in this area adequate? Are sanctions for violation of established rules appropriate? In order to verify if sanctions are applied, the CEC report for the annual work and the activities of the CEC to the Assembly of the Republic of Kosovo was reviewed for the period of January-December 2011.  

In practice, no party leader or accountant has ever been held personally responsible for violations of the law.

"The CEC is an institution without teeth"  

In the 2010 audit report, many violations made by political parties were uncovered but were not sanctioned. The total amount of sanctions issued in 2011, was 2700 EUR (US $3,475), which averages to about 451 EUR (US $578) fine per political party that was sanctioned. If political parties gain 10,000 (US $12,823.2) EUR by breaking the law, 451 EUR is not a good incentive since they are left with 9,549 EUR (US $12,245). The CEC did not issue any fines for non-compliance with major accounting rules (except for the reports submitted late), plus the CEC rarely issues fines for minor offences, allowing political parties to be unpressured to improve the capacity and resources of their administrative staff who prepare the financial reports.

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**Graph 8:**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5</td>
<td>5.8</td>
</tr>
</tbody>
</table>

**Law:** 10  
**Practice:** 5.8

The legislation regarding sanctions is poor and needs improving, and the implementation of the law is even poorer. The current law holds the party leaders and the party accountants responsible for non-compliance with the rules of political finance. Penalties for failure to implement the law include the suspension of parties running for elections. In the 2010 audit report, many irregularities were found, for which the law holds party leaders and accountants liable.

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93 Law No-03/L-174 on Financing Political Parties, Article 21.2  
94 CEC Rule No.01/2008 on Registration and Activities of Political Parties, Article 19.2  
96 Aleanca për Ardhmërine e Kosovës (AAK), Crnogorska Demokratska Stranka (CDS), Nova Demokratska Stranka (NDS), Kosova Turk Birliğı (KTB), Partia Liberale e Kosovës (PLK), AND Partia Demokristiane e Kosovës për Intergrim (PDKI)  
**Dimension 9: State Oversight**

State oversight is an indispensable element in strengthening the systems that regulate 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 the technical capacity to carry out its duties. The two indicators for this dimension include questions on the legal mandate and institutional arrangement to evaluate whether the body has the necessary legal powers to carry out independent oversight of political party funding. Other indicators 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 powers of the CEC are outlined in the Constitution\(^98\) and the law on general elections regulates the functioning of the CEC.\(^99\) There are prerequisites for professional qualifications of the candidates heading the agency but the “Chairman of the CEC is appointed by the President of the Republic of Kosovo from among the judges of the Supreme Court and courts exercising appellate jurisdiction.”\(^100\) The selection process for the top position at the CEC does not strengthen the institutions’ independence because open competition for the position of Chairman is effectively eliminated. The members of the CEC represent their political parties proportionally. One can argue that party affiliation among members of the CEC can serve as a good check and balance by always trying to pinpoint the violations made by opposing parties. The CEC has the authority to hire an external auditor to perform accounting investigations of parties and candidates, in practice however, the CEC only appoints a private accounting firm to audit the annual and campaign reports, but they do not systematically check or verify the accuracy of reports. The last audit report was done in 2010 (June 2013).

Recent analysis has shown that the legislation is stronger than the practical implementation. This year again, the effectiveness of the CEC and the implementation of laws by the CEC remain weak. Sources who wish to remain anonymous believe that, “the CEC is an institution without teeth” and can be easily deceived by modifying the accounting books according to their needs.\(^101\) According to another high-ranking official of the party, who also wishes to remain anonymous, the CEC lacks the ability to analyze the reports submitted by political parties in depth, and they often fail to extend the examination of accounting books beyond the information supplied by the political parties.\(^102\) Questionnaire #8, question 122, Answered by Mr. Sylejman Gashi, the Internal Auditor at the CEC who stated that “in terms of the accuracy of the presentation of reports, there exists deficiency of accuracy of reports because revenues and expenses, excluding Kosovo budget funds are hardly verifiable and can not be calculated accurately.”

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\(^98\) The Constitution of the Republic of Kosovo, Article 139: Central Election Commission (CEC)
\(^99\) Law No. 03/L-073 On General Elections in the Republic of Kosovo, Article 64: Responsibilities and Functions of the CEC
\(^100\) The Constitution of the Republic of Kosovo, Article 139.3
\(^101\) Anonymous political party accountant, Personal Interview. 14 November 2012.
\(^102\) Questionnaire #8, question 122, Answered by Mr. Sylejman Gashi, the Internal Auditor at the CEC who stated that “In terms of the accuracy of the presentation of reports, there exists deficiency of accuracy of reports because revenues and expenses, excluding Kosovo budget funds are hardly verifiable and can not be calculated accurately.”
ciency of accuracy of reports because revenues and expenses, excluding Kosovo budget funds are hardly verifiable and can not be calculated accurately. In terms of resources, the CEC has never had any cutbacks and the Assembly has always approved requests for additional funds. Moreover, the OSCE has continuously provided assistance to the CEC. Nevertheless, the CEC does not manage its funds effectively, a fact mentioned by the Internal Auditor of the CEC and the respondents to questionnaires. Their claims are also confirmed by the fact that the CEC was not able to spend all the financial resources for the fiscal year of 2010.

The main problem with the CEC remains its inaction when violations are found by private accounting firms (the CEC rarely imposes fines for underreporting). The lack of auditors at the CEC whose sole function would be the audit the reports of political parties also diminishes the capacity of the CEC to take action, a fact confirmed by the CEC officials, observers, experts, respondents, with a low score of 5.3 for the implementation of laws in place.

**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. Proactive monitoring of political finance by civil society and the media can lead to a better and more accountable government. 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 election 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 in election financing to the state oversight body.

Public oversight in our last analysis was inadequate and remains so again this year, receiving a low score of 4.9 out of 10 (see graph 10 below).

NGOs play an important role in detecting flaws in the legislation, identifying holes in the imple-

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103 Roundtable debate held at Restaurant Rings on 22.01.2013, present were: Naser Osmani, Agim Kuleta, Safete Hadergjonaj (MPs), Miradije Mavriqi (CEC), Merita Mustafa (Program Manager at KDI/TIK) and the author
104 Trainings, logistical support, etc
105 Questionnaire #8, question 426, Answered by Mr. Sylejman Gashi, the Internal Auditor at the CEC who stated that: “We are constantly seeking ways to improve the use of funds but we still lack a good/concrete plan to manage the expenditures and the quality of spending. The absence of a good plan is also highlighted in the reports of the auditor General and the internal auditor”
106 The Office of Auditor General 2010 Report
107 Personal interview with: Anonymous political party accountant, 14.11.2012
108 Questionnaire #8, Answered by Mr. Sylejman Gashi, the Internal Auditor at the CEC. Personal interview with: Valmir Ismaili, CEC observer from KDI. In addition, IFES under the USAID funded Strengthening Election Administration in Kosovo (SEAK II) project, assisted the revision/development of forms used to report political entity finances to the CEC.
mentation, as well as proposing solutions. Monitoring is therefore essential to achieve transparency and accountability in political finance.

Apart from NGOs like KDI/TIK and ÇOHU, public oversight by other civil society elements remains weak. Results from the citizen’s test signify that most of the public do not know that their taxes fund various activities of political parties. There is a need for greater public education on the subject of political finance, as most of them are uninformed, which leads to inadequate supervisions, and in turn spearheads a climate where the CEC and the political parties do not feel any pressure for change. The research team scans all newspapers daily; the subject of political finance is rarely covered as journalists pay more attention to other topics, such as the dialogue between Kosovo and Serbia and the internal party clashes, subjects which are covered continuously. It is worth noting that transparency in political finance is a relatively new phenomenon in Kosovo.

KDI/TIK has been involved in promoting transparency in political finance since 2009. The research team has previously made recommendations for improving the legal framework on transparency of political party funding, and was also the first to identify gaps between the legal framework and the actual practices of political parties.

According to the CEC officials, NGOs report the majority of irregularities. Next are political parties, and the media. Citizens hardly ever report irregularities. The media plays an important role in uncovering violations in other countries of the region as is verified by the discovery of a corrupt scandal involving political finance in Croatia. However, the media in Kosovo does not carry out investigative reporting; they are largely reactive and do not uncover or report on violations of legal provisions.

V. Recommendations

Central Elections Commission

1. The CEC must cultivate better transparency

Transparency in party finance is important to prevent corruption and protect the rights of voters. The CEC must make available to the public all financial reports of the political parties (campaign and annual), audit reports, and the fines issued. Transparency in reporting requires a timely publication of parties’ financial reports that are publicly available on the internet.

2. The CEC must define a standardized format that political parties are required to use when reporting. The standardized format must itemize all relevant categories

The CEC must define a standardized format for reporting with which political parties disclose all required information to allow the public to compare reports. The reports must be easily understandable for an average citizen, and should distinguish between income and expenditure. In addition, the reports must properly itemize private and public donations into standardized categories. The reports should include annual party finance and campaign finance (where applicable). Reports must detail if the expenses were used for the benefit of the party or the candidate and provide an explanation for all expenditures.

3. The CEC must hire professional/certified auditors to check the reports that political parties submit

The current practice of outsourcing the audit of financial reports is not sufficient because the contracted accounting firms do not proactively audit the reports or carry out investigation. The CEC thus must hire a certified accountant whose function would be to sys-
tematically audit and monitor financial reports of political parties.

**Government of the Republic of Kosovo**

4. **All transactions must be executed via one bank account, and the 100 EUR thresholds must be reduced or eliminated.**

The government must amend the law to require all political parties to execute all transactions via one bank account. In addition, all cash donations must be outlawed to avoid discreet donations.

5. **Toughen sanctions.**

If a political party does not pay its obligations, such as fines, taxes, and court rulings, they should be banned from participating in the elections until all obligations are cleared. Additionally, a daily interest rate for all unpaid fines equal to, but not lower than current market interest rates should be imposed.

6. **Harmonize and consolidate all the laws that regulate political finance into one law.**

To avoid confusion and misinterpretation, all legal provisions related to political finance, including campaign finance, should be included in one single law.

7. **Provide tax incentive for donors**

Kosovo needs a tax system where the system can be used to attract contributions of various means, but to also discourage illicit funding. Making contributions tax-exempt in part or in whole may do this.

**Political Parties**

8. **Professionalize the administration in preparing reports**

Taking into consideration the recommendations of the 2010 Audit Report, where the lack of professional staff was identified as the main cause for filing reports incorrectly. Political parties are recommended to hire professional, certified accountants.

9. **Assign an individual responsible for disclosure**

Political parties and the CEC must assign an individual who is responsible for replying to information requests.

**Civil Society and Media**

10. **Media organizations and NGOs must address the topic of political finance more frequently**

Media organizations must be proactive and not only reactive to developing news regarding political finance. Investigative reporting and constant coverage in print and broadcast media can pressure the CEC and political parties to reform. NGOs must constantly pressure legislators to reform political finance.
## VI. Annexes

### Appendix 1: Political Parties

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Political Party in its Original Language</th>
<th>Name of Political Party in English</th>
<th>Acronym</th>
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<th>Ruling / Opposition party</th>
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### Appendix 2a: Overview of scores by dimension

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## Appendix 2b) List of Graphs

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