

MONEY IN POLITICS

June 2017
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ANALYSIS OF POLITICAL AND CAMPAIGN FINANCE, LEGAL FRAMEWORK AND POLITICAL PARTY COMPLIANCE

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EXECUTIVE SUMMARY

The legal framework in Kosovo generally meets the broadly accepted international standards pertaining to political and campaign finance. The legal framework regulates contributions, defines the sources from which parties may or may not receive income, and sets a limit on the amount that political entities may receive, not exceeding 2,000 euros for individuals and not exceeding 10,000 euros for legal entities in a calendar year. There are regulations establishing a campaign expenditure ceiling of 0.50 euros per registered voter. Public funding is provided each year to political entities in proportion to the number of seats that they hold in the Assembly of Kosovo, which altogether received 4.2 million euros during 2016. The law requires from political entities to submit annual finance reports each year, and campaign finance reports following each election to disclose their income, expenditures, assets, and contributions. The law also provides mechanisms for enforcement, requiring from parties to establish internal controls, requiring audit by independent and qualified auditors, and establishing sanctions for lack of compliance.

In practice there are major issues with enforcement of political and campaign finance regulations. The finance reports of some of the main parties are not accessible or became accessible with several years of delay. There were undue delays in the selection of auditors by the Committee on Budget and Finance of the Assembly of Kosovo, which provided an arbitrary justification to the political parties and the Central Election Commission not to disclose the finance reports. There are allegations that political parties receive large contributions from business and corporate owners in cash, and the return in investment is materialized with public contracts. Political parties run activities in cash, and make use of public resources for campaign purposes, which is not traceable in the finance reports. Such alleged violations are eased by high rates of informal economic and financial activity, lack of audit of political and campaign finance reports

in the past several years, and lack of interest of enforcement authorities.

As of June 2017 when this report was drafted, Partia Demokratike e Kosovës (PDK), which received the largest chunk of public funding in the value of 1,295,000 euros during 2016 does not have an active website and does not provide access to any of the finance reports between 2013 and 2016. Lidhja Demokratike e Kosovës (LDK), which received 1,050,000 euros from the public funds during 2016 delayed the publication of annual finance reports of each year between 2013 to 2016 and campaign finance reports of 2013 local and 2014 national elections, through to 2017 when it made them available on its website. Lëvizja Vetëvendosje (VV), while it has generally set a high standard of compliance with political finance regulations, it did not make available the 2016 annual finance report. Aleanca për Ardhmërinë e Kosovës (AAK) has not made available any of the campaign finance reports of the 2013 municipal elections or 2014 national elections. NISMA only provided access to the 2015 annual finance report in a hardly readable image format in its social media platform. Lista Srpska and other minority parties that received public funding have not provided access to any finance reports. PDK's financial statement could not be reviewed at all as they are not currently publicly available.

LDK's financial statements show that it has not received any income from membership dues or contributions in the last four years (2013-2016). During the 2013 municipal and 2014 national election years, LDK spend more money than it received, recording a deficit of -86,640 euros during 2014, and a deficit of -336,917 euros during 2013. The political parties which recorded such deficits covered the expenses with funding that was left-over from the income of previous years, and because there is no public access to bank statements there is no data on how much money political



parties have in their account. LDK spent nearly half (47%) of annual expenses during 2014, and more than half (60%) of the annual expenses during 2013 for campaign purposes.

VV's financial statements show that over the years (2013-2016) it received 8% to 13% of its annual income from contributions. The smallest donation received by VV for 2015 was 3.50 euros and the largest donation was 3,000 euros. VV spent 28% of its annual expenses for the campaign of 2013 municipal elections, and 32% of its annual expenses for the campaign of 2014 national elections, which is nearly twice as less than LDK spent for campaign purposes. During 2013, VV spend more money than it received, recording a deficit of -90,170 euros.

AAK's reports indicate that nearly a third of the income of AAK was received for campaign purposes of 2013 municipal elections (30%) and 2014 national assembly (33%) elections. The list of contributors for the 2013 and 2014 election campaigns is not available for AAK. In each year from 2013 to 2015, AAK spend more money than it received. The largest deficit of AAK was recorded during the election years, -259,548 euros during 2013, and -163,308 euros during the 2014.

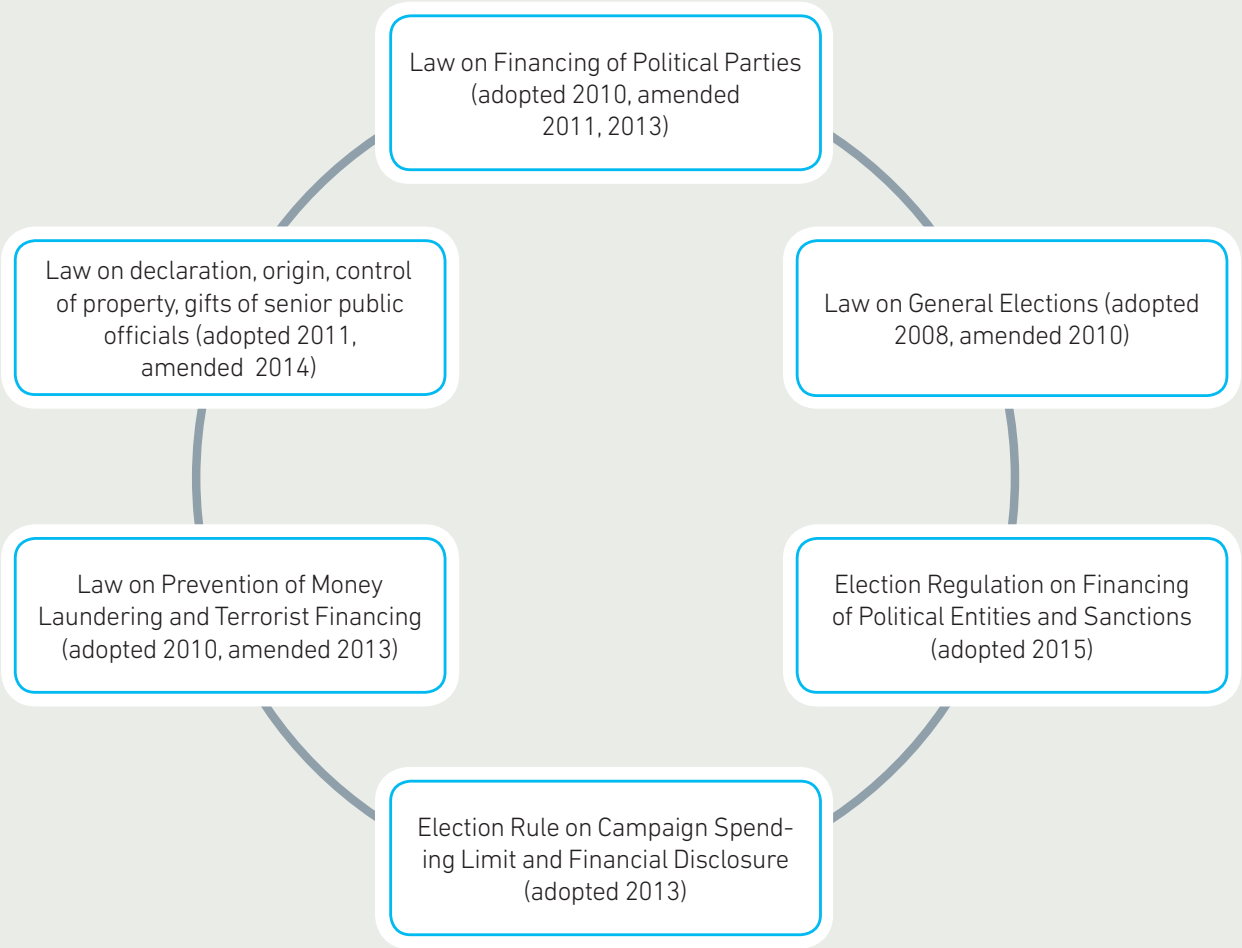
NISMA reports that it received nearly one third (30%) of its income during 2014 national elections for campaign purposes. The contributors of the 2014 campaign are not public. NISMA spent 38% of the annual expenses for campaign purposes during the 2014, which is comparable to what other parties have spent. NISMA spend more money than it made during 2014 and 2015, recording a deficit of -19,951 euros and -24,375 euros respectively.



I. ANALYSIS OF THE LEGAL FRAMEWORK

This section of the report provides an analysis of political and campaign finance legislation in Kosovo. The analysis makes reference to various laws and secondary legislation that govern political and campaign finances issues in Kosovo.

The legislation is analyzed on the extent to which it meets the five broadly accepted international principles of political and campaign finance.



- 1 Established rules for income and contributions
- 2 Campaign expenditure ceiling
- 3 Public funding and subsidies
- 4 Disclosure and transparency
- 5 Enforcement and sanctions

These international standards were drawn from various international instruments and soft-law guidelines and resources. While they may not appear entirely as in the form presented in this report, references to one or some of these standards may be found in at least the following instruments:

- ✓ Venice Commission, Code of Good Practice in Electoral Matters (2002)
- ✓ Venice Commission, Guidelines on Political Party Regulation (2010)
- ✓ Council of Europe, Parliamentary Assembly Resolution 1516 (2001)
- ✓ Council of Europe, Committee of Ministers Recommendation Rec (2003) 4
- ✓ UN Commission on Human Rights, General Comment No. 25
- ✓ Organization for Security and Cooperation in Europe (OSCE), 1990 Copenhagen Document.

There are also a number of other international guidelines and comparative research reports issued by organizations such as Transparency International, Organization for Security and Cooperation in Europe, International IDEA, and International Foundation for Electoral Systems, which refer to these standards and were used as a basis for this report.

1. ESTABLISHED RULES FOR INCOME AND CONTRIBUTIONS

Establishing rules for income and contributions requires from the law to provide a clear definition of what constitutes a contribution, to set a limit on the amount of material or financial assistance that political entities may receive, and to define the sources from which political entities may or may not receive contributions. Regulation in such areas is generally applied to ensure that political parties are balanced in terms of the funding that they receive to run political and campaign activities, to ensure that parties do not receive contributions from sources which would constitute a conflict of interest or which could have undue influence on political issues.

In Kosovo the Law on Financing of Political Parties (LFPP) defines the term contribution [see box]. The reference in the definition to ‘any kind of assistance’ broadens the interpretation of what constitutes a contribution, and in practice in-kind contribution are included within this definition. This definition supersedes the previous definition of the term ‘contribution’ established in the Law on General Elections (LGE).

Contributions

gifts (donations) or any kind of assistance that implies a conscious act of donating economic or similar economic goods to political entity, whether in cash, services, sale of items below the market price, delivery of services below market price or other material goods.

Article 2, Law on Financing of Political Parties



The LFPP provides that political entities may receive financial and material assistance from the following sources: membership dues, contributions, budget of Kosovo, party assets, income from activities such as publications, editions, advertisings, posters and other such sources [Art. 6 (1) LFPP]. With the exception of membership dues which can be received in cash, all other sources of income must be completed through a single bank account in one of the commercial banks in Kosovo. The LFPP also requires that membership dues are deposited in the bank account of the political entity within five days from receipt of such dues.

Income allowed

- ✓ membership dues;
- ✓ contributions and donations;
- ✓ budget of Kosovo in accordance with the law;
- ✓ party assets;
- ✓ income from activities such as publications, ads, posters and other such sources.

The LFPP sets restrictions on the sources from which political entities may receive financial and material assistance. The ban on financial and material assistance is applied to: foreign governments, organizations, natural and legal persons; unknown sources, persons, donors; gambling and betting institutions; public institutions and enterprises; private enterprises in contractual relationship with the institutions of Kosovo (including past three years); non-governmental organizations, religious organizations and trade unions; debtors to the institutions of Kosovo against whom proceedings are initiated, and youth organizations, foundations or similar bodies created by or having ties with political parties [Art. 11 (1 and 2) LFPP].

Income not allowed

- ✓ foreign governments, organizations, natural and legal persons;
- ✓ unknown sources, persons, donors;
- ✓ gambling and betting institutions;
- ✓ public institutions, public enterprises;
- ✓ private enterprises in contractual relationship with the institutions of Kosovo (including contracts in past three years);
- ✓ NGOs, religious organizations and trade unions;
- ✓ debtors of Kosovo institutions;
- ✓ youth organizations or foundations with ties to parties.



There are also regulations in place to prevent political entities from receiving contributions from unknown sources. A political entity receiving such contributions is under obligation to notify the competent authority within two weeks for verification of the origin of respective contribution [Art. 5 (2) LFPP]. If the origin of the contribution cannot be proved, the respective amount remains in the Budget of Kosovo [Art. 5 (3) LFPP].

The LFPP sets limits on the amount of contributions that political entities may receive [Art. 5 (1) LFPP]:

- ✓ Individuals not exceeding 2,000 euros per calendar year;
- ✓ Businesses and private enterprises (legal entities) not exceeding 10,000 euros per calendar year.

The financing of political and campaign activities, including the campaigns of political entity candidates must be completed through the political entity. The law provides that candidates can not receive donations, and that donations for candidates must pass through the political entity [Art. 11 (4) LFPP].

In summary, the legislation in Kosovo provides a definition of contributions, defines the sources from which political entities may or may not receive income, requires from political entities to channel the income through a single bank account, sets a limit on the amount that can be contributed, and bans candidates from receiving donations directly. Such established rules pertaining to income and contributions meet the generally accepted international standards and practices. However there are a number of ways in which parties find ways to work around the rules.

Run activities in cash: Civil society organizations have consistently claimed that parties receive donations and carry expenditures in cash, and the cash is not registered or tracked in party finance reports. Technically, while the finance reports may indicate that the parties comply with the rules established for contributions (i.e. do not receive donations above the limit), the parties in practice run political and campaign activities with money that is not even recorded in the papers. Running activities in cash is eased by weaknesses in other areas such as high rates of informal economic and financial activity in Kosovo, lack of

audit of political and campaign finance reports in the past years, and inadequate investigation and interest of rule of law authorities.

Large contributions broken down in pieces: Though individuals and private enterprises are limited in the amount that they can contribute to political entities, there are ways to work around these limits if large chunks of money are broken into pieces. For example, a private enterprise that intends to donate 30,000 euros to a political entity but is prevented by the limit of 10,000 per calendar year can still donate the money if the donation in the value of 30,000 euros is channeled through 15 individuals who can donate 2,000 euros each.

2. CAMPAIGN EXPENDITURE CEILING

Campaign spending limits promote fair and competitive elections. The limits to campaign expenditure are applied to prevent rich parties or candidates from dominating the communication channels. Unregulated spending may give an unfair advantage to parties and candidates that have money to pay for public gatherings, video broadcasts, media, airtime, billboards and other campaign activities. Spending limits also help prevent political parties and candidates from buying votes.

In Kosovo the campaign expenditure ceiling is not regulated by law but rather by a regulation of the Central Election Commission (CEC). The Law on General Elections (LGE) opens way for the CEC to determine the maximum campaign expenditures based on the total number of voters registered in the voter list [Art. 39 (2) LGE]. The CEC regulation on Campaign Spending Limit and Financial Disclosure (2013) provides that the campaign spending limit for all elections is 0.50 euro per registered voter. The CEC determined that the campaign spending limit for the parties in 2017 elections for the Assembly of Kosovo is 942,573.50 euro (1,885,147 voters).



3.1 Campaign spending limits for both party elections for the Municipal Assembly and Mayoral in a municipality would be 0.5 euros per registered voter in the municipality. Campaign spending limits for the Assembly elections would be 0.5 euros per registered voter. [...]

Article 3, Regulation on Campaign Spending Limit (CEC)

The LGE provides that the maximum campaign expenditures applies to any goods and services purchased for campaign purposes regardless of the time of purchase or provision of service [Art. 39 (3) LGE]. The intention of this provision is to regulate situations in which the parties carry campaign expenses in a time other than the campaign period and exclude such transactions from campaign reporting to exceed the allowed expenditure limit. The legal framework also requires from the political parties to submit statements of expenditures, and to provide supporting documents and invoices for all expenditures to the Central Election Commission.

In summary, the legal framework in Kosovo establishes a ceiling for campaign expenses, provides a detailed definition of what constitutes a campaign expense, and requires from parties to disclose their expenditures and supporting documents such as invoices. Generally, the legal framework meets the international standards and practices pertaining to limitations of campaign expenses. Consideration may be given to establishing limits in the law instead of the regulation, to avoid possible arbitrary changes of election rules by the Central Election Commission which is composed mainly of representatives of political parties. As with issues pertaining to contributions, there are also issues in enforcing the campaign expenditure ceiling.

Use of public resources: In its election observation reports of 2013 municipal and 2014 general elections, Democracy in Action raised concerns that political parties that govern at central or local level use public resources

Campaign Expenditure

shall mean any payment made for goods or purchase of goods, materials, labour, services whether tangible or intangible, made for the purpose of influencing an election, regardless of whether incurred in support of a specific candidate, political party, coalition, or citizens' initiative, such as the cost of print media advertisements; production of broadcast spots; campaign materials, including pamphlets, posters, buttons; display advertisements, including billboards and their production; inkind contributions. [...]

Article 3, Law on General Elections

such as public servants, public facilities, transport and equipment for the purpose of running campaign activities. The use of public resources for campaign purposes, although prohibited and sanctioned by the Law on General Elections, is generally difficult to track when the public service relies on cliental ties with the political parties that govern. The use of public resources creates unfair advantages to the parties that govern and is not traceable in the annual and campaign finance reports of political entities.

Candidates pay campaign expenses on their own: In addition to the funds that candidates may receive from political entities for campaign purposes, the open list preferential system in Kosovo incentivizes candidates to run campaigns even at their own cost to increase their chances of being elected. Spending own money for campaign purposes is worth the investment for corporate and business owners in Kosovo, who are able to influence political decisions in favor of their economic activity once they gain political power.

3. PROVISION OF PUBLIC FUNDING

It is visible how for the 2017 Kosovo Assembly elections candidates who are financially well-off have developed and broadcast expensive TV spots, organized outreach activities and continuously sponsor their advertisement in the social media. Consideration should be given as to whether such expenses are included within the political entity finance reports, or whether they go unnoticed at the cost of the candidates. The section on disclosure [below] includes more details of how the election candidates submit the candidate finance reports to the Central Election Commission, and how elected officials report to the Anti-Corruption Agency of Kosovo, but campaign expenses of candidates are hardly traceable. In addition, similar to the section on contributions, it is difficult to track campaign expenses when activities of political entities and candidates are completed in cash and go unreported.

Providing public funding to political parties promotes equality in the race, enables even the underfunded political parties to function and conduct campaign activities, helps keep political parties away from business interests, and increases the importance of values such as accountability and transparency in political finance.

The legal framework in Kosovo provides that public funds are allocated among the political entities represented in the Assembly of Kosovo (AoK) according to the number of seats that they hold [Art. 9 (1) LFPP]. The law also provides that 10% of the allocated amount is delivered for the support of each member of the parliament [Art. 9 (4) LFPP].

There are also provisions for the purpose of financing political entity campaigns for municipal and national assembly elections. These funds are distributed by the Assembly of Kosovo upon proposal from the Government of Kosovo and can not exceed 0.05% of the Budget of Kosovo [Art. 10 (1) LFPP], of which 90% are allocated to political entities in proportion to the seats that they hold in the Assembly of Kosovo or municipal assembly, and 10% are allocated for other political entities certified to run in the respective elections [Art. 10 (2) LFPP]. This fund provides opportunities even for the underfunded parties to run campaign activities.

The law also defines the kind of activities that political entities can finance through the public funds, and this includes regular activities of political parties, branches of political entities, respective units of organization of women and youth, pre-election and election activities, and activities of the parliamentary groups. From the stand point of international principles, the legal framework in Kosovo meets the standards by providing public funds to political parties, and defining the kind of activities for which political parties may use public funds.

How much of public funding goes for women candidates: There were complaints particularly among women members of political parties that parties are not distributing funds to women candidates to run campaigns as the parties are of the view that women candidates will be

The use of public resources for campaign purposes, although prohibited and sanctioned by the Law on General Elections, is generally difficult to track when the public service relies on cliental ties with the political parties that govern.





elected regardless by means of gender quota. Consideration should be given to including a provision in the law to encourage political parties to distribute a fair and equal share of funding to men and women candidates.

Indirect public funding by political appointees: It is allowed by law and it is a common practice that political party representatives who are appointed in and are paid by public institutions donate a part of their salary to the po-

litical party. The largest individual contributors of political parties are typically elected or appointed party members including members of parliament, members of institutional boards, public institutions and public enterprises. While this is allowed by law and party members who are elected or appointed in public positions may submit donations to the party, it nonetheless raises the question of whether parties are using public positions to receive additional public funds in an indirect manner.

CEC DISTRIBUTION OF PUBLIC FUNDS BY POLITICAL ENTITY FOR 2015 AND 2016

Political Entity	Seats in AoK	2015 Total	2016 Total
Partia Demokratike e Kosovës	37	€ 1,295,000	€ 1,295,000
Lidhja Demokratike e Kosovës	30	€ 1,050,000	€ 1,050,000
Lëvizja Vetëvendosje	16	€ 560,000	€ 560,000
Aleanca për Ardhmërinë e Kosovës	11	€ 385,000	€ 385,000
Lista Srpska	9	€ 315,000	€ 315,000
NISMA	6	€ 210,000	€ 210,000
Kosova Demokratik Turk Partisi	2	€ 70,000	€ 70,000
VAKAT	2	€ 70,000	€ 70,000
Other small parliamentary groups	7	€ 245,000	€ 245,000
TOTAL	120	€ 4,200,000	€ 4,200,000



4. DISCLOSURE OF POLITICAL AND CAMPAIGN FINANCE

The disclosure of political and campaign finance typically requires from political entities to make their finance report

publicly available. This includes publishing of financial statements, income, expenditure, assets and liabilities. Transparency in political and campaign finance informs the public of how parties make money and how they spend the money that they make. This is particularly important if public funding is available to political entities.

DISCLOSURE REQUIREMENTS IN KOSOVO LAWS

Who discloses

Political Entities, Candidates, Elected Representatives

To whom

- Political entities and candidates to the Central Election Commission
- Elected representatives to the Anti-Corruption Agency

What reports are disclosed and when

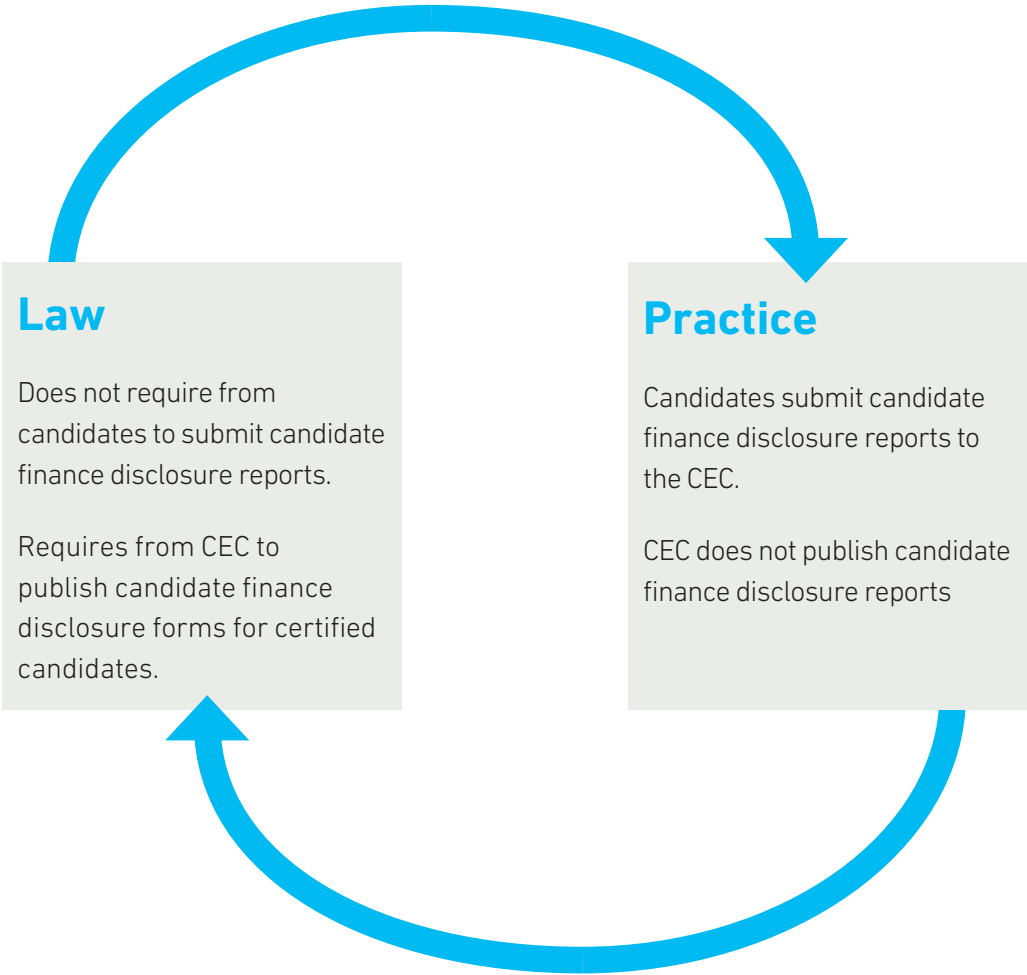
- Political entity Annual Finance Reports to the CEC by 1 March of the every year
- Political entity Campaign Finance Report no later than 45 days after election day
- Candidate Finance Reports during the candidate application/certification period
- Elected representatives to Anti-Corruption Agency

What is disclosed

- Political entities: income, expenditure, assets/capital/obligations, register of contributions above 100 euro and source of contribution
- Candidates: sources and amount of income, property, assets, financial obligations
- Elected representatives: real estate, movable property in value over 5,000 euros, possession of shares in commercial enterprises, savings in the bank and other annual revenues

What are the publication requirements

- The CEC is required to publish all audited annual finance reports in the website no later than 30 June of each year, and campaign finance reports.
- Parties are required to publish and keep published annual reports on website, and a shorter version on newspaper by July 30 of each year.



The LFPP requires from the registered political entities to submit to the CEC the annual financial report by March 1 of each year [Art. 15 (1)c.]. Political entities certified to participate in the election are also required to submit the campaign financial disclosure report to the Central Election Commission no later than 45 calendar days after the day of the election [Art. 40 (1) LGE]. These reports include: balance statement which shows assets, obligations and capital of the party; statement of income and expenditure of the party; statement showing every payment in the value that exceeds 5,000 euros [Art. 15 (2) LFPP], copies of invoices of all expenditures and register of contributions above 100 euro including the value of contribution, date, name and personal number of contributor [Art. 15 (3) LFPP].

There is ambiguity in the law as it pertains to the disclosure of finances by each individual candidate. The law does not

provide an explicit requirement for candidates to disclose their finances, but the law requires from the CEC to publish the copies of all candidate financial disclosure forms. In practice, inversely, the candidates submit the candidate finance disclosure forms to the CEC, but the CEC does not keep the candidate forms publicly available.

This is also somewhat overlapping with the mandate of the Anti-Corruption Agency. The Law on Declaration, Origin and Control of property and gifts for Public Officials requires that the elected representatives disclose to the Agency among other things the revenues such as real estate, movable property in value over 5,000 euros, possession of shares in commercial enterprises, savings in the bank and other annual revenues [Art. 5 (1)]. These statements are published in the website of the Anti-Corruption Agency, though they do not indicate as to whether the candidates who are elected re-



ceived any income or whether they have incurred expenses pertaining to the election campaign. A greater cross-checking of data between the Central Election Commission and the Anti-Corruption Agency would address issues of compliance of elected candidates with the relevant legislation.

The LFPP also requires from political entities to publish and hold public for at least one year in their website the annual finance report and the campaign contributions disclosure report, and publish a short version in a daily newspaper. Annual financial reports should be published in the newspaper until July 30 of the following year. The CEC is required to publish and keep published all annual financial reports of political parties together with the final audit report of political parties in its official website no later than 30 June of the following year.

The Law on General Elections (LGE) provides that the CEC establishes and maintains a public information file that includes: a register of contributor for each party; copies of all campaign financial disclosure reports submitted to the office; copies of all candidate financial disclosure forms for certified candidates; and copies of any final reports relating to audits performed by the office [Art. 43 (1) LGE]. The LGE also requires that the CEC makes these available publicly in a central location, in the CEC website, and at any other location determined by the CEC [Art. 43 (2) LGE].

Political entities are required to keep for a period of seven (7) years accurate and detailed records of the financial situation including accounting books and records, income by source, receipts of expenditures above 100 euros, a record of all contributions (value of each contribution, date, full name and personal number of each contributor, and name of the person who received the contribution on behalf of the entity [Art. 40 (6) LGE].

With the exception of legal ambiguities and overlaps pertaining to reporting of candidate finances, the legal framework in Kosovo is generally clear in terms of disclosure requirements, and it defines who discloses, what is disclosed, to which authority, and it establishes timelines for disclosure and publication. The legal framework is therefore fairly standard in meeting the international principles pertaining to disclosure and transparency.

5. ENFORCEMENT AND SANCTIONS

The rules of political finance related to contributions, disclosure and expenditure are only valid if there is a functional system of enforcing these rules. Enforcement of political finance requires establishment of internal checks and controls, audit of financial reports by independent auditors, availability of meaningful sanctions for violation of political finance rules and criminal prosecution if necessary. The lack of enforcement of political finance rules diminishes public trust in the political processes and leads to broader problems related to corruption.

The legal framework establishes internal controls for political finance in accordance with accounting standards applicable to Kosovo. The law requires from political entities to regulate financial control issues in their statute, and define the right of party members to be informed of all income and expenses of political entities [Art. 17 LFPP]. Annex I of this report includes excerpts from the statutes of the main political entities which regulate political finance issues within party statutes.

The law provides that annual and campaign finance reports submitted to the CEC are audited by the Assembly of Kosovo through the Budget and Finance Committee [Art. 19 (1) LFPP]. The Assembly Committee is mandated by law to select ten licensed auditors [Art 19 (2) LFPP] on a competitive basis who are responsible to audit the reports of political entities based on a draw of the Assembly Committee [Art 19 (4) LFPP]. The law establishes several criteria for selection of auditors, including the criteria to be licensed auditor in Kosovo, have at least two years of experience in the field of audit, and have not been in contractual relationship with political entities during the last three years. The CEC submits the annual finance report and the campaign finance report to the Anti-Corruption Agency, which in accordance with its mandate may examine these reports.

The law also establishes sanctions for lack of compliance with political finance regulations. There are generally two types of sanctions available which include monetary fines and taking of mandate of an elected candidate if there is evidence of misuse of funds.



SANCTIONS FOR POLITICAL FINANCE VIOLATIONS – ARTICLE 21 OF THE LAW ON FINANCING OF POLITICAL PARTIES

Violation	Sanction
Failure to submit Annual and Campaign Finance reports on time	<p>Fine 10% of the annual fund and a daily penalty of 0.01% of that amount until the submission of report.</p> <p>Fine 1,000 euros for parties that do not receive public funds and a daily penalty of 0.01% of the amount until the submission of report.</p>
Inaccurate or incomplete finance reports	<p>Fine 5,000 euros, and a daily penalty of 0.01% of that amount until the correction of data.</p>
Lack of documentation copies of the financial report	<p>Fine 2,000 euros.</p>
Failure of political entities to publish annual and campaign finance reports	<p>Fine 5,000 euros and a daily penalty of 0.01% of that amount until the publication.</p>
Accept and execute donations in contradiction with the law	<p>Fine twice the value of donation received for political entities.</p> <p>Fine the same amount as donation for candidates for mayor, member of parliament, municipal councilor, and independent candidates.</p>
Cannot prove the origin of the received and executed income over twenty thousand (20,000) Euros	<p>Fine three times that amount.</p>
Receives income from sources other than those allowed by law	<p>Fine 10% of the amount received.</p> <p>Income is paid to the Budget of Kosovo.</p>
Funds spent in contradiction with the law	<p>Fine double of what political entity spend.</p>
Two or more active bank accounts	<p>Fine 5,000 euros and a daily penalty of 0.01% of that amount until the closure of accounts.</p>
Funds misused by a candidate or a mandate is won as a result of misuse of funds	<p>Mandate may be taken.</p>

As a mechanism of enforcement, the law provides that political entities that do not submit the reports loose eligibility for funds in the next year. The imposition of a fine or other sanction by the CEC does not prejudice any criminal sanction that may apply [Art. 42 (2) LGE]. In addition, nothing prevents the General Auditor of Kosovo or any other relevant institution from conducting auditing for spending by political entities at any time, including campaign spending [Art. 41 (8) LGE]. In

practice the General Auditor has not expressed any interest in dealing with political and campaign finance.

The legal framework in Kosovo generally provides a solid basis for enforcement in accordance with international standards and practices. Despite the well-established regulations, in practice there is little enforcement. One of the basic issues in the past several years has been the lack of publication of political and campaign finance reports by the political parties and the Central Election Commission.

Generally the large political parties have met the requirement to disclose their finances to the Central Election Commission, but these were not made available publicly. Since 2013, the Assembly Committee failed to complete the audit of reports on the basis that the Assembly of Kosovo was not

functional due to political blockade for some time during 2014, technical difficulties in contracting of auditors, and insufficient funding for completion of audit processes. The Central Election Commission has maintained the position that it can not publish the finance reports of political parties as the audit of these reports has not been completed by the Assembly Committee. The political parties that had not, or currently have not published the finance reports, declared that they fulfilled obligations to submit the reports to the CEC in a timely manner, and that it is up to the CEC and the Assembly Committee to complete the audit. Any requests for political and campaign finance reports was faced by the triad of responses from CEC, Assembly Committee and political parties, which are all composed of political party representatives.



The CEC is of the view that the political finance reports were not audited and therefore it can not impose sanctions. Such arbitrary interpretations of the law have caused major issues with enforcement of the legislation. Institutions such as the Anti-Corruption Agency, General Auditor, and the prosecutor have shown no interest in dealing with political finance issues.

II. ANALYSIS OF PARTY FINANCES

This section of the report provides an analysis of the annual and campaign finance reports of the main political parties that had these reports available during June 2017. There are limitations in the analysis of party finances, as despite the legal requirements to publish and keep published the annual and campaign finance reports, there is no access to these reports for some of the main political parties. Of the parties that had political and campaign finance reports publicly available, there are differences of when these parties made the reports available, types of reports that they made available, and the content of what is reported.

Public availability of annual and campaign finance reports as of June 2017	Annual finance reports				Election campaign reports	
	2013	2014	2015	2016	2013 LOCAL	2013 NATIONAL
Partia Demokratike e Kosovës	NO	NO	NO	NO	NO	NO
Lidhja Demokratike e Kosovës	YES	YES	YES	YES	YES	YES
Lëvizja Vetëvendosje	YES	YES	YES	NO	YES	YES
Aleanca për Ardhmërinë e Kosovës	YES	YES	YES	YES	NO	YES
Lista Srpska	NO	NO	NO	NO	NO	NO
NISMA	N/A	NO	YES	NO	NO	NO
Kosova Demokratik Turk Partisi	NO	NO	NO	NO	NO	NO
VAKAT	NO	NO	NO	NO	NO	NO

6. PARTIA DEMOKRATIKE E KOSOVËS

The party with the largest share of seats in the Assembly of Kosovo, Partia Demokratike e Kosovës (37 seats), which received the largest chunk of public funding in the value of 1,295,000 euros during 2016 does not have an active website and does not provide access to any of the finance reports between 2013 and 2016. Representatives of (PDK) claimed that their finance reports are not available as they faced technical issues in running their website.

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7. LIDHJA DEMOKRATIKE E KOSOVËS

The party with the second largest share of seats in the Assembly, LDK (30 seats), which received 1,050,000 euros from the public funds during 2016 delayed the publication of annual finance reports of each year between 2013 to 2016, and campaign finance reports of 2013 local and 2014 national elections, through to 2017 when it made them available on its website.

For each of the last four years, more than 90% of the annual income of LDK comes from the budget of Kosovo. LDK finance reports indicate that LDK has not received any income from membership dues or contributions in the last four years. Of the in-kind contributions reported by LDK for 2013, the largest portion of in-kind contributions is reported as observers on election day, and services offered by vendors of transport, food and printing. LDK did not report observers as in-kind contribution in 2014 elections.

LDK ANNUAL INCOME (euro)	2016	2015	2014	2013
Budget of Kosovo	945,000	945,000	921,375	897,750
Membership dues	-	-	-	-
Contributions/Donations	-	-	-	-
In-kind contributions	-	-	-	11,300
Income from campaign	-	-	-	25,030
Income from assets	24,654	29,558	29,558	9,044
Other income	3,847	2,125	4,080	10,055
TOTAL Income (euro)	973,501	976,683	955,013	953,179

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During 2013 and 2014, in the period in which municipal and national assembly elections were held respectively, LDK spent more than double of the amount that it spent during 2015 and 2016. Nearly half (47%) of annual expenses during 2014, and more than half (60%) of the annual expenses during 2013, were carried by LDK for campaign purposes. During the election years, LDK spend more money than it received for these years, recording a deficit of -86,640 euros during 2014, and a deficit of -336,917 euros during 2013.

The political parties that recorded such deficits are likely to have covered the expenses with funding that was left-over from the income of previous years, in this case from years prior to 2013. There is no public access to bank statements of political parties, and there is no data available as to how much funding political parties have in their bank account.

LDK ANNUAL EXPENDITURE (euro)	2016	2015	2014	2013
Salaries and compensation	200,308	220,130	270,533	255,862
Transport expenses	35,874	37,734	49,501	56,523
Ads, representation, conferences	111,240	63,676	70,546	115,993
Campaign expenses	22,036	1,966	493,555	768,691
Purchase of goods	4,483	5,119	9,935	21,070
General expenses	90,004	115,252	119,331	59,616
Other expenses	35,580	13,557	28,248	12,338
TOTAL Expenditure (euro)	499,526	457,437	1,041,653	1,290,096
Annual Balance = Income - Expenditure	473,976	519,246	- 86,640	- 336,917

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8. LËVIZJA VETËVENDOSJE

Lëvizja Vetëvendosje is the exceptional party that has consistently maintained a high standard of compliance with political finance regulations, making available annual and campaign finance reports as required by the law. Lëvizja Vetëvendosje has not made available the 2016 annual report.

VV receives minor income from membership dues, which dropped from 2,109 euros in 2013 to 98 euros in 2014. Unlike LDK which reported that it has not received any funding from contributions and donations, VV seems to receive be-

tween 8% to 13% of its annual income from contributions. VV annual finance reports include the sheet of contributions, most of whom are small individual donations, including VV members of parliament.

The smallest donation received by VV for 2015 was 3.50 euros and the largest donation was 3,000 euros. In addition, unlike LDK which seems to have no income for campaign during 2014 and little income in form of in-kind contributions for the campaign in 2013, VV generated sufficient income from donations in the campaign period for these elections.

VV ANNUAL INCOME (euro)	2016	2015	2014	2013
Budget of Kosovo	no data	504,000	484,249	465,500
Membership dues	no data	233	98	2,109
Contributions/Donations	no data	80,798	51,451	77,827
In-kind contributions	no data	1,271	2,500	28,811
Income from campaign	no data	-	91,571	141,488
Income from assets	no data	16,427	9,677	9,677
Other income	no data	-	900	844
TOTAL Income (euro)	no data	602,729	640,446	726,258

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VV spent less than a third of its annual expenses for the campaign of 2013 municipal elections (28%) and the campaign of 2014 national elections (32%), which is nearly twice as less than LDK spent for the campaign. During 2013, VV spend more money than it received during the given year, recording a deficit of -90,170 euros. It is likely that during 2013 VV used funding leftover from years prior to 2013. The bank statement of political parties are not publicly accessible to analyze how much cash they have in their account.

VV reports that it consistently spends a quarter of its money on general expenses, which includes expenses pertaining to rent, office expenses and utilities, and cost of depreciation of assets. VV's expenditures on salaries and compensation has almost doubled from 2014 to 2015.

VV ANNUAL EXPENDITURE (euro)	2016	2015	2014	2013
Salaries and compensation	no data	311,928	189,702	235,281
Transport expenses	no data	50,302	24,987	56,930
Ads, representation, conferences	no data	47,101	19,150	52,171
Campaign expenses	no data	-	187,676	231,594
Purchase of goods	no data	19,323	12,166	22,957
General expenses	no data	152,036	143,008	204,698
Other expenses	no data	8,447	12,251	12,793
TOTAL Expenditure (euro)	no data	589,139	588,944	816,428
Annual Balance = Income - Expenditure	no data	13,590	51,502	- 90,170

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9. ALEANCA PËR ARDHMËRINË E KOSOVËS

Aleanca për Ardhmërinë e Kosovës has made available the annual finance reports of all years between 2013 and 2016, but it has not published the campaign finance reports.

AAK's finance statements show that nearly a third of the income of AAK was received for campaign purposes of 2013 (30%) municipal elections and 2014 (33%) national assembly elections, which is the largest proportion of funds received

for campaign by any party analyzed in this report. The list of contributors for the 2013 and 2014 election campaigns is not available.

AAK reports indicate that AAK received nearly ten times more contributions in 2016 than in 2015. The list of contributors for the annual reports is available, and the contributors seem to include members of parliament of AAK, and other AAK appointees in public institutions. The smallest donation for 2016 was 5 euros, whereas the largest donation was 1,350 euros. Unlike the other parties, AAK seems to have a fix rate for `other` income in 2016 (25,000 euros) and 2015 (20,000 euros).

AAK ANNUAL INCOME (euro)	2016	2015	2014	2013
Budget of Kosovo	346,500	342,597	337,371	394,950
Membership dues	-	-	-	-
Contributions/Donations	46,548	4,990	-	-
In-kind contributions	-	-	-	-
Income from campaign	-	-	165,850	171,010
Income from assets	3,428	2,642	952	1,504
Other income	25,000	20,000	-	-
TOTAL Income (euro)	421,476	370,230	504,173	567,464

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In each year from 2013 to 2016, AAK spend more money than it received. The largest deficit seems to have occurred during the election years, -259,548 euros during the 2013 municipal elections, and -163,308 during the 2014 national elections. It is likely that this funding was leftover from the funds available from previous year, although in the case of AAK the consistent negative balance over the years raises doubts of compliance with the law. AAK spends between 5% to 7% of its expenses for general expenses that include office rent, utilities and depreciation of assets, a proportion which is much less compared to LDK and AAK. AAK spend nearly a third (31%) of 2013 annual expenses for campaign purposes for the municipal elections, and nearly a half (44%) of annual expenses for the 2014 national assembly elections.

AAK ANNUAL EXPENDITURE (euro)	2016	2015	2014	2013
Salaries and compensation	301,520	268,619	276,409	287,894
Transport expenses	8,234	4,731	6,326	26,438
Ads, representation, conferences	25,661	19,722	14,751	113,741
Campaign expenses	-	-	291,750	252,917
Purchase of goods	5,534	9,343	9,273	11,375
General expenses	27,926	28,176	31,165	56,464
Other expenses	79,706	61,217	37,804	77,183
TOTAL Expenditure (euro)	448,583	391,810	667,481	826,012
Annual Balance = Income - Expenditure	- 27,107	- 21,580	- 163,308	- 258,548

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10. NISMA

NISMA, which was established in 2014, has only made available the 2015 annual report in their social media in an image format that is hardly readable. The 2015 annual finance report also includes the general categories of the previous year, from which the data was drawn to complete the table below.

NISMA reports indicate that it generated nearly one third (30%) of its income during 2014 national assembly elections for campaign purposes.

The contributors of the 2014 campaign are not public. NISMA spent 38% of the annual expenses for campaign purposes during the 2014 national elections, which is comparable to what other parties have spent.

NISMA's cost for salaries more than doubled from 2014 to 2015. NISMA spend more money than it made during 2014 and 2015, recording a deficit of -19,951 euros and -24,375 euros respectively.

NISMA ANNUAL EXPENDITURE (euro)	2016	2015	2014
Salaries and compensation	no data	114,140	52,467
Transport expenses	no data	16,871	3,896
Ads, representation, conferences	no data	14,029	18,183
Campaign expenses	no data	-	67,580
Purchase of goods	no data	1,185	5,296
General expenses	no data	65,585	22,148
Other expenses	no data	6,995	8,390
TOTAL Expenditure (euro)	no data	218,807	177,962
Annual Balance = Income - Expenditure	no data	- 24,375	- 19,951

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NISMA ANNUAL INCOME (euro)	2016	2015	2014
Budget of Kosovo	no data	179,800	96,500
Membership dues	no data	-	2,814
Contributions/Donations	no data	5,805	10,033
In-kind contributions	no data	6,315	1,000
Income from campaign	no data	-	46,732
Income from assets	no data	751	932
Other income	no data	1,758	-
TOTAL Income (euro)	no data	194,432	158,011

11. LISTA SPRKSA
AND OTHER MINORITY
PARTIES

Moreover, the party with the largest share of seats among the parties representing Serbian communities, Lista Srpska (9 seats), which received 315,000 euros of public funds during 2016 does not have a website and there is no access anywhere of their political and campaign finance reports. Political finance reporting is particularly important for Lista Sprska to address any perceptions that Lista Sprksa may receive financial support from the authorities in Serbia, which would be considered contrary to the legal framework in Kosovo.

Other parties

There is no political finance disclosure among political entities representing other minorities either, such as Kosovo Demokratik Turk Partisi, VAKAT, or other minority parties.

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RECOMMENDATIONS

The following recommendations are based on the review of the legislation and analysis of the annual and campaign finance reports:

- The political and campaign finance provisions should be adopted and incorporated into a single law to avoid issues of harmonization and overlap between laws;
- The mandate to procure audit companies should be reinstated with the Central Election Commission, and a fund to audit annual and campaign finance reports should be established by law;
- The campaign expenditure ceiling should be established in the law as opposed to election rule;
- The law should establish regulations for control of expenses by candidates, and mechanisms of enforcing the control;
- The law should foresee a greater role of enforcement of political and campaign finance regulations by the Election Complaints and Appeals Panel, and establish rules for not allowing the certification of political entities and candidates that do not comply;
- The bank accounts and statements of political parties should be made available to the public;
- The provisions requiring parties to publish un-audited versions of the reports should be clarified;
- The civil society organizations should continue to monitor and oversee the political and campaign finance, and litigate in the courts against all institutions involved for lack of compliance;
- The Central Election Commission, Election Complaints and Appeals Panel, Independent Auditors, Anti-Corruption Agency, and the rule of law authorities should exercise their legal mandate of enforcing political and campaign finance regulations.

ANNEX I:

PROVISIONS OF PARTY STATUTES ON POLITICAL FINANCE



- STATUTE PROVISIONS**
(UNOFFICIAL TRANSLATION)
- Article 46 [Presidency]
[...] 2. Manages all finances and assets at central level.
- Article 34 [Competencies of the General Convention]
7. Reviews the work reports and financial reports [...]
- Article 56 [Committee on Financial Control]
1. To check issues related to finance of all heading structures and the sectors of administration of PDK, and for reviewing of complaints, the General Convention elects the Committee for Financial control.
[...] 6. The control is completed at least once a year and as needed.
10. The Financial Control Committee takes care of all audit processes of the budget of the party and takes measures to implement recommendations highlighted in the annual audit reports.
- Article 68 [Finance and compensation]
1. PDK is financed from: a. income from membership in PDK; b. budget of Kosovo in accordance with the law; c. donations from various donors.
[...] 4. The administration of budget is completed by the General Secretary of PDK, who reports to the Presidency of PDK on financial issues on a quarterly basis.

Political entity



Statute not available on LDK’s website – provisions obtained from the statute published on the website of LDK branch in Kamenica]

STATUTE PROVISIONS
(UNOFFICIAL TRANSLATION)

Article 10

10.1 Members of LDK pay for membership, the method and threshold of which is determined by a decision of the General Council.

10.2 Nobody can receive additional rights in LDK through gifts or donations.

Article 24 [General Council]

24.1 Reviews and approves the financial plan and final balance of LDK.

Article 30 [Presidency]

Governs the assets of LDK and presents the Financial Report once a year to the General Council.

Article 50 [Financing of LDK]

50.1 The financial sources of LDK are: public sources – finance from the Budget of Kosovo, membership sources and donations of physical persons and businesses, income from promotional activities of LDK, publications and assets of LDK.

50.2 LDK has a financial officer, who is appointed by the President, and reports directly to the President. [...]

50.6 For the finances of LDK and its use, the Presidency reports to the General Council every year.

Political entity



STATUTE PROVISIONS
(UNOFFICIAL TRANSLATION)

Chapter VIII, Article 81 [Finance]

1. The financial sources of income of Lëvizja Vetëvendosje are: a) income from membership quotas; b) income from the state budget allocated to political entities; c) assistance and gifts of activists, members, and supporters; ç) assistance and gifts of partner organizations; d) development of economic activity of Lëvizja Vetëvendosje.

2. The financial and economic activity of Lëvizja Vetëvendosje is managed by the Organizational Secretary, and the Secretary of Finance within the General Secretariat. [...]

5. Once in a quarter, the organizational secretary presents in writing the financial balance of Lëvizja Vetëvendosje to the Presidency. Once in six months, the organizational secretary presents the extract of the finance report to the General council of Lëvizja Vetëvendosje.

6. The Presidency and the General Council of Lëvizja Vetëvendosje may request more frequent financial reporting from the Organizational Secretary, in accordance with the needs of Lëvizja Vetëvendosje.

7. The finance report is transparent for all activists of Lëvizja Vetëvendosje.

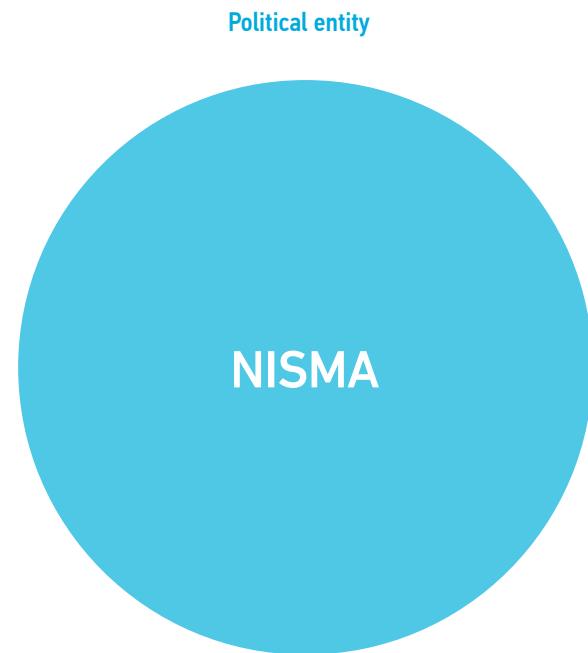
[...] 8b. Lëvizja Vetëvendosje does not accept donations from physical or legal persons who have completed their economic activity through organized crime or other unlawful activity;

8c. Lëvizja Vetëvendosje does not accept donations from physical or legal persons, who import goods from countries that do not recognize the sovereignty of the Albanian people, and who have territorial claims against Kosovo or Albania.



STATUTE PROVISIONS
(UNOFFICIAL TRANSLATION)

- Artilec 12
10. Branches of AAK out of country have the responsibility to support AAK in manner of organization, finance, human resources and creation of networks with the states in which these branches are active.
- Article 13 [competencies of the Assembly]
10. [Assembly] reviews and approves the financial report.
11. Approves the budget of AAK proposed by the Head of Finance.
- Article 26 [Head of Finance]
1. Proposes to the Presidency the regulation for managing finances and budget of AAK; [...]
3. Creates a unique financial system in the party and reviews issues with finances of party branches, and creates a system for periodic reporting;
4. Answers for finances deposited into the bank account;
5. Manages the budget, estate and assets of AAK, and distribution of finances in the branches.
6. Represents AAK on financial issues in cases of government control;
7. Presents to the Presidency the financial projections on a monthly and quarterly reports basis.
- Article 27 [Audit]
- [...] 3. The Commission [Audit Commission] controls the financial and accounting activity of AAK in state level and out of country, and provides proposals on measures that need to be taken within its scope of work.
4. For its work, the Commission reports to the Presidency of AAK.



STATUTE PROVISIONS
(UNOFFICIAL TRANSLATION)

- Article 24 [Financial and material sources and their use]
1. The financial sources of NISMA are: a) income from quotas; b) income from the state budget in accordance with the law on party finances; c) assistance and gifts of members and supporters of NISMA; d) assistance and gifts of partner organizations; e) any other income that is not in contradiction with the law on party finance.
2. The financial and economic activity of NISMA is headed by the Presidency of NISMA, which also approves the budget for the following year.
3. The financial and economic activity of NISMA is overseen in a continuous manner by the General Secretariat of NISMA.
4. Once a year, in a meeting of a National Council, the Presidency submits a report related to NISMA's financial and economic activity.
5. The detailed rules of financial and economic activity of NISMA are approved by the National Council.

KDI is a Non-Government Organization (NGO) engaged to support development of democracy through inclusion of citizens in public policy-making and empowering civil society sector with the goal to influence increase of transparency and accountability among public institutions.

For more information on KDI, please visit
www.kdi-kosova.org

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TRANSITION