

(LACK OF?)

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(LACK OF?) TRANSPARENCY OF PARTY FUNDING IN KOSOVO

By Erëza Pula

Though fundamental for the functioning of democracy and the rule of law, political parties can, and sometimes do, deviate from their original purpose of setting public policy. It is not so strange that, given adequate conditions, corruption flourishes within their structures. Thus, promoting and ensuring a transparent and accountable system of political party financing remains one of the most crucial objectives, not only in transitional countries like Kosovo but also in consolidated democracies.

Albeit standards and codes of conduct for political party financing are assembled in a comprehensive regulatory framework, it has been often argued that such a framework is not respected by the political elite in Kosovo. Due to their representative role within the political system, political parties often provide profitable positions for their supporters, channel public resources and shape economic and political institutions to their best interests. In this context, the Government has been accused of privileging certain businesses during public procurement processes, as it has also been highlighted by the European Commission and various national reports. These practices have become even more frequent due to a lack of proper control mechanisms, which, if in place, would enhance transparency and prevent the abuse of financial resources by political parties.

It is worth mentioning that the annual and electoral financial reports of political parties have not been audited for four years consecutively, dating back from 2013. Lack of regular auditing undermines the transparency of political parties which receive funds throughout the year, often in contradiction with the applicable laws, thus corroding the rule of law and even electoral processes in Kosovo, as parties thus run for elections in unequal footing. Nevertheless, the country held two election campaigns in 2017, both parliamentary and local. Given the situation, these elections were certainly free, but its fairness, a key pillar of democratic values and transparent governance, was undermined.

Complete transparency of political party financing has been one of the requirements constantly emphasized by the European Commission, and also one of the priorities included in the European Reform Agenda for Kosovo. More precisely, the Progress Report for 2016 called for an immediate audit of the parties' financial reports, without further procrastination. The EC also suggested the initiation of an institutional debate, involving all political parties, aiming to increase transparency and accountability by placing special emphasis on political party funding and their annual and campaign financial reports.

In June 2017, the latest procurement procedure for auditing the financial reports of political parties for the period 2013-2016 resulted successful. Subsequent procedures were postponed until the establishment of the Government, following the Parliamentary Elections of June. Consequently, in mid-October, the Assembly Committee for Oversight of Public Finances selected the auditors responsible for the auditing of the Annual Financial Reports and Reports of Financial Statements of Campaigns of political parties for four

years. According to the chairperson of the Committee, auditing of the political party reports 'will start immediately after the selection of auditors and will be finalized within 45 days'.

As expected, Kosovo's Assembly received an early 'Christmas Present', which essentially contained the audited financial report of political parties, covering years from 2013 to 2016. The general findings of the auditors shed light on the poor financial management of all political parties, with no exception, leaving plenty of room for improvement. Even though the list is much more extensive, some of the most common observations highlighted by the auditors include:

- a majority of the political parties did not maintain proper accounting which enables recording of financial transactions and preparation of financial statements in accordance with accounting standards applicable in Kosovo;
- some political parties did not follow tendering procedures which would allow a more efficient, cost-effective, and transparent use of party funds;
- the statutes of some political parties do not define the possibility of exercising internal financial control, and the right of party members to be informed regarding the revenues and expenditures of political parties, as it is foreseen by the Law on Financing of Political Parties;
- some political parties have failed to disclose records of payments over €5,000 Euro per day, as required by the Law on Financing of Political Parties, and among others;
- some political parties executed payments over €5,000 per day, which violates the Law on Prevention of Money Laundering and Financing of Terrorism.

Above all, the most worrisome fact is that, in general, the financial management of political parties has not improved substantially over the years.

Regular auditing of political party financing is essential not only for the integrity of election processes, but also for the transparency of political parties. Thus, it is of crucial importance to have strict standards regulating political party financing in order to prevent corruptive affairs between political parties and their donors, as well as to hinder the corrosive impact that money can have on political processes and government decisions. Regular auditing of political party funding in Kosovo contributes to the democratization process, thus money received by political parties should be controlled by oversight mechanisms in order to ensure that it is managed in accordance with applicable laws.

For a democracy to be sustainable, it is crucial to have transparent, responsible and accountable political parties. In Kosovo, the efforts to address some of the above mentioned challenges through the legislative framework governing party financing were often undermined by the lack of political will.

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