



**BUYING INFLUENCE:  
MONEY AND ELECTIONS  
IN THE BALKANS**

Transparency International is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, we raise awareness of the damaging effects of corruption and work with partners in government, business and civil society to develop and implement effective measures to tackle it.

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# EXECUTIVE SUMMARY

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## POOR IMPLEMENTATION OF LAWS AND A LACK OF TRUST ARE UNDERMINING PROGRESS IN POLITICAL FINANCE

This report highlights the strengths and weaknesses of current election campaign financing legislation and its implementation in four countries – Croatia, Kosovo<sup>1</sup>, Macedonia (FYR) and Serbia. It also examines some aspects of annual political party financing in Albania<sup>2</sup>. In addition, the report details promising practices in the region and makes recommendations for reform.

The report covers eight dimensions of election campaign financing which are crucial for ensuring transparency and reducing the risk of corruption and abuse of resources during election campaigns. These dimensions are: reporting to the oversight agency; depth of reporting; reliability of reporting; public disclosure; prevention; sanctions; state oversight, and public oversight.

The report notes some significant legislative loopholes across the region, such as failure to explicitly prohibit cash donations in Macedonia (FYR) and Kosovo, and lack of clarity regarding exactly when or how election campaign reports should be published in Kosovo. Even where a robust legal framework is in place, however, important implementation gaps remain evident in all the countries assessed. The main weaknesses identified are:

- **SANCTIONS**  
Sanctioning of political parties for non-compliance with election campaign regulations is assessed as weak across all five countries. Even in those countries where relatively robust punitive laws are in place, implementation is almost non-existent across the board.
- **PREVENTION**  
With the exception of Croatia, there is a notable lack of effective measures to prevent the abuse of election campaign financing by political parties and other actors. For example, there is no explicit ban on cash donations in Kosovo and Macedonia (FYR), while only Croatia offers the incentive of tax exemptions for corporate donors who disclose their donations to election campaigns.
- **RELIABILITY OF REPORTING**  
There is a clear lack of confidence in the reliability of parties' financial reporting. In Kosovo, Macedonia (FYR) and Serbia, reliability was perceived as the weakest of all the areas assessed.

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<sup>1</sup> All references to Kosovo in the present publication should be understood in the context of Security Council resolution 1244 (1999).

<sup>2</sup> The assessment in Albania examined annual financing, as no legislative elections had taken place under the current legislation at the time of data collection.

Nevertheless, all the countries assessed in this report have made some progress and have undertaken efforts to improve the legislative framework with regards to election campaign financing. Some positive practices have emerged from the research. These include the reporting of campaign financing during (as opposed to after) the election period in Macedonia (FYR) and Croatia, which allows citizens to cast informed votes. There are also rules aimed at guaranteeing equal and fair access to the media for all political parties, although the strength of the regulations varies across the countries assessed. More specifically, those areas which have been assessed as relatively strong include:

- **PUBLIC DISCLOSURE**

In Croatia, Kosovo, Macedonia (FYR) and Serbia, state oversight agencies are required by law to publish political parties' financial reports on election campaigns, although the strength of the regulations varies from country to country.

- **STATE OVERSIGHT**

The state oversight agencies in Croatia, Kosovo, Macedonia (FYR) and Serbia all have relatively far-reaching powers. In practice, however, there are concerns over the ability of these agencies to hold political parties to account effectively, either because of limited resources (Croatia and Serbia) or limited independence from political parties (Kosovo and Macedonia (FYR)).

- **DEPTH OF REPORTING**

The level of detail of reporting is considered strong in all countries, although there are still a number of gaps in implementation. Furthermore, the existence of thresholds for disclosure in Kosovo and Albania provides loopholes which could be exploited by those wishing to conceal the sources of election campaign finance.

# RECOMMENDATIONS

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## STRENGTHENING TRANSPARENCY IN POLITICAL FINANCE

In light of the issues identified through this research, the following reforms are required in order to strengthen the legal framework and its implementation in the region:

- State institutions responsible for overseeing election campaign finance require greater independence from political parties in order to carry out their functions effectively. To help ensure this, members of oversight institutions should be drawn from across the political spectrum and their appointment should be approved by all the major political parties contesting an election.
- In order to compel political parties to submit reliable and timely reports, the capacity and mandate of oversight institutions need to be strengthened. They will then be able to scrutinise the financial reporting of political parties, ensure adherence to reporting requirements and impose sanctions for non-compliance.
- In order to further strengthen the rules on equal access to the media, advertising costs must be the same for all political parties. The legal requirement in Macedonia (FYR) for a unified price list to be published by the media at the outset of an election campaign should be adopted by other countries.
- As is the case in both Macedonia (FYR) and Croatia, there should be a legal requirement for political parties to report on income and expenditure during election campaigns so that voters are well-informed before going to the polls.

# INTRODUCTION

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## NEW OPPORTUNITIES FOR DEMOCRACY, NEW RISKS OF CORRUPTION IN THE WESTERN BALKANS

Despite progress, corruption remains a critical area of concern for political, economic and social development in the Western Balkans. The transition to multi-party democracy in the region has created new opportunities for civic participation, and increased the accountability of political decision-makers. At the same time, however, it has created new opportunities for corruption.

For many in the Western Balkans, the political party system is perceived as one of the institutions most likely to be affected by corruption<sup>3</sup>. The resulting lack of trust in the political system poses a threat to democracy in the region.

With activities of political parties increasing in sophistication and cost, the importance of and need for political donations is ever-increasing. As a result, political parties are vulnerable to offers of funding in exchange for the provision of favours. This buying of influence via political donations undermines the very foundations of representative democracy. In order for democratic life to thrive in the Western Balkans, it is critical to address this problem and to strengthen the transparency and accountability of political parties.

Reducing the risk of corruption in political financing means ensuring that money does not come from illegitimate or questionable sources. Increased transparency and better public knowledge about the flow of money in politics can help to eliminate corrupt practices by allowing malpractice to be detected. They can also bolster democratic processes by offering citizens the opportunity to make informed voting decisions. Such transparency can be achieved through robust and well-implemented legislation and effective, independent oversight.

Current anti-corruption reform in the Western Balkans is largely driven by the EU accession process. With ongoing reform taking place in the region to better comply with the demands of the EU and other regional institutions such as the Group of States against Corruption (GRECO), the chance now exists to establish a comprehensive framework for political party financing. It is critical to make the most of this window of opportunity to improve transparency and enact change in the region.

In this context, Transparency International chapters in Albania, Croatia, Kosovo, Macedonia (FYR) and Serbia undertook a collaborative research project in order to assess the current regulatory framework on the transparency of election campaign financing, as well as the extent to which existing laws are applied in practice. The remainder of this report presents the methodology and comparative findings of this research from across all five countries.

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<sup>3</sup> [www.transparency.org/research/qcb/](http://www.transparency.org/research/qcb/)



# METHODOLOGY

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## HOW WE ASSESSED LEVELS OF TRANSPARENCY IN POLITICAL PARTY FINANCING

The research for this report was conducted by Transparency International chapters in Croatia, Kosovo, Macedonia (FYR) and Serbia to assess election campaign funding in 2011-12, and by the chapter in Albania to assess non-electoral finances in 2012.

The findings are based on a methodological tool known as 'Crisis', developed by Transparency International in partnership with the Carter Center<sup>4</sup>. 'Crisis' derives its name from the Latin for 'ray of light', as it seeks to expose opaque structures by assessing transparency and accountability in political systems<sup>5</sup>.

The methodology involves examining the regulatory framework on transparency of political financing and its implementation vis-à-vis international standards. 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. Information is collected along eight dimensions:

- **REPORTING TO THE OVERSIGHT AGENCY** evaluates the extent to which parties or candidates report to a government oversight body.
- **DEPTH OF REPORTING** assesses the level of detail of income and expenditure reports and whether there is a threshold for reporting of income.
- **RELIABILITY OF REPORTING** assesses the perception of credibility of reports by key actors.
- **PUBLIC DISCLOSURE** examines the public's access to political finance information.
- **PREVENTION** evaluates whether donations are channelled exclusively through official bank accounts and whether there are loopholes for anonymous donations.
- **SANCTIONS** asks if existing penalties for non-compliance with the law are adequate and appropriate, and whether they are imposed in practice.
- **STATE OVERSIGHT** assesses whether state institutions responsible for overseeing election campaign finance have the legal mandate, institutional arrangement and capacity to carry out independent oversight of election campaign financing.
- **PUBLIC OVERSIGHT** addresses the monitoring and oversight role of civil society and the media with regard to political financing issues, irrespective of the formal state oversight body.

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<sup>4</sup> [www.cartercenter.org](http://www.cartercenter.org)

<sup>5</sup> <http://gateway.transparency.org/tools/detail/64>



## DATA COLLECTION

This study utilised both primary and secondary sources for collecting data. Relevant laws and regulations were examined for the assessment of the legislative framework. To analyse practice, the research teams in each country examined reports from the main political parties and oversight bodies and interviewed various stakeholders to gain insights into the operation of the party financing system and its oversight. Interviewees included representatives of political parties and their accountants/treasurers, members of parliament, representatives of the main state oversight body (in most cases, the electoral management body), donors and the media. In addition, media companies, donors and parties were contacted in writing, requesting income and expenditure reports and details of airtime given or sold to parties. Finally, field tests were conducted to measure how easy it is for citizens to access information on funding of political parties. This enabled evaluation of rates of response from different institutions, including parties, state oversight agencies, television stations and donors. Field testers were given a list of specific information to be obtained regarding regular political party funding, using different mediums of communication including internet, phone and official letters.

## SCORING

The information collected brings together more than 75 evaluation indicators (for both law and practice). Questions feeding into each indicator have a different range of answers, which are translated into different weights to produce a final quantitative 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.

Each of the eight dimensions is made up of a different number of legal and practice indicators (ranging from three indicators for Reliability of Reporting to 14 for Public Disclosure). The scores for each dimension are calculated separately for law and practice, through simple averaging. The total score for each dimension is then the average of the law and practice scores. For two of the dimensions (Reliability of Reporting and Public Oversight), only practice is assessed.

Dimension 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).

## NOTE ON THE REGIONAL ANALYSIS

This report<sup>6</sup> draws on the findings of five separate national reports, which contain greater detail on the situation in each respective country<sup>7</sup>. In order to ensure the comparability of findings from the five country reports, a regional workshop was convened in Sarajevo in February 2013, bringing together members of the research teams of each chapter to validate the findings and identify common trends emerging from the research.

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<sup>6</sup> Electronic version: [www.transparency.org/whatwedo/pub/buying\\_influence\\_money\\_and\\_elections\\_in\\_the\\_balkans](http://www.transparency.org/whatwedo/pub/buying_influence_money_and_elections_in_the_balkans)

<sup>7</sup> The national reports are available at [www.transparency.org/news/feature/buying\\_influence\\_balkans](http://www.transparency.org/news/feature/buying_influence_balkans)

# Transparency in election campaign financing in the Western Balkans: Strongest and weakest dimensions

RELIABILITY OF  
REPORTING



3.4

SANCTIONS



3.5

PREVENTION



5.2

PUBLIC  
OVERSIGHT



5.6

The graphic represents the total score for each dimension, which is an aggregate of law and practice across Croatia, Kosovo, Macedonia (FYR) and Serbia. The scores for Albania are not included in the quantitative analysis as they are not comparable with the other countries, given that the unit of analysis (annual party finance) is not the same.

REPORTING TO  
THE OVERSIGHT  
AGENCY



PUBLIC  
DISCLOSURE



STATE  
OVERSIGHT



DEPTH OF  
REPORTING



KEY { 6.8 - 10 = GOOD  
3.4 - 6.7 = AVERAGE  
0.0 - 3.3 = INSUFFICIENT



# RESEARCH FINDINGS

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## WEAKEST DIMENSIONS: RELIABILITY OF REPORTING, SANCTIONS AND PREVENTION

### RELIABILITY OF REPORTING

One key element of reporting – due to its close ties to transparency – is its reliability, or the perception that the data contained in a report is accurate. If the reliability of the data is questionable, the public's interest in monitoring will naturally wane.

Questions to assess reliability include: How accurate are reports (for example, in terms of the percentage of donations likely to be reported)? Is it possible to obtain an accurate idea of the financing of parties by looking at the official accounting statements?

There is a clear lack of public trust in political parties – particularly with regards to the reliability of reporting, although opinions vary significantly among those interviewed (party accountants, officials of oversight agencies or members of civil society). In Kosovo, Macedonia (FYR) and Serbia, reliability was perceived as the weakest of all the areas assessed, with scores of 2.2, 2.9 and 3.6 respectively. In Croatia, reliability was perceived as the second-weakest area, with a score of 4.9.

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In Kosovo, Macedonia (FYR) and Serbia, reliability was perceived as the weakest of all the areas assessed.

In Croatia, political parties have been publishing regular annual reports and statements of income and expenditure on political campaigns for the past 10 years. In interviews conducted with representatives of the State Audit Office and the State Electoral Commission, respondents reported that precise information about the funding of parliamentary election campaigns was

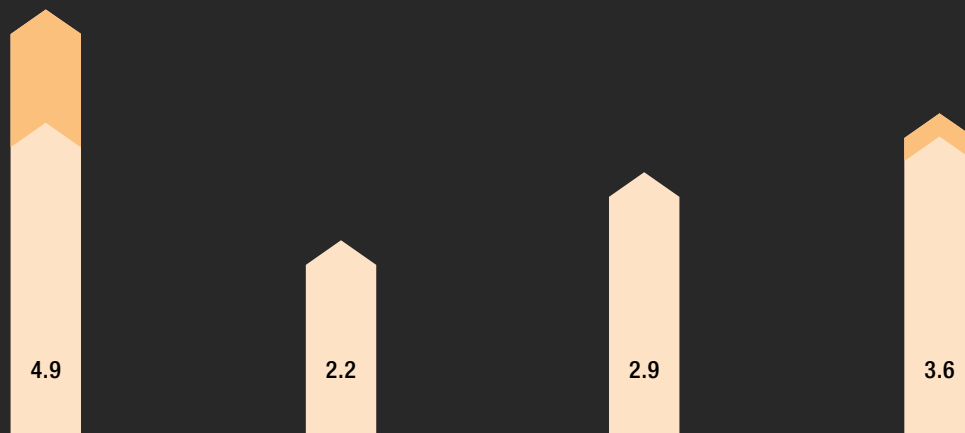
## Reliability of information presented in political parties' election campaign finance reports

CROATIA


KOSOVO

MACEDONIA (FYR)

SERBIA



**KEY** { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

 PRACTICE

ONLY PRACTICE IS ASSESSED FOR RELIABILITY OF REPORTING

readily available through official accounting records<sup>8</sup>. During inspection of the financing of election campaign advertising during the last parliamentary elections in 2011, for example, the Electoral Commission reports that it was able to verify the accuracy of reports by comparing the official accounting records with bank statements on a daily basis<sup>9</sup>. This is not supported by other evidence, however, and these reports are often considered largely inaccurate. For example, independent estimates suggest that, on average, official financial reports on campaign financing do not cover more than 50 to 60 per cent of the actual revenue in campaign budgets<sup>10</sup>.

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In Serbia, reporting on campaign financing following the most recent elections in May 2012 is considered more reliable than for previous election processes. This is largely attributed to the significant increase in public funding of parties' political campaigns, reducing the incentives for parties to hide the sources of income.

In Serbia, meanwhile, there is anecdotal evidence to suggest that reports are far from accurate. For example, the ultimate source of funding for almost one half of reported expenditures during the May 2012 elections is unknown<sup>11</sup>. This is largely because of unclear provisions regarding reporting requirements for loans and commitments still outstanding at the time of reporting. Moreover, some financial reports register a large number of individual donations of identical sums, while others record relatively large sums donated by firms who are known to be in financial difficulties<sup>12</sup>. In some instances parties have failed to provide information about the costs of activities observed during the monitoring of election campaigns. Nevertheless, reporting on campaign financing following the most recent elections in May 2012 is considered more reliable than for previous election processes<sup>13</sup>. This is largely attributed to the significant increase in public funding of parties' political campaigns, reducing the incentives for parties to hide the sources of income<sup>14</sup>.

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<sup>8</sup> Interviews with representatives of the Croatian State Audit Office and State Electoral Commission.

<sup>9</sup> Interviews with representatives of the Croatian State Electoral Commission.

<sup>10</sup> Interviews with independent experts in Croatia.

<sup>11</sup> <http://www.transparentnost.org.rs/images/stories/Election%20Campaign%20Financing%20in%20Serbia%20Report%202012%20%28Final%29.pdf> (p. 63): 48 per cent of total expenditures for the May 2012 parliamentary campaign were from unknown income sources (i.e. 22 per cent loans and 26 per cent uncovered expenditures).

<sup>12</sup> [http://issuu.com/acamilijasevic/docs/cista\\_politika?mode=window&pageNumber=1](http://issuu.com/acamilijasevic/docs/cista_politika?mode=window&pageNumber=1) pp. 53-59

<sup>13</sup> <http://www.transparentnost.org.rs/images/stories/Election%20Campaign%20Financing%20in%20Serbia%20Report%202012%20%28Final%29.pdf>, p. 33

<sup>14</sup> <http://www.transparentnost.org.rs/images/stories/Election%20Campaign%20Financing%20in%20Serbia%20Report%202012%20%28Final%29.pdf>, p. 33

In Albania, reporting is generally considered largely reliable for public funding, but there is a broad perception that a significant portion of private donations (especially donations in kind) are not included in political parties' financial reports<sup>15</sup>.

A significant problem with regards to verifying the accuracy of financial reporting is the weak auditing and oversight capacity of state control agencies (see section on state oversight). In Kosovo, for example, the Central Electoral Commission (CEC) relies entirely on private auditing firms to ensure the accuracy of information, while there is a complete absence of scrutiny from the General Auditor's office<sup>16</sup>. Indeed, the CEC is known to have accepted several incomplete reports from political parties<sup>17</sup>, in violation of the law<sup>18</sup>.

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<sup>15</sup> According to data collected through field tests conducted by citizens in Albania.

<sup>16</sup> Response to a questionnaire by Mr. Sylejman Gashi, Internal Auditor at the Central Electoral Commission (CEC); and Mr. Lars Olofsson, Auditor General, round-table debate held on 21.05.2013.

<sup>17</sup> 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"  
[http://www.oag-rks.org/repository/docs/RaportiAuditimit\\_KQZ\\_2011\\_Shqip\\_790940.pdf](http://www.oag-rks.org/repository/docs/RaportiAuditimit_KQZ_2011_Shqip_790940.pdf)

<sup>18</sup> Law No. 03-L-174 on Financing Political Parties, Article 15, and 22.



## SANCTIONS

Sanctions are an important control mechanism when looking at political parties' compliance with the law and related incentives. Sanctions regimes, when proportionate and robust, can serve as a strong deterrent to the infringement of laws.

Questions to evaluate sanctions include: Are existing laws on the financing of political parties' election campaigns adhered to in practice? Is current legislation in this area adequate? Are sanctions for violation of established rules appropriate?

Sanctions are consistently one of the most problematic dimensions across the region. Even in those countries where relatively robust sanctioning mechanisms are in place, implementation is almost non-existent across the board.

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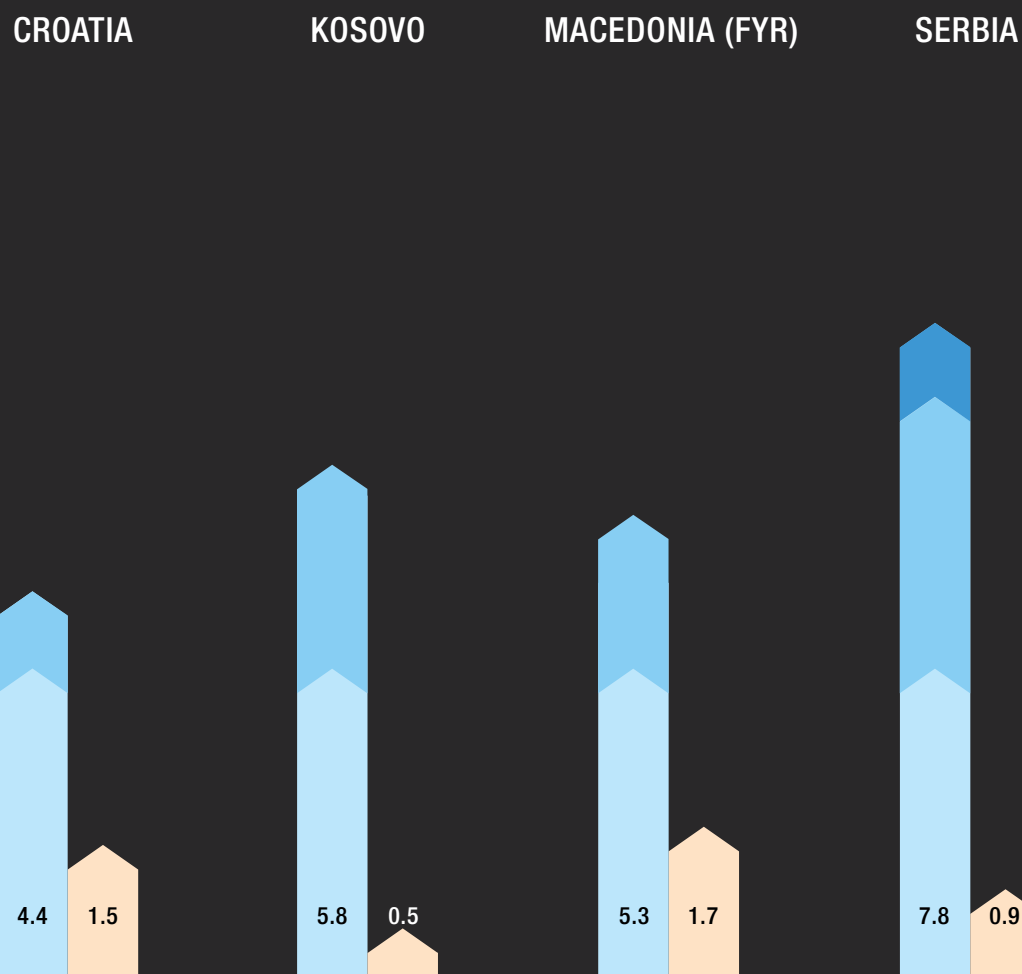
Even in those countries where relatively robust sanctioning mechanisms are in place, implementation is almost non-existent across the board.

In Croatia, the legislation on sanctions is relatively comprehensive due to the introduction of new sanctions in the Political Activity and Election Campaign Financing Act, 2011. For example, sanctions can be imposed on a political party for: (i) failing to announce publicly the price/discount of media advertising in an election campaign, (ii) not maintaining a separate bank account for the financing of election campaign expenditure, (iii) using election campaign funds for illicit purposes; (iv) using funds or other resources from state or local budgets for financing campaigns; (v) promising political or other favours in exchange for donations and (vi) failing to report on donations and election advertising expenses on time<sup>19</sup>.

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<sup>19</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011.

## Effectiveness of sanctions for the violation of election campaign finance law



**KEY** { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

LAW PRACTICE

In both Croatia and Kosovo, sanctions can be imposed on party leaders, as well as those responsible for a party's financial operations<sup>20</sup>, while in Croatia and Serbia donors may also be sanctioned<sup>21</sup>. In Croatia, for example, donors may be subject to sanctions if they do not issue invoices for donations in the form of products or services, or if they make a donation while proceedings against them are being conducted for payment of unpaid debts to the state budget or to their staff<sup>22</sup>.

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In Serbia and Macedonia (FYR),  
no political party has ever been  
sanctioned for violating rules  
on political campaign financing.

The forms of sanction vary, ranging from monetary fines in all five countries and partial or complete loss of remuneration for election campaign expenses in Serbia<sup>23</sup>, Macedonia (FYR)<sup>24</sup> and Croatia<sup>25</sup>, to partial or complete suspension of public subsidies in Serbia<sup>26</sup>, Albania<sup>27</sup> and Kosovo<sup>28</sup>.

Unfortunately, the enforcement of sanctions is considered extremely weak in all five countries, with scores in this area ranging from 0.5 in the case of Kosovo to only 1.7 in Macedonia (FYR), the best performer in this regard. In Serbia<sup>29</sup> and Macedonia (FYR)<sup>30</sup>, for example, no political party has ever been sanctioned for violating rules on political campaign financing, while in

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<sup>20</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 43; Kosovo: CEC Electoral Rule 01/2008 on Registration and the Activities of the Political Parties, Articles 19.2 and Law No. 03/L-073 on General Elections in the Republic of Kosovo, Article 14.2.

<sup>21</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 45; Serbia: Law on financing of political activities, 2011, Article 38 Para 1 (criminal offence), Art 40 (misdemeanour).

<sup>22</sup> Art. 45. of the Act on the Financing of Political Activities and Election Campaigns.

<sup>23</sup> Serbia: Law on financing of political activities, 2011, Article 42.

<sup>24</sup> Macedonia (FYR): Electoral Code, Article 87.

<sup>25</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 40-42.

<sup>26</sup> Serbia: Law on financing of political activities, 2011, Art 43.

<sup>27</sup> Albania: Law on Political Parties no. 8580 date 17.2.2000, amended with the Law no. 9542 date 2.2.2006 and with the Law no. 10 374 date 10.2.2011, Article 23/4.

<sup>28</sup> Kosovo: Law No-03/L-174 on Financing Political Parties, Article 21.2.

<sup>29</sup> Information obtained from misdemeanour courts, through free access to information requests submitted by Transparency Serbia.

<sup>30</sup> "Parties Fail to Comply with the Elections Rules, the State Election Commission does not respond", Citizen Association MOST, 17.05.2011.

Albania<sup>31</sup>, the suspension of public subsidies has never been invoked. Even where sanctions are imposed, the scale is often negligible. In Kosovo, for example, despite numerous recorded violations of political financing regulations, the total value of fines issued in 2011 was €2,700, amounting to an average of €451 per political party sanctioned<sup>32</sup>.

One of the main reasons why the sanctioning of non-compliance with political financing rules is so weak is that supposedly independent oversight institutions are highly politicised in some countries. In order for them to carry out their functions effectively, they require greater independence from political interference.

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<sup>31</sup> Refer to the official decisions in 2012 of the Central Elections Commission on the financial annual reports of political parties in Albania for the reporting year 2011.  
[http://www.cec.org.al/index.php?option=com\\_content&view=article&id=300&Itemid=309&lang=en](http://www.cec.org.al/index.php?option=com_content&view=article&id=300&Itemid=309&lang=en)

<sup>32</sup> "The Annual Report for the Work and Activities of the Central Election Commission (CEC), January-December 2011", Pristina, January 2012, page 24.

## PREVENTION

Preventive measures play an important role in creating an institutional framework that fosters integrity in the financial operations of parties. They also help to discourage practices inconsistent with regulations on the transparency of party funding, and to facilitate state and public oversight.

Questions to evaluate preventive measures include: Are all funds going through the banking system? Are there fiscal incentives for disclosure? Are there any regulations preventing abuse of influence by the media?

With the exception of Croatia, there is a notable lack of measures to prevent the abuse of election campaign financing by political parties and other actors, with Kosovo, Macedonia (FYR) and Serbia all receiving a low rating for both law and practice.

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With the exception of Croatia, there is a notable lack of measures to prevent the abuse of election campaign financing by political parties and other actors.

In Croatia<sup>33</sup>, Macedonia (FYR)<sup>34</sup> and Serbia<sup>35</sup>, political parties are required by law to open a single, separate bank account for all financial transactions related to election campaigns. This allows for accurate monitoring of campaign income and expenditure. However, in Serbia, there is evidence to suggest that in some instances expenses were paid in cash (usually small amounts) or that parties paid for the costs of one campaign (e.g. parliamentary) from an account opened for another campaign (e.g. presidential)<sup>36</sup>.

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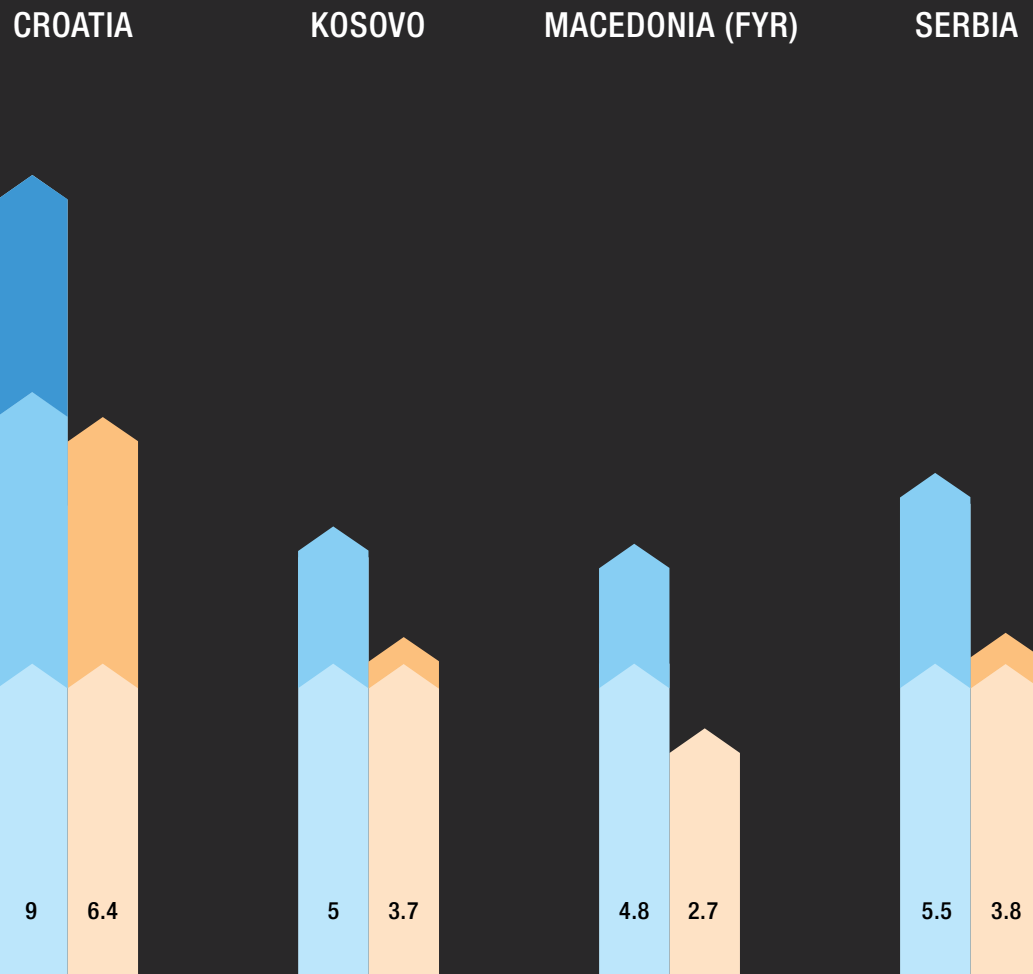
<sup>33</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 14.

<sup>34</sup> Macedonia (FYR): Electoral Code, article 71 (1).

<sup>35</sup> Serbia: Law on financing of political activities 2011, Article 24.

<sup>36</sup> Information obtained from service providers by Transparency Serbia during monitoring of May 2012 campaign funding.

## Effectiveness of measures to prevent the abuse of election campaign financing



**KEY** { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

**LAW** (Blue)  
**PRACTICE** (Orange)

Cash donations are prohibited in both Croatia<sup>37</sup> and Serbia<sup>38</sup>. In Macedonia (FYR), meanwhile, the law does not prohibit donations in cash, although the organizer of the election campaign is obliged to deposit all assets received from legal entities or individuals into a single bank account<sup>39</sup>. In Kosovo, there is neither a requirement to open a single account for the purposes of administering an election campaign, nor a prohibition on cash donations, although donations are required to be included in financial reports of beneficiary political parties<sup>40</sup>.

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In Kosovo, there is neither a requirement to open a single account for the purposes of administering an election campaign, nor a prohibition on cash donations.

In Croatia, political parties are not liable to income tax and value added tax, and are entitled to certain tax benefits, although it is not entirely clear for which activities and on what basis<sup>41</sup>. Moreover, corporate donors can claim up to two per cent of their gross income as tax deductions on donations to political parties, although this does not apply to individual donors<sup>42</sup>. Such fiscal breaks offer an important incentive for donors to disclose their donations to election campaigns. Such tax exemptions do not, however, exist for donors in Kosovo, Serbia or Macedonia (FYR).

There are rules aimed at guaranteeing equal access to the media for all political parties during election time in Croatia<sup>43</sup>, Kosovo<sup>44</sup>, Macedonia (FYR)<sup>45</sup> and Serbia<sup>46</sup>, although they vary from country to country. In Macedonia (FYR), for example, price lists established by the media may not be changed during an election campaign, and unified prices for all political parties or candidates must be published<sup>47</sup>. In Serbia, on the other hand, the law does not make it

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<sup>37</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 22.

<sup>38</sup> Serbia: Article 24 of Law on Financing of Political Activities.

<sup>39</sup> Macedonia (FYR): Electoral Code, Article 71 (4).

<sup>40</sup> Kosovo: Law No. 04/L-058, On Amending and Supplementing the Law on Financing Political Parties, Article 5.3.

<sup>41</sup> Croatia: Act on the Financing of Political Activities and Election Campaigns; Article 9.

<sup>42</sup> Croatia: Corporate Profit Tax Law, Article 7.

<sup>43</sup> Croatia: Electronic Media Act, Article 36.

<sup>44</sup> Kosovo: Law No. 03/L-073 on General Elections in the Republic of Kosovo, Chapter VIII, Media During Electoral Campaign, Article 48.

<sup>45</sup> Macedonia (FYR): Under the Electoral Code article 75 (5), broadcasters are obliged to provide equal media representation to all election candidates, according to the rules of equal access to media representation during an election campaign.

<sup>46</sup> Serbia: Law on financing of political activities, 2011, Articles 6 and 9.

<sup>47</sup> Macedonia (FYR): Electoral Code article 75 a (3 and 4).



mandatory for all prices to be equal, but secondary legislation from the Republic Broadcasting Agency states that access to the media must be provided under consistent technical and financial conditions<sup>48</sup>.

Even when a robust legal framework is in place, the practice is often quite different. In Croatia, for example, there is evidence to suggest that the media and advertising companies sell advertising space to parties and candidates at different prices<sup>49</sup>. In Kosovo, meanwhile, there is little cooperation between the Central Election Commission and the Independent Media Commission to verify the allocation of free airtime or paid advertisements, opening the door to potential manipulation by political parties during elections<sup>50</sup>.

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<sup>48</sup> [http://www.rra.org.rs/uploads/useruploads/PDF/6079-Opste\\_obavezujuce\\_uputstvo\\_izbori\\_e.pdf](http://www.rra.org.rs/uploads/useruploads/PDF/6079-Opste_obavezujuce_uputstvo_izbori_e.pdf)

<sup>49</sup> <http://danas.net.hr/izbori/milijune-spiskali-na-reklame-hdz-i-kukuriku-najvise>

<sup>50</sup> Phone call with IMC board member Drita Begolli on 02/01/2013.

## MODERATE DIMENSIONS: PUBLIC OVERSIGHT AND REPORTING TO THE OVERSIGHT AGENCY

### PUBLIC OVERSIGHT

While there is no legal obligation for civil society to monitor and exert oversight on political parties and their financial means, the media, non-governmental organisations and citizens in general need to recognise the importance of their involvement to ensure accountability of political parties.

Questions to assess public oversight include: Are there organisations that oversee election financing? Are they independent and active in their functions? Do civil society, political parties or citizens report irregularities in election financing to the state oversight body?

Civil society is relatively active in monitoring and raising public awareness about political financing issues in Croatia, Serbia and Macedonia (FYR), although this is less true of Kosovo and Albania. The subject also receives good media coverage in Croatia and Serbia, although reporting is often considered to be politically biased.

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In Croatia, NGOs that oversee campaign financing are generally perceived as independent. They are also deemed considerably more effective than the State Electoral Commission in holding political parties to account.

In Croatia, Macedonia (FYR) and Serbia, non-governmental organisations have conducted various activities in the area of political party and campaign financing, including media monitoring, review of political parties' financial reports, and participation in debates and discussions on political financing reform. In Croatia, NGOs that oversee campaign financing

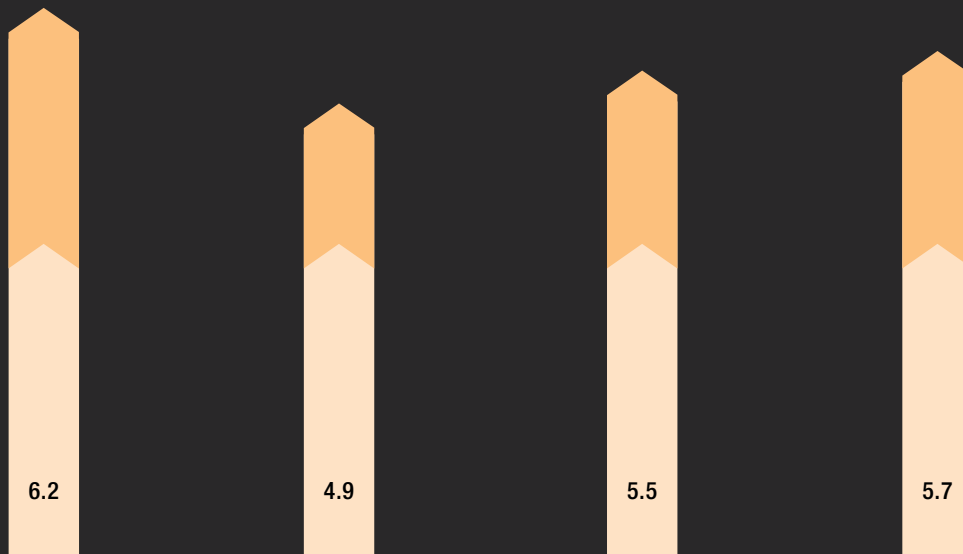
## Effectiveness of non-state actors in keeping political parties in check

CROATIA

KOSOVO

MACEDONIA (FYR)

SERBIA



KEY { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

PRACTICE

ONLY PRACTICE IS ASSESSED FOR PUBLIC OVERSIGHT

are generally perceived as independent. They are also deemed considerably more effective than the State Electoral Commission in holding political parties to account<sup>51</sup>. While the media do actively detect and report on violations of party financing rules, this is largely seen as being motivated by political bias and reporting is often sensationalist<sup>52</sup>.

A similar situation exists in Serbia, where media coverage of political party financing is widespread, but not considered to be entirely objective<sup>53</sup>. Moreover, the effectiveness of civil society oversight in Serbia is not regarded as significant<sup>54</sup>. This is partly due to a lack of incentives and mechanisms for potential whistleblowers to report suspected wrongdoing<sup>55</sup>.

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In Serbia, media coverage of political party financing is widespread, but not considered to be entirely objective.

In Kosovo, meanwhile – with a few notable exceptions<sup>56</sup> – civil society oversight remains weak. The subject of political finance is rarely covered in the media and citizen’s awareness of how campaign finances are raised is limited<sup>57</sup>. The result is an environment in which there is little external pressure on political parties to abide by the law, or on state oversight bodies to perform their duties effectively.

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<sup>51</sup> Interviews with independent experts.

<sup>52</sup> Interviews with independent experts.

<sup>53</sup> In May 2012, Transparency Serbia presented its findings on the scope of TV media campaigns during a press conference (Belgrade, May 11th ) [http://www.transparentnost.org.rs/index.php?option=com\\_content&view=article&id=187:monitoring-finansiranja-izborne-kampanje-2012&catid=14:vesti&lang=sr&Itemid](http://www.transparentnost.org.rs/index.php?option=com_content&view=article&id=187:monitoring-finansiranja-izborne-kampanje-2012&catid=14:vesti&lang=sr&Itemid)

Most media outlets chose to focus on the fact that URS (United Regions of Serbia) spent the most on parliamentary elections, and not on more relevant information, such as the fact that DS (Democratic Party, leader of the coalition ‘Choice for Better Life’) spent the most in total (for both parliamentary and presidential elections). Similarly, in April 2013, all media outlets reported the problems of DS (now in opposition) in repaying its campaign debts, while ignoring the way in which the ruling parties repay their campaign debts.

<sup>54</sup> Responses to a questionnaire from various representatives of the private sector, academia, the media and civil society.

<sup>55</sup> Serbia does not have a whistleblower protection law.

<sup>56</sup> *Zëri (Kosovo), Kryeministri Nuk i Deklaron Financuesit e Partisë* [The Prime Minister does not reveal his party’s financiers], 18 March 2013; report by COHU, <http://preportr.com/sq/Parate-dhe-politika/Mosdeklarimi-i-financave-rezulton-me-politik-klienteliste-45>

<sup>57</sup> According to CEC officials, only NGOs report irregularities. At the time of writing this report, no citizen has ever reported any irregularity to the CEC.

Much the same can be said of Albania, where there is little public debate and limited research on the issue of political campaign financing. Where debate does exist, the focus is largely on the high costs of electoral campaigns by two major political parties, and the fact that candidates for the legislative elections tend to be the richest individuals in the country<sup>58</sup>.

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<sup>58</sup> Data collected through the assessment of media, interviews with experts and NGOs, and field tests conducted by citizens.

## REPORTING TO THE OVERSIGHT AGENCY

Reporting to oversight agencies is a critical accountability mechanism for election campaign financing. It allows state agencies and the public to verify whether parties are mobilising funds from legal sources, and to what extent they comply with regulations on the acceptance of donations.

Question to assess reporting include: Are parties required to render accounts to a state agency? Are media companies also required to report? Is there a specific standardised format for submitting information, and how often is reporting required?

Political parties in Croatia, Kosovo, Macedonia (FYR) and Serbia are all required by law to submit reports on election campaign costs to a state oversight body, although the details of the requirements vary from country to country.

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In both Croatia and Macedonia (FYR), political parties are required to report during the campaign period, as well as after the election results are announced. This requirement provides an opportunity for voters to monitor the conduct of candidates and political parties before they vote.

In both Croatia<sup>59</sup> and Macedonia (FYR)<sup>60</sup>, political parties are required to report during the campaign period, as well as after the election results are announced. In Macedonia (FYR), for example, political parties have an obligation to submit three financial reports: the first on the 11th day of an election campaign, the second half-way through the campaign period and the third 30 days after the end of the election campaign<sup>61</sup>. This requirement provides an opportunity for voters to monitor the conduct of candidates and political parties before they vote, which

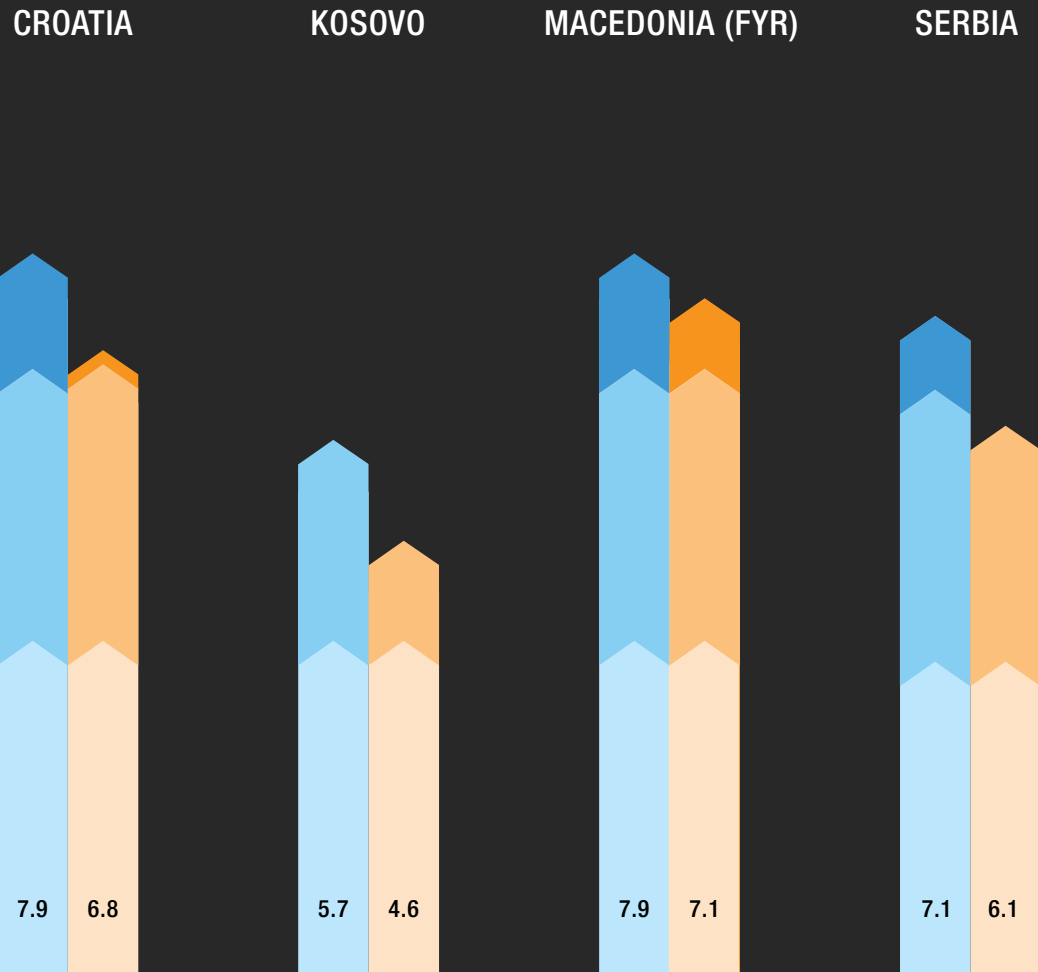
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<sup>59</sup> Croatia: Act on Financing of Political Activities and Regulation, on Keeping Records and Issuing Receipts, Article 24.

<sup>60</sup> Macedonia (FYR): Electoral Code, Articles 84 and 85

<sup>61</sup> Macedonia (FYR): Electoral Code, Articles 84 and 85

## Effectiveness of regulations for reporting to state oversight agencies on election campaign financing



**KEY** { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

LAW PRACTICE



should, in theory at least, act as a strong incentive for parties to abide by election campaign finance rules. As a result, most political parties in Macedonia (FYR) do respect deadlines for submitting reports on their campaign funding<sup>62</sup>.

In both Croatia<sup>63</sup> and Macedonia (FYR)<sup>64</sup>, political parties are also required to submit financial reports in a standardised format. In Macedonia (FYR), for example, a certain level of detail is required for information on revenues (name of each donor, and amount and date of each donation), as well as expenditures for each donation<sup>65</sup>. This stands in sharp contrast to Kosovo, where no standardised reporting format of any kind exists<sup>66</sup>. Nevertheless, the CEC is currently working with the International Foundation for Electoral Systems (IFES) to develop a standardised reporting format, which is expected to be finished before the 2014 elections<sup>67</sup>.

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Donors are not legally required  
to submit reports to a state oversight  
body in any of the countries assessed.

In practice, political parties do generally report as required. In Croatia, for example, all larger (parliamentary) parties filed reports for the 2011 parliamentary elections on time, a marked improvement on the situation 10 years earlier, when not a single party submitted reports on campaign financing, despite a legal requirement to do so<sup>68</sup>. Likewise, in Serbia, all parties that participated in the 2012 national elections submitted their campaign finance reports to the Anti-corruption Agency, although this was not the case for the Vojvodina provincial and local elections<sup>69</sup>.

Donors, on the other hand, are not legally required to submit reports to a state oversight body in any of the countries assessed. However, in Croatia, for products or services given in kind,

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<sup>62</sup> See the State Election Commission ([www.sec.mk](http://www.sec.mk)) and the State Commission for Prevention of Corruption ([www.dksk.org.mk](http://www.dksk.org.mk)).

<sup>63</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 24.

<sup>64</sup> Macedonia (FYR): Electoral Code, Article 84 b (3).

<sup>65</sup> Macedonia (FYR): Electoral Code, Article 84 b (3).

<sup>66</sup> Kosovo: Article 15 of the law No 03/L-174 on Financing of Political Parties does not specify whether political parties must submit their reports in a standardised format.

<sup>67</sup> CEC meeting on 18 April, attended by members of Kosovo Democratic Institute (KDI).

<sup>68</sup> Kregar, Josip / Marko, Jozef, 2004: *Financiranje političkih stranaka*, in: Prpić, Ivan (ed.): *Država i političke stranke*, Narodne novine/ Hrvatski pravni centar, Zagreb.

<sup>69</sup> Misdemeanour procedures filed by the Anti-corruption Agency due to failure to submit campaign finance reports, [http://www.acas.rs/images/stories/\\_94.pdf](http://www.acas.rs/images/stories/_94.pdf). To date there has been only one first instance conviction, although this information is not published. In addition, the process is ongoing in more than 100 cases (misdemeanour procedure).

they do have to issue an invoice which indicates the market value of the product or service donated<sup>70</sup>.

Reporting requirements for the media, meanwhile, vary from country to country. In Croatia the media is required to report to the State Electoral Commission, although the format of the report is not specified<sup>71</sup>. Likewise, in Macedonia (FYR), media companies must submit reports no later than 15 days after the end of the election campaign, detailing the amount of advertising space used by each of the parties, as well as the value of assets used for advertising. Reports are to be submitted to the State Election Commission, the State Audit Office and the State Commission for the Prevention of Corruption<sup>72</sup>. In Kosovo, media companies do not report directly to the Central Election Commission (CEC), but to the Independent Media Commission (IMC)<sup>73</sup>. There is no evidence that the CEC has ever requested information from the IMC to verify the compliance of media companies with election finance regulations<sup>74</sup>. In the case of Serbia, media companies are also legally required to report and provide information both to the Republic Broadcasting Agency and the Anti-corruption Agency, but only when asked<sup>75</sup>.

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<sup>70</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 10.

<sup>71</sup> Croatia: Act on Financing of Political Activities and Election Campaigns, Article 12.

<sup>72</sup> Macedonia (FYR): Electoral Code article 85 a, paragraphs (1), (2) and (3)

<sup>73</sup> Kosovo: Law No. 03/L-073 On General Elections in the Republic of Kosovo, Chapter VIII Media During the Electoral Campaign, Article 47, General Provisions 47.1.

<sup>74</sup> Kosovo: Phone call with Drita Begolli, Member of IMC, 02/01/2013.

<sup>75</sup> Serbia: Law on Financing of Political Activities, 2011, Articles 20 and 21.

## STRONGEST DIMENSIONS: PUBLIC DISCLOSURE, STATE OVERSIGHT AND DEPTH OF REPORTING

### PUBLIC DISCLOSURE

The disclosure of financial information is a key element in ensuring that the media, civil society organisations, citizens and aspirants to public office can engage in monitoring party finances.

Questions to assess this area include: Are political parties required to disclose information on public subsidies and private financing received? How often are they required to disclose information? How is the public made aware of such information?

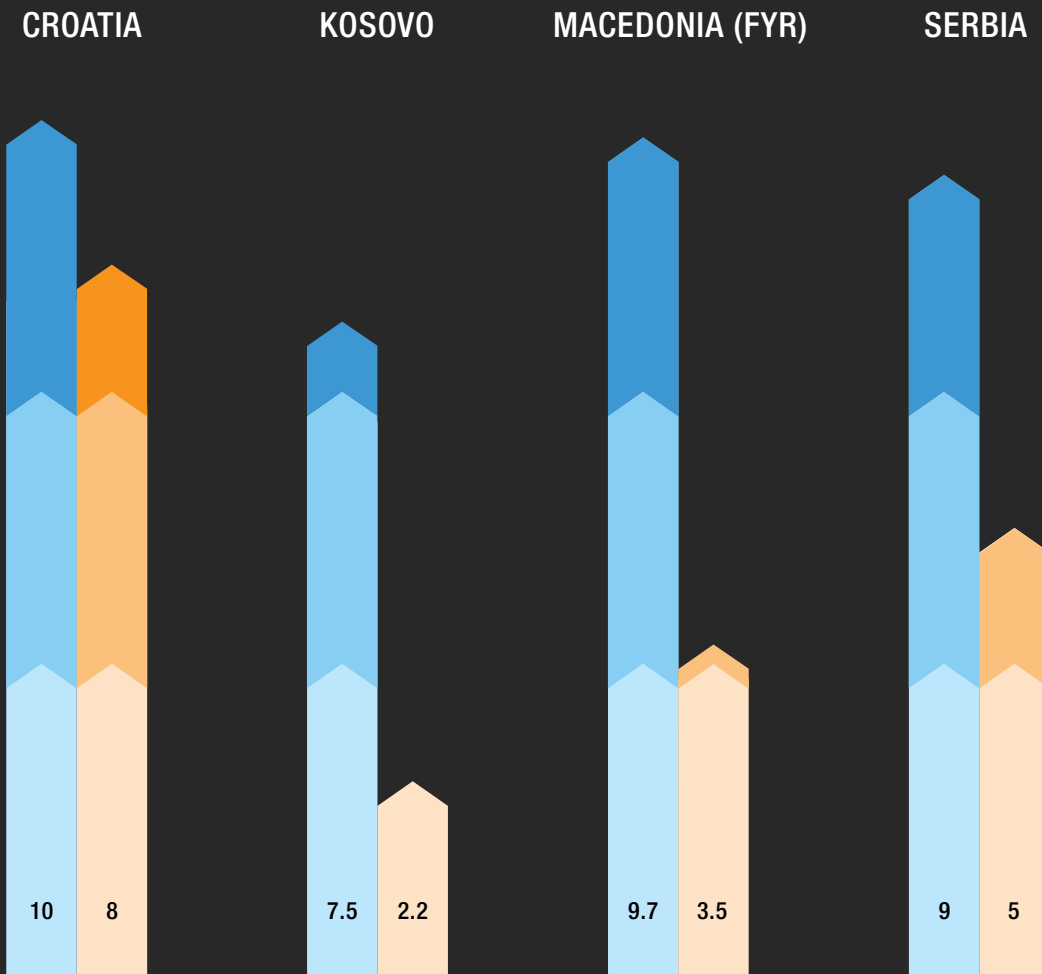
The assessment also involved an experiment in which a group of citizens, journalists and students requested information from various actors to test how easy it is to get access to information in practice.

In Croatia, Kosovo, Macedonia (FYR) and Serbia political parties are required to disclose financial reports on election campaigns. In most cases, information is required to be published by the oversight agencies to which they report. The details in each country vary, however, as does adherence to the regulations in practice.

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In most cases, information is required to be published by the oversight agencies to which political parties report. The details in each country vary, however, as does adherence to the regulations in practice.

## Timeliness and effectiveness of public disclosure of information on election campaign financing



**KEY** { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

**LAW** **PRACTICE**

In Kosovo<sup>76</sup> and Serbia<sup>77</sup>, legislation requires the relevant oversight institution to publish political parties' financial reports, but the law does not specify an exact timeframe or stipulate how this information should be published.

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Thanks to legislative loopholes,  
the CEC in Kosovo does not regularly  
publish parties' financial reports.

Thanks to these legislative loopholes, the CEC in Kosovo does not regularly publish parties' financial reports. Sometimes, its website does not work<sup>78</sup>. Moreover, the system for requesting financial reports is unnecessarily complex, so that an ordinary citizen in Kosovo is not readily able to get up-to-date information on election campaign funding<sup>79</sup>. Despite a legal requirement that all public institutions must employ a member of staff with responsibility for processing disclosure requests, such a position does not exist at the CEC<sup>80</sup>. In Macedonia (FYR), while some parties do disclose information on election campaign financing on their websites, only one political party responded to a direct request for its financial report during the course of the research<sup>81</sup>.

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In Macedonia (FYR), while some parties  
do disclose information on election  
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only one political party responded to a  
direct request for its financial report during  
the course of the research.

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<sup>76</sup> Kosovo: Law No 03/L-174 on Financing of Political Parties, Article 15.4

<sup>77</sup> Serbia: Law on Financing of Political Activities, Article 29. para 4

<sup>78</sup> At the time of writing these comments, the CEC website (<http://www.kqz-ks.org/>) was not working. Furthermore, its website does not publish the original financial reports of political parties.

<sup>79</sup> As evidenced by the citizen test coordinated by Kosovo Democratic Institute and undertaken by 13 citizens, two journalists, six students and five random citizens.

<sup>80</sup> The research team in Kosovo visited the CEC headquarters numerous times to request the financial reports and established that they do not have a member of staff with responsibility for processing disclosure requests. The job of processing requests is delegated to whomever is available.

<sup>81</sup> From 13 letters sent to political parties requesting information on their election campaign reports, only one political party responded and sent its report.

Information about public subsidies to political parties in Croatia, Kosovo, Serbia and Albania can be obtained by referring to the relevant legislation in each country<sup>82</sup>. However, this is not always a simple process. In Kosovo, for example, the quota for each party is not clearly defined<sup>83</sup>, while in Serbia most cities and municipalities did not budget for campaign funding in 2012 in accordance with criteria set in Law on Financing of Political Activities or did not clearly state the amounts to be distributed for that purpose<sup>84</sup>.

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<sup>82</sup> Albania: Law on Political Parties no. 8580 date 17.2.2000, amended with the Law no. 9542 date 2.2.2006 and with the Law no. 10 374 date 10.2.2011, Articles 19, 22 and 22/1; Croatia: Political Activity and Election Campaign Financing Act, 2011, Articles 3-7; Kosovo: Law No 04/L-058 on Amending and Supplementing of the Law No. 03-L-174 on Financing Political Parties, Article 2.3; Serbia: 2011 Law on Financing Political Parties.

<sup>83</sup> During a CEC meeting held on 18 April 2013, in which Kosovo Democratic Institute participated, the members of the CEC agreed to publish the exact amount of money each political party receives. At the time of writing however, exact quotas had not yet been published.

<sup>84</sup> <http://www.transparentnost.org.rs/images/stories/materijali/finansiranje%20politickih%20partija/05042012/dopis%20b udzeti%20gradova%20i%20opstina%20fin%20pol%20akt.docx>

## STATE OVERSIGHT

State oversight is an indispensable element in strengthening the systems that regulate political financing. To function effectively, an oversight body must be independent and have a clear mandate. It is also vital that the institution has sufficient resources and technical capacity to carry out its duties.

Questions to assess this area include: Does the institution have legal powers to carry out independent oversight of political party funding? How independent is the electoral management body in practice? What are the capacities and shortcomings in terms of its resources?

The state oversight agencies in Croatia, Kosovo, Macedonia (FYR) and Serbia all have relatively far-reaching powers. In practice, however, there are concerns with the ability of these agencies to hold political parties to account effectively, either because of limited resources (as in Croatia and Serbia), or limited independence from political parties (as in Kosovo and Macedonia (FYR)).

The oversight agencies of Croatia and Macedonia (FYR) are regulated by law<sup>85</sup>. In both cases, the heads of these agencies are elected by Parliament and cannot be removed for political reasons, to ensure a degree of independence. Despite such guarantees, however, a member of one of the agencies (the State Commission for Prevention of Corruption) in Macedonia (FYR) was recently dismissed for alleged abuse of his office, without the approval of Parliament<sup>86</sup>, in clear contravention of the regulations.

Responsibilities of the oversight agency in Croatia include supervision of financial accounts relating to the funding of election campaigns, donation collection and election campaign expenses, reporting on campaign financing and other activities related to promotion during election campaigns<sup>87</sup>. However, the agency lacks knowledgeable and experienced staff and has suffered from a reduction in the financial resources at its disposal over the past year<sup>88</sup>. In Macedonia (FYR), the law grants authority to the State Commission for Prevention of

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<sup>85</sup> Croatia: Act on the Croatian State Electoral Commission; Macedonia (FYR): Law on State Audit and Law on Prevention of Corruption.

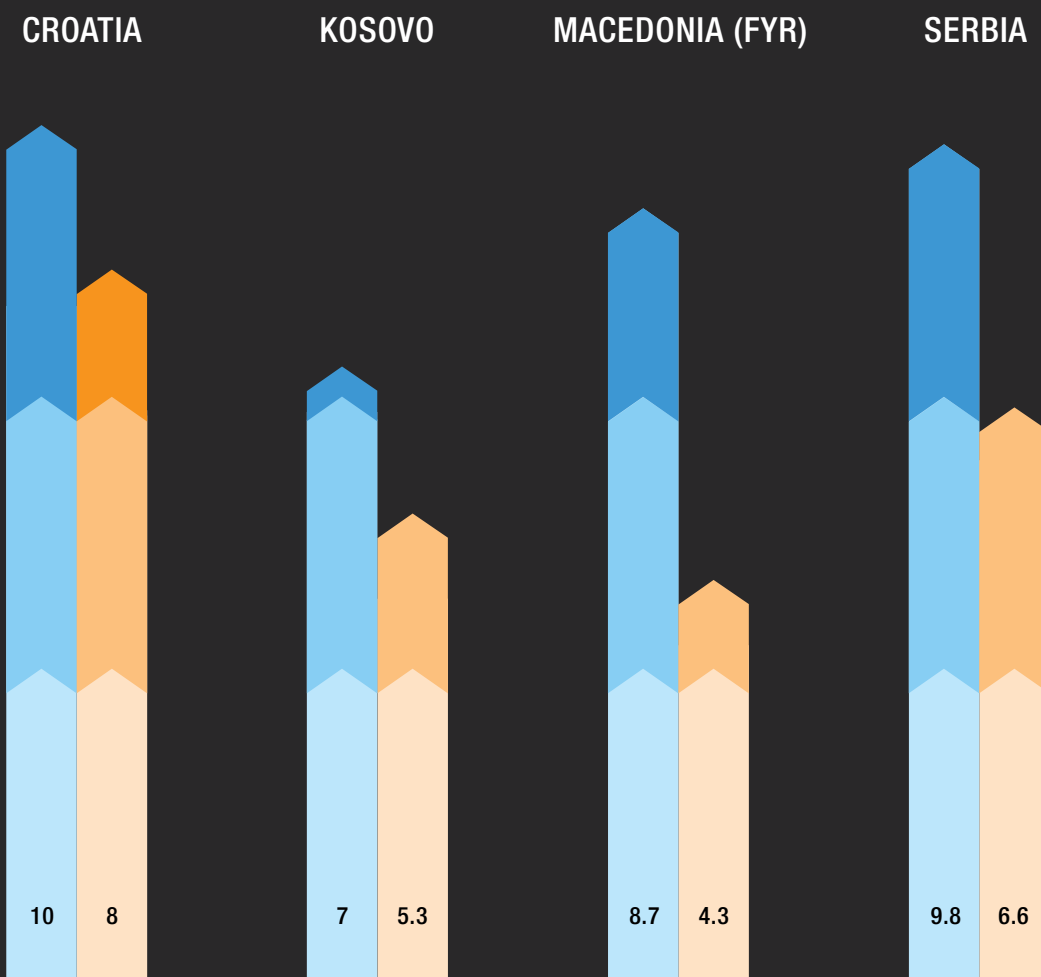
<sup>86</sup> Department of State (2013) "Macedonia 2012 Human Rights Report", April, p 28.

<sup>87</sup> Croatia: Act on the Financing of Political Activities and Election Campaigns; Article. 27.

<sup>88</sup> Croatia: See the Croatian State Electoral Commission.



## Effectiveness of control of election campaign financing by state oversight agencies



**KEY** { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

LAW PRACTICE

Corruption and the State Auditor's Office to initiate independent accounting investigations of parties and candidates. This allows them to access records on donors and to review the banking transactions of parties and candidates, with prior authorisation from the relevant parties. Nevertheless, despite this mandate and an adequate resource base, the effectiveness of the agencies is limited<sup>89</sup>.

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The Chairman [of the Central Election Committee in Kosovo] is appointed directly by the President of the Republic, compromising the independence of the institution.

The powers of the oversight agency in Kosovo (the Central Election Commission), are outlined in the Constitution<sup>90</sup> and in law<sup>91</sup>, and are relatively far-reaching, including the authority to initiate independent accounting investigations of parties and candidates. In practice, however, these powers are rarely invoked, especially regarding parties in power<sup>92</sup>. Unlike in neighbouring countries, the Chairman of the CEC is appointed directly by the President of the Republic, compromising the independence of the institution, although there is proportional representation of political parties among members of the CEC. Despite adequate funding<sup>93</sup>, the effectiveness of the CEC is limited and the institution is unable to detect mistakes and properly sanction violations<sup>94</sup>.

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<sup>89</sup> Macedonia (FYR): For example, when the state oversight agencies review reports, they focus only on assets and liabilities of income. Evidence from a review of reports by Transparency International Macedonia.

<sup>90</sup> Kosovo: The Constitution of the Republic of Kosovo, Article 139: Central Election Commission (CEC).

<sup>91</sup> Kosovo: Law No. 03/L-073 On General Elections in the Republic of Kosovo, Article 64: Responsibilities and Functions of the CEC.

<sup>92</sup> Kosovo: "The Annual Report for the Work and Activities of the Central Election Commission (CEC), January-December 2011", Pristina, January 2012, page 24: Although major irregularities were found in the 2010 audit report prepared by a private accounting firm, there was no investigation initiated for the PDK or LDK parties, the two biggest in Kosovo: (Audit&Conto:Financial Declarations and the Independent Audit Report 31 December 2010: (September 2011) page 7 & 8). The fact that the CEC rarely invokes its power is also confirmed by the fact that the CEC officials refuse to answer questions regarding the sanctioning of political parties. Moreover, an anonymous party accountant stated that CEC officials are afraid of losing their jobs if they initiate investigations against the parties. Personal interview 13 October 2012.

<sup>93</sup> Confirmed by Miradije Mavriqi, head of the Political Party Registration Office at the CEC, Personal interview, 7 November 2012. Also confirmed by the internal auditor of the CEC.

<sup>94</sup> Confirmed by the internal auditor of the CEC.

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The Anti-Corruption Agency in Serbia suffers from limited resources and is considered only moderately effective in terms of analysing received reports, performing investigations on the basis of received complaints, proactively investigating irregularities or detecting omissions in financial reports.

The oversight agency in Serbia (the Anti-Corruption Agency) is also regulated by law<sup>95</sup>. The Director of the agency is elected by the board, following a process of public competition, while members of the board are elected by the National Assembly and are prohibited from having any political affiliation. As in neighbouring countries, the agency also has relatively far-reaching powers, including the right to access the records and financial reports of political parties, other state and local government bodies, banks, and individual and corporate donors. However, the agency suffers from limited resources and is considered only moderately effective in terms of analysing received reports, performing investigations on the basis of received complaints, proactively investigating irregularities or detecting omissions in financial reports<sup>96</sup>.

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<sup>95</sup> Serbia: Anti Corruption Agency Act.

<sup>96</sup> <http://www.transparentnost.org.rs/images/stories/Election%20Campaign%20Financing%20in%20Serbia%20Report%202012%20%28Final%29.pdf>, p. 58/59

## DEPTH OF REPORTING

The usefulness of financial reports depends largely on the information included in them. Reports should identify each donor, and the amount and the date of each donation, and similarly itemise expenditures. This allows oversight bodies, civil society groups and voters in general to examine the accuracy of information provided, identify parties which 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.

Questions to assess this area include: How detailed are income and expenditure reports? Is there a threshold for reporting of income in financial reports?

Depth of reporting is considered strong in all countries, and was rated as the strongest area in Croatia, Kosovo and Macedonia (FYR) and the second-strongest in Serbia. Nevertheless, while the legal framework is relatively robust in most countries, there are still a number of gaps in implementation. The existence of thresholds for disclosure in Kosovo and Albania also provides loopholes which could be exploited by those wishing to conceal the sources of election campaign finance.

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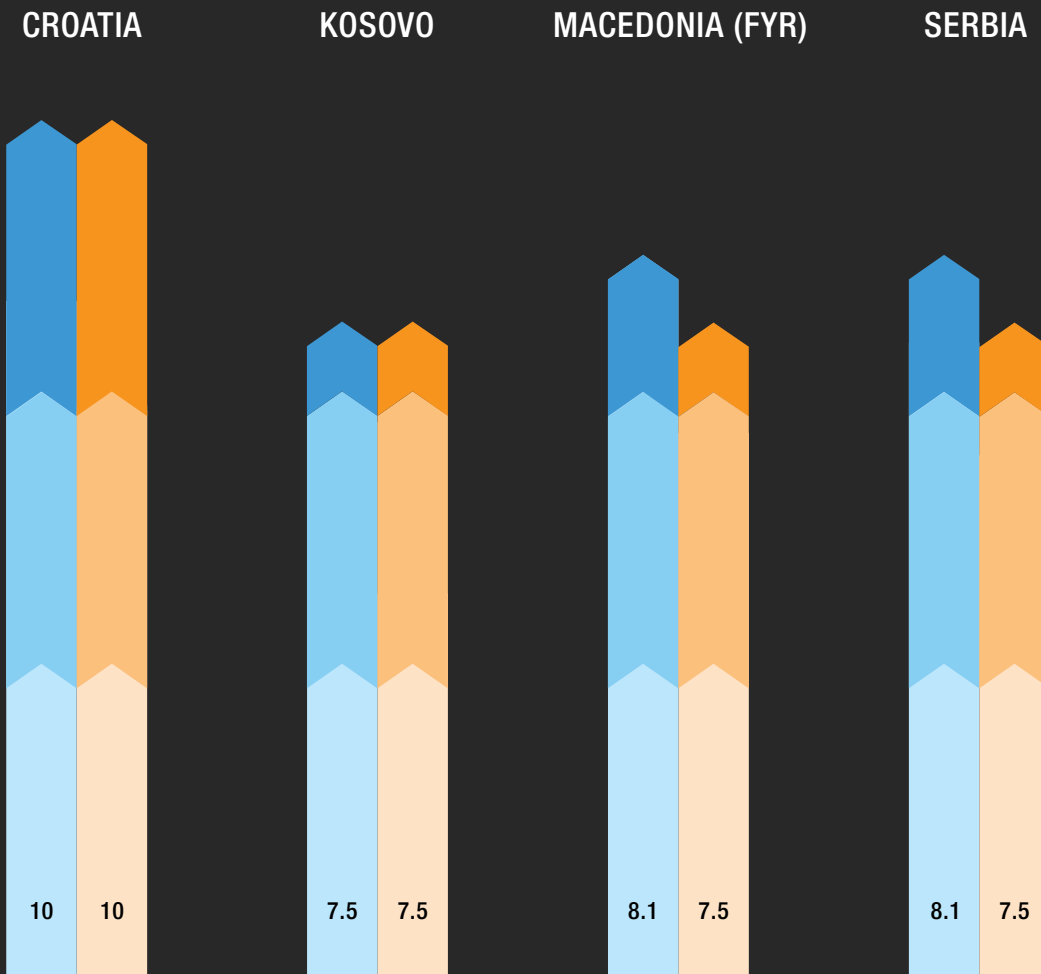
The legislation on the depth of reporting in Croatia, Kosovo, Macedonia (FYR), Serbia and Albania can be considered relatively strong.

The legislation on the depth of reporting in Croatia, Kosovo, Macedonia (FYR), Serbia and Albania can be considered relatively strong. All information on each donation and expenditure must be properly identified and itemised, including the date, the amount of each donation/expense, and the name and official registration number of each donor/vendor<sup>97</sup>.

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<sup>97</sup> Croatia: Regulation on Record Keeping and Issuing of Receipts, Article 11, Section 4; Kosovo: Law No-03/L-174 on Financing Political Parties; Macedonia (FYR) Electoral Code, article 83 b; Serbia: Rulebook on Evidence of Donations and Property, Annual Financial Report and Report on Expenditures of Election Campaign of Political Subject (OG RS no 72/11), Articles 7 and 8.

## Level of detail provided in political parties' election campaign finance reports



**KEY** { 6.8 – 10 = GOOD  
3.4 – 6.7 = AVERAGE  
0.0 – 3.3 = INSUFFICIENT

**LAW** **PRACTICE**

The implementation of the law in practice, however, varies from country to country. In Croatia, as required, parties included in their reports for the 2011 parliamentary elections: individual pecuniary donations, corporate pecuniary donations, private donations in kind, and goods and services provided by legal entities<sup>98</sup>. In Albania, the financial reports of the parties also included the required information, and reports on expenditure corresponded to invoices and receipts for each item<sup>99</sup>. In Serbia, campaign finance reports contained all the legally requested information except for the date of each donation, although this was available on the parties' web-pages<sup>100</sup>. In Macedonia (FYR), on the other hand, the financial report on expenses incurred during the legislative elections only included information on total expenses financed by donations and total expenses financed from other sources<sup>101</sup>.

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In Croatia and Macedonia (FYR), all donations that political parties receive need to be disclosed, regardless of the amount. In neighbouring countries, thresholds do exist, ranging from €100 in Kosovo, to €720 in Albania.

In Croatia and Macedonia (FYR), all donations received by political parties need to be disclosed, regardless of the amount<sup>102</sup>. In neighbouring countries, thresholds do exist, ranging from €100 in Kosovo, to €720 in Albania, creating loopholes which could be exploited by those wishing to conceal the sources of election campaign finance<sup>103</sup>.

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<sup>98</sup> [http://www.izbori.hr/izbori/dip\\_ws.nsf/0/5740EBF523B42CE5C12579A3005AD353/\\$file/Izvjescje\\_o\\_provedenom\\_nadzoru\\_finaciranja\\_izb\\_promidzbe\\_Sabor.pdf](http://www.izbori.hr/izbori/dip_ws.nsf/0/5740EBF523B42CE5C12579A3005AD353/$file/Izvjescje_o_provedenom_nadzoru_finaciranja_izb_promidzbe_Sabor.pdf)

<sup>99</sup> According to the financial and audit reports of political parties in Albania for 2011, official data obtained by the Central Election Commission (<http://www.cec.org.al>).

<sup>100</sup> [http://www.transparentnost.org.rs/index.php?option=com\\_content&view=article&id=282%3Aobjavlivanje-imena-donatora-politkih-stranaka&catid=14%3Avesti&lang=en](http://www.transparentnost.org.rs/index.php?option=com_content&view=article&id=282%3Aobjavlivanje-imena-donatora-politkih-stranaka&catid=14%3Avesti&lang=en)

<sup>101</sup> State Commission for Prevention of Corruption (2011) "Analysis of the Reports of Political Parties", 24 June.

<sup>102</sup> Croatia: Political Activity and Election Campaign Financing Act, 2011, Article 24; Macedonia (FYR): Electoral Code, article 84 b.

<sup>103</sup> Albania: The Electoral Code of the Republic of Albania, Article 90; Kosovo: Law No. 03-L-174 on Financing Political Parties, Article 15.3.2.



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