



Republika e Kosovës
Republika Kosovo - Republic of Kosovo
Qeveria - Vlada - Government

CONCEPT DOCUMENT ON THE FIELD OF FINANCING OF POLITICAL ENTITIES

Chapter I

Introduction:

The aim of this Concept Document is to increase transparency and accountability for the purpose of improving the good governance and democratic functioning of institutions and political entities.

Financing of political entities in the Republic of Kosovo is regulated by Law No. 03/L-174 on Financing of Political Entities/Parties, amended and supplemented by Law No. 04/L-058 and Law No. 04/L-212.

This Law regulates, inter alia, the manner and conditions of financing of political entities, oversight, transparency and reporting on expenditures and incomes of political entities in the Republic of Kosovo.

Further advancement of legal framework with regards to the financing of political entities is requirement deriving from the National Plan for the Implementation of SAA, European Reform Agenda, as well as best international standards and practices.

National Plan for the Implementation of SAA determines that: *In the context of electoral reform in order to fulfill the obligations deriving from the EU reports for Kosovo, Kosovo should amend the Law on General Elections, and establish an independent authority, not the CEC, to be responsible for implementing the Law on Financing of Political Parties. Specifically, the Assembly of Republic of Kosovo will be committed to establishing an ad hoc committee for electoral reform, to which it will provide budget, in order to meet its obligations. While, in order to implement the Law on Financing of Political Parties, the Assembly will engage in the creation of a special department within the CEC or within the Office of Auditor General.*

Moreover, the European Reform Agenda foresees as follows: ensuring the transparency and accountability of political entities, the publication of financial

reports of political entities, providing adequate funding for procuring auditing services for auditing financial reports of political entities, selecting independent auditors through an open call.

To realize the abovementioned requirements, it has been determined to initiate the amending and supplementing of the Law on Financing of Political Entities.

In the course of obligations assumed based on the abovementioned documents, the Office of Prime Minister has established the team responsible for compiling the Concept Document for the policy "Financing of Political Entities". The responsible team is composed of representatives of the Office of Prime Minister, Assembly of the Republic of Kosovo, Central Election Commission, Office of General Auditor, Ministry of Finance, Ministry of European Integration, etc.

The responsible team is also entitled to include other stakeholders and organizations in the process of drafting the Concept Document, which are involved in monitoring the financing of political entities. In this aspect, the Office of Prime Minister has invited representatives of Civil Society who have provided their opinions and proposals on how this process can be addressed.

Chapter II

Description and definition of the issue/problem

The process of transparency in financing of political entities is a problem that has long been a topic of discussion by relevant institutions and also a concern deriving from various reports of national and international organizations.

The lack of transparency in the financing of political entities, as well as the lack of audit of finances of political entities has been a continuous concern of various national and international organizations, non-governmental organizations and this is also mentioned in the regular reports of European Commission.

Based on the National Plan for Implementation of SAA, European Reform Agenda, as well as consultations with the members of the team responsible for drafting the Concept Document, it has been observed that there are two issues whose implementation has stalled with regards to the Law on Financing of Political Entities.

The first issue relates to the audit of revenues and expenditures of political entities, and the second issue concerns the publication of annual financial reports and the campaign financial disclosure.

Article 19 of the Law No. 04/L-212 on Amending and Supplementing the Law No. 03/L-174 on Financing of Political Entities, amended and supplemented by the Law No. 04/L-058 stipulates that: *Annual Financial Reports and Financial Declaration Reports of Campaign which are submitted by political entities to CEC, shall be audited in accordance with accounting standards applicable in Kosovo by auditors to be elected by the Assembly of the Republic of Kosovo through the Committee for the Oversight of Public Finances through an open public invitation for application.*

This Article also sets forth that: CEC should publish and keep published all annual financial reports of political entities together with the final audit report of political entities in its official website no later than 30 June of the following year. In addition, until this date, CEC is obliged to submit the final audit report to the political entity.

Difficulties in implementing the Article 19 were related to the conducting of audits of annual financial reports of political entities due to the failure of Assembly to select auditors. Even though the Law stipulates that natural or legal persons may be selected to audit reports of political entities, the Assembly faced difficulties in finding ten licensed auditors to perform actions deriving from Article 19 of this Law. In the absence of financial reports audit, CEC and political entities see the aspect of publication of financial reports as a process closely linked to the audit of those reports because if reports are not audited, political entities are not obliged to publish them.

According to CEC notifications, audits of financial reports of political entities were made only until 2012.

In the course of this, it is worth mentioning that of all political entities operating in the country, there is only one political entity that has published the annual financial reports.

Based on this provision, the CEC, by interpreting the provision of Article 19, paragraph 10, did not publish annual financial reports, considering that the publication of these reports should be made jointly with final audit reports.

In addition, CEC has considered as challenging the inability to impose fines on political entities which have no seats in the Assembly where, according to them, this is impossible due to the lack of legal basis; as well as inability to impose fines on political entities which have no official websites of political entity where they would publish all financial reports.

Lack of professional staff in the Office for Registration of Political Parties within CEC has been mentioned as a challenge that this institution has continuously faced.

Currently, there is no mechanism for monitoring finances of political entities. Unlike the audit which only controls annual reports and campaign reports, monitoring could control the revenue and expenditure of political entities on an ongoing basis, with particular emphasis during election campaigns.

Institutions that have political composition should not be mandated in the field of monitoring and control of finances of political entities because this may present a potential situation of conflict of interest.

Such an issue also derives from the OSCE/ODHIR and Venice Commission Guidelines on Political Party Regulation, dated 15-16 October 2010.

Also, a current problem is Article 9, paragraph 4 of the Law No. 04/L-212 on Amending and Supplementing the Law No. 03/L-174 on Financing of Political Entities, which sets for that: *Ten percent (10%) of the allocated amount by the Fund of the Assembly of the Republic of Kosovo, to be delivered for support of the work of each deputy.*

According to this provision, 10% of the amount allocated from the fund for supporting political entities is delivered for each deputy, and not for supporting parliamentary groups, as it should be.

It is important that the fines foreseen by the Law on Financing of Political Entities are harmonized with the Law on Minor Offenses.

With the Law on amending and supplementing the Law No. 04/L-212, the following paragraph 5 has been added to Article 15 of the basic law, which stipulates that: *Political entities should publish and hold public for at least one (1) year on their official websites, the Annual Financial Report of the previous year and Campaign Contribution Disclosure Reports of the previous elections and publish their own short version in one of the daily national newspapers. CEC shall determine the short version format for publication through a bylaw.*

This legal provision does not specify the deadline for publishing on their websites of the annual financial report and the campaign financial disclosure.

Also, the publication of these reports should be made irrespective of whether they are audited or not.

Current policy:

Office of the Prime Minister, in order to be informed more closely regarding this issue, has put forward several questions in written form to institutions dealing with political entities, including even some of the Civil Society Organizations dealing with these issues.

Based on the responses received, it may be concluded that there is perception that legal provisions provide room for non-implementation of obligations with regards to the publication and auditing of the reports of political entities.

According to the Law on Financing of Political Entities, there are several institutions responsible for the implementation of this law, such as: Kosovo Assembly, CEC, AKA and political entities.

Kosovo Assembly is obliged through a public competition to select licensed auditors, who shall audit financial reports and financial disclosure reports of the political entities.

Central Election Commission is obliged to publish annual financial reports of the political entities, annual report of the campaign and audit report of the political entities.

Political entities are obliged to publish their annual financial reports and financial reports of campaign expenditures on their official websites, and submit those reports to the CEC.

ASSEMBLY:

According to the provisions of the Law on Financing of Political Entities/Parties, the Assembly of the Republic of Kosovo through the Oversight Committee on Public Finance, in January of each year, selects by public competition at least ten (10) licensed auditors who will audit the Annual Financial Reports and Campaign Financial Disclosure Reports of the political entities.

To be selected, auditors must meet certain criteria that are stipulated in Article 19 paragraph 2 of the Law.

Following the selection of the list of auditors, the Oversight Committee on Public Finance of the Assembly of the Republic of Kosovo from this list, will appoint by lot the auditors who will be responsible for auditing the reports of political subjects. An auditor cannot audit the financial reports of a political entity for two consecutive times.

CENTRAL ELECTION COMMISSION:

The responsibilities of CEC and political entities in terms of publishing financial reports have not been realized, as the Assembly of the Republic of Kosovo from 2012/2013 has failed to select the Auditors, and thus no audit of financial reports of political entities has been realized. In this regard, CEC and political entities have linked the publishing of financial reports with the need for auditing of these reports. The CEC presents the preliminary audit results of the annual financial report by the auditors to the highest executive body of the political entity, including the list of errors or omissions within sixty (60) days from the commencement of the audit.

The Annual Financial Reports and the Campaign Financial Disclosure Report submitted by the political entities to CEC should be audited in accordance with applicable accounting standards in Kosovo, by auditors selected by the Assembly of Republic of Kosovo through the Oversight Committee on Public Finance, through an open public call for application.

The CEC shall publish and keep published all annual financial reports of political entities along with the final audit report of political entities on its official website no

later than 30th June of the following year. Also, by this date, the CEC is obliged to submit the final audit report to the political party.

The CEC is obliged to submit, by 30th of June of the following year, the annual financial reports of the political entities, along with the final audit report of the political entities, and no later than six (6) months after the election day the Campaign financial report of political entities along with the final audit report of political entities to the Anti-Corruption Agency, which in accordance with its mandate may examine these reports.

The CEC prepares an annual report for the Assembly of the Republic of Kosovo on the allocation and expenditures of financial means from the Fund.

POLITICAL ENTITIES:

The registered political entity should closely cooperate with the auditors selected by the Assembly of the Republic of Kosovo and provides them full and unobstructed access to financial records of the party, including to all entries without limitation.

A registered political entity within five (5) business days of receiving the preliminary audit results, may submit a revised financial report and an explanation of any significant error or omission identified by the auditors.

Upon the receipt of the revised financial report by the political party and explanations of the errors and omissions identified, auditors selected by the Assembly of Republic of Kosovo through the Public Finance Oversight Commission, within ten (10) days, submit to the CEC the Final Audit Report identifying any errors or omissions in the financial report, taking into account any explanation or review submitted by the political entity. The audit process of the Annual Financial Reports of Political entities must be completed no later than 15th of June of the following year.

Political entities are obliged to submit for publication to CEC the annual financial reports and campaign declaration/disclosure reports, and to publish them on their official website.

Failure to implement the current policy is due to the failure of the aforementioned institutions to meet the legal obligations, where, among other things, difficulties in the implementation of this policy have also been claimed to arise due to the legal unclarity of the Law on Financing of Political Entities and despite some efforts made by the Assembly for the selection of auditors, the Assembly has failed to select auditors for years now, the CEC has not published the reports due to absence of the audits carried out, and also the political entities have not published reports for the same reasons.

In May 2017, with the initiative of non-governmental organizations, a statement was signed with the political entities on increasing transparency during the electoral campaign, which aims to respect and enforce the Law in increasing transparency on the manner of spending public money.

Despite the commitments made with the signing of this statement, so far political entities have not made public their financial reports.

LAWS AND SUB-LEGAL ACTS

- LAW No. 03/L-174 ON FINANCING OF POLITICAL ENTITIES

This law defines the manner, conditions of funding, administration and oversight, transparency and reporting on the expenditures and incomes of political entities in the Republic of Kosovo.

This law also defines the financial and material resources of political entities in Kosovo, contributions dedicated to political entities, the process of generating incomes from the activities of political entities, etc.

This law also stipulates the regulation and functioning of the Fund for the Support of Political Entities, which functions within the Central Election Commission, and defines the purpose of using the financial means from this Fund.

This law also defines the process of financial reporting of political entities, internal audit, financial audit, as well as punitive measures against political entities.

The Law no. 03 / L-174 on Financing of Political Entities, has been amended and supplemented twice, by the Law no. 04 / L - 058 and Law no. 04 / L-212, during the years 2012 and 2013.

- LAW No. 03 / L-073 ON GENERAL ELECTIONS IN THE REPUBLIC OF KOSOVO

The purpose of the Law No. 03/L-073 on General Elections in the Republic of Kosovo, among other things, is to regulate the following issues:

- electoral system of elections for the Assembly of the Republic of Kosovo;
- financing and holding elections for the Assembly of the Republic of Kosovo;
- recognition and protection of the right to vote and eligibility criteria for the vote;
- maintaining of the voters list;
- registration of political parties and certification of political entities;
- responsibilities and functioning of the Central Election Commission;

- establishment and functioning of the Election Complaints and Appeals Commission;
- organization and functioning of election commissions and councils;
- rules for accreditation of election observers, as well as their rights and responsibilities;
- campaign expenditures limits and financial disclosure obligations;
- coverage of election campaigns by the media;
- code of conduct of the political entities, of their candidates and supporters;
- voting procedures, counting and announcement of the results;
- sanctions and fines charged for the violation of provisions of this law.

The Law on General Elections in the Republic of Kosovo has been amended and supplemented by Law no. 03 / L-256.

REGULATION No. 14/2015 ON FINANCING OF POLITICAL ENTITIES AND SANCTIONS

This Rule is intended to regulate procedures for funding, administration, oversight, transparency and reporting on incomes and expenditures of political entities from the Fund for the Support of Political Entities, sanctions for late submission of documentation and imposing of fines. Based on this Regulation, the CEC is the authority responsible for the allocation and management of the Fund for the Support of Political Entities, in accordance with the Law on Financing of Political Entities. Also pursuant to this Regulation, political entities are obliged to meet their obligations stipulated in the Law on Financing of Political Entities and in accordance with the abovementioned Regulation.

Chapter III

Aims and objectives

The overall aim of this policy is to increase transparency and accountability through the publishing of revenues and expenditures of political entities that compete in elections.

This policy also aims to regulate aspects related to the determination of the authority for the selection of auditors and the conducting of auditing of financial reports, focusing also on the establishment of a relevant mechanism that would conduct audits of political entities and candidates that compete in the election.

The authority selecting the auditors will also have the mandate to conduct continuous monitoring of revenues and expenditures of political entities.

The aim of this policy is in line with the requirements of the National Plan for the Implementation of the SAA and Agenda for European Reform, which require establishment of a relevant mechanism for data auditing and publication of financial reports and financial disclosures of political entities.

1. Increase transparency through publication of revenues and expenditures of political entities:

Various reports published by public institutions as well as various governmental organizations show that a part of the political entities do not have their revenues and expenditures published, despite being a requirement that derives from the Law on Financing of Political Entities/Parties.

The reasons for non-publication of these reports relate directly to the failure in selecting the Auditors, and in the absence of audits of political entities, the latter have not disclosed their reports.

This concept document aims to further clarify the legal provisions related to the publication of revenues and expenditures of political entities, by further regulating the legal provision in force that relates to the publication of annual report and annual declaration of political entities, as well as by further clarifying the process of auditing and publishing of revenues and expenditures of political entities. Moreover, these two processes will not be conditional on one another, which implies that the publication of reports should be made by the political entities and the responsible authority, regardless of the performance of their audits.

The Assembly of the Republic of Kosovo, namely the Oversight Committee on Public Finance, has so far failed to select auditors to audit the annual financial reports and election campaigns financial declaration reports.

Financial statements and financial reports have not been made public due to the lack of audit of these statements.

Considering that a certain amount of the budget of political entities is financed by the Budget of the Republic of Kosovo, non publication of the manner the public money is spent hampers the process of transparency and accountability and prevents the assurance of proper implementation of these funds.

Given this fact, since a part of the budget of political entities is financed by the Budget of the Republic of Kosovo, citizens should have access to and be informed on how public money is spent by political entities. Therefore, this concept document addresses the aspect of transparency and accountability, which hereby aims the publication of all revenues and expenditures on time so that this data is accessible to all.

2. Conducting audit of financial reports

Currently, according to the Law on Financing of Political Entities, the Assembly of the Republic of Kosovo is responsible for the selection of auditors who would audit the financial reports of political entities. Bearing in mind that this has failed to be implemented for four years from 2013 to 2017, with the amendment and supplementation of the Law on Financing of Political Entities, it is intended that the competence for the selection of auditors for political entities to pass to an independent body, namely the Office for the Registration of Political Entities within the Central Election Commission, as presented in Option 2 of this Concept Document. To enable this, it is required that the Law on Financing of Political Entities provide for provisions that confer on the Office for the Registration of Political Entities in the CEC to do the selection of auditors by open invitation as well as be responsible for continuous monitoring of the financing of political entities.

Also, during the drafting of the Draft Law, the Law on State Administration will be considered in order to provide this office with a high degree of independence and to provide the necessary human and financial resources to carry out continuous monitoring of the financing of the political entities.

Another reason for failure to perform audits is the lack of sufficient budget for carrying out audits. This issue is intended to be regulated through the Fund for Democratization, which is dedicated to the financing of political entities, the allocation of an amount of 1% to be dedicated only to the audit of political entities. The Fund for Democratization is up to 0.34% of Kosovo's budget, which falls in cash to roughly 4 million and 200 thousand euros. Depending on the Kosovo budget, there is also the allocation of funds for the Democratization Fund using the budget allocation formula up to 0.34% of the budget.

If taken as an example of the current value of 4 million and 200 thousand euros, 1% of the total value would be 42 thousand euros dedicated to auditing.

3. Harmonization of the sanctions of the Law on Financing Political Parties with the Law on Minor Offenses

The Law on Minor Offenses, which entered into force in 2017, defines maximum and minimum limits of minor offences sanctioned by fine for certain cases. In this regard, since the Law on Financing of Political Entities has entered into force much earlier, the other goal of this concept document is the harmonization of minor offences with the relevant provisions of the Law on Minor Offenses.

We can take as an example, provision xx of the Law on Financing of Political Entities which is below or above the limit set in the Law on Minor Offenses.

The other case is related to the provision of the Law on Financing Political Entities which is in contradiction to Article of the Law on Minor Offenses.

There is another problem that needs to be addressed through this Concept Document. Regulation no. 14/2015 on financing of political entities has also imposed fines for failure to meet certain obligations. Determination of fines through by-laws is prohibited and all fines must be determined by primary legislation respecting the

principle of legality. Therefore, all fines set out in Regulation no. 14/2015 will be governed by the Law on Financing of Political Entities.

Chapter IV

Options

Option 1: Status quo option (no change)

Considering that political entities and CEC have so far not published the financial statements of political entities, justifying this on the unclear legal provisions of the Law on Financing of Political Entities, the status quo option would not change the existing situation, and consequently the political entities and the CEC would continue to fail publishing financial statements in the absence of audits of financial statements of political entities. Also, by selecting this option, the requests arising from NPISAA and ERA would not be addressed.

Option 2: Change of existing policy

Given the continued failure to implement the legal provisions of the Law on Financing of Political Entities related to the transparency and accountability of political entities in the process of their financing and expenditures incurred, and consequently the non publication of financial reports of political entities, the option recommended by the team responsible for drafting this concept document is the amendment of the Law on Financing of Political Entities, with particular emphasis on establishing clear and precise provisions for the process of selection of licensed auditors, for carrying out audit of financial reports, as well as for the obligation to publish these reports by political entities at the CEC.

The working team has come up with the proposal that in the framework of changes to the legal provisions of the Law on Financing of Political Entities, it should be determined that the selection of licensed auditors to carry out audits of financial reports of political entities shall be made by the Office for Registration of Political Entities within the CEC framework.

In this regard, the Office through open invitation shall select licensed auditors who will carry out audits of the political entity's financial reports and expenditure report during the campaign, which reports will also be published on the website of the political entity and on the official website of the CEC.

In order to implement this option, the Office of the Prime Minister will initiate the amendment and supplementation of the Law on Financing of Political Entities to

address the requirements of the National Plan for the Implementation of the SAA and the European Reform Agenda.

Despite what was emphasized above, the responsible team came up with the recommended option after having considered the following opportunities as well:

1. ECAP as an independent body for review of complaints and appeals, created by the Law on General Elections, to conduct the selection procedures of licensed auditors to carry out audits of financial reports of political entities.

If this responsibility were to be assigned to the ECAP, this would imply that the ECAP would have to increase institutional capacities and increase the budget for the purpose of realizing this responsibility.

2. The National Audit Office as an independent mechanism established by the Constitution of the Republic of Kosovo and the Law, to carry out audits of the financial reports of political entities since it fulfils all the professional conditions.

But, there is a constitutional obstacle to realizing this option, namely regarding the competence of the NAO to audit the funding for political entities that come from sources other than the Kosovo Budget, such as: membership, donations, etc.

3. The Anti-Corruption Agency, as an independent institution, be given competence through legal changes, to conduct the selection procedures of licensed auditors for auditing financial reports of political entities. But since this institution is not professionalized in the selection of auditors and in conducting audits of financial reports, if this competence were to be vested in this institution, it would be necessary for the existing staff to be prepared and trained, and amendments to the Law on the anti-corruption agency be considered, in order to align it with the Law on Financing of Political Entities.

4. Conducting the audit of the financial reports of the political entities:

Performing audits by the political entities themselves would be made possible through the selection of auditors licensed by the political entities themselves who would carry out an audit of the financial reports of the revenue and expenditure of the political entities, and these reports would then be published on the official websites of political entities, and would be sent for publication to the CEC.

For the purpose of accomplishing this option, it is necessary to amend and supplement the Law on Financing of Political Entities in order to address the above-mentioned issues within the law.

During legal changes, consideration would be given to providing financial facilities to political entities in order to meet the costs associated with the selection of auditors licensed to carry out audits. One possibility would be for a certain percentage of the

Political Entity Fund dedicated to political entities to be dedicated to political entities in order to carry out the selection of licensed auditors and conduct audits.

Option 3: Changing the existing implementation approach

Changing the existing implementation approach would imply strengthening the implementation of the existing Law on Financing of Political Entities, but this entails the risk of continuing the existing situation by invoking the uncertainties of the legal provisions of the Law on Financing of Political Entities.

The need for amending the law on financing of political entities is also a requirement arising from two documents (NPISAA and ERA), and that in this case option 3 would not address the requirements arising from these two documents.

Also, changing the existing implementation approach would prevent the proper functioning of transparency and accountability in the process of financing and expenditures of political entities.

Chapter V
Summary of Options

| Summary of Options | | | |
|--|---|--|--|
| Key Features | Option 1 | Option 2 | Option 3 |
| Option key features | Maintain the status quo (not desirable) | Increase transparency and accountability through the selection of auditors licensed by the Political Entity Registration Office and the ongoing monitoring of the funding of the political entities by this Office, to ensure the transparency and accountability of the political entities. | Strengthening the implementation of the legal provisions of Law no. 03 / L-174 on Financing of Political Entities/Parties, increasing transparency and accountability with the publication of revenues and expenditures of political entities, selection of auditors from the Kosovo Assembly for carrying out audits of financial reports of political entities, and publication of these reports by the CEC. |
| Target Population / Sector / Region/ Segment | Kosova | Kosova | Kosova |
| Characteristics of implementation - who is responsible - a government department (which one), private sector, citizens | Kosovo Assembly, Central Election Commission | Kosovo Assembly, Central Election Commission | Kosovo Assembly, Central Election Commission |
| Administration or implementation of the program or service | - | - | - |
| Laws, sub-legal acts, amendments to existing laws as well as | Law no. 03 / L-174 on Financing of Political Entities | Amending and Supplementing the Law no. 03 / L- | LAW NO. 03 / L-174 ON FINANCING OF POLITICAL |

| | | | |
|--|--|--|----------|
| enforcement and penalties | amended and supplemented by Law no. 04 / 1-058 and the Law no. 04 /1-212 | 174 on Financing of Political Entities | ENTITIES |
| Economic incentives or non-incentives - subsidies or taxes | - | - | - |
| Education and Communication Campaigns | - | - | - |
| Guidelines and codes | - | - | - |
| Time limits - when does the option enter into force | K1 2018 | K1 2018 | K1 2018 |

Chapter VI

Analysis of options

1. Benefits of Option 1 (status quo):

We consider that this option is not appropriate because maintaining the status quo would further continue the current situation and consequently the political entities and the CEC would continue to not publish the financial statements in the absence of audits of financial statements of political entities.

This would also reflect negatively on the assumption of the obligations deriving from NPISAA and ERA, and would lead to stagnation in meeting the obligations deriving from the European Agenda.

2. Benefits of Option 2 (Recommended Option)

The working team has come up with the proposal that in the framework of changes to the legal provisions of the Law on Financing of Political Entities, it should be determined that the selection of licensed auditors to carry out audits of financial reports of political entities shall be made by the Office for Registration of Political Entities within the CEC framework.

This would mean that during amending and supplementing the Law on Financing of Political Entities, the Law on State Administration will be considered in order to provide this office with a high degree of organizational and functional independence to ensure that the Office for registration of political entities function independently

of the CEC, with the administrative and logistic support of the CEC Secretariat. Also, the Law will take into account the provision of the necessary human and financial resources to carry out continuous monitoring of the financing of political entities.

3. Benefits of Option 3

By implementing this option, it would not be necessary to change the legal framework dealing with the financing of political entities, but this would require a change in the law enforcement approach, requiring political institutions and entities to perform audits of financial statements, and require their publication by the CEC and political entities.

Chapter VII

Comparison of options

1. The first option implies the continuation of the existing situation, which means the continuation of the current practice of political entities and CEC not publishing financial reports, as well as failing to carry out audits of these financial reports.
2. The second option implies changing the existing policy by amending and supplementing the Law on Financing of Political Entities, ensuring that in the new law are set clear and precise provisions for the selection process of licenced auditors by the Office for registration of political entities, auditing of financial reports, and the obligation to publish these reports by political entities and the CEC. Within these legal changes, it will be determined that the selection of licensed auditors to carry out audits of financial reports of political entities will be made by the Office for the Registration of Political Entities. In this regard, the Office, by open invitation, will select licensed auditors who will carry out audits of the political entity's financial reports and expenditure reports during the campaign, which reports will then be published by its own political entity and in the official website of the CEC. Also, the Office will be responsible for the ongoing monitoring of the funding of political entities, and if we consider the mandate of the CEC dealing with all aspects of political entities, this means that monitoring would be much easier to be performed in comparison with the transferring of this competence in another Institution that does not have the expertise to do so.
3. The third option is also an option which, according to preliminary analysis, will not bring any desirable changes, since we consider that the adoption of this option would not ensure transparency and accountability from political entities.

Therefore, based on the situation presented in the abovementioned options, we recommend that the Government of the Republic of Kosovo adopt the **option 2** presented in this Concept Document.

Chapter VIII

Recommendation

With the adoption of proposed option 2 it would be possible to:

- Initiate the amendment and supplementation of the Law on Financing of Political Entities;
- Selection of auditors licensed by the Office for Registration of Political Entities;
- Review the criteria for the selection of licensed auditors;
- Increasing transparency and accountability through publication of financial reports by political entities;
- Harmonization of Minor Offense Provisions with the Law on Minor Offenses.

Initiate the amendment and supplementation of the Law on Financing of Political Entities.

With the adoption of option 2 of this concept paper, the path to initiate amending and supplementing the law will be opened, whereby the provisions of the law related to the performance of audits of financial reports of political entities will be amended, as well as the provisions that are to do with the selection of auditors.

In this regard, taking into account the analysis presented in this concept paper, in the draft law will be determined that the political entities themselves will make the selection and provide the audit of the political entity, which simplifies the audit process and is also in the interest of the political entity that the expenditure and revenue reports are controlled and verified in order to provide accurate information on how to spend means that are used for the purposes of functioning of political entities.

During the legal changes, the entire legal framework governing the field of political entities will be taken into consideration, and in this case the need to change the CEC regulation related to the financing of political entities will be considered to ensure the harmonization of the legal framework.

Review the criteria for selection of licensed auditors

Article 11 of Law no. 04 / L-212 on amending and supplementing the law no. 03 / L-174 on the financing of political entities, amended and supplemented by law no. 04 / L-058, which modifies Article 19 of the basic law relating to financial control, the part dealing with the selection criteria of licensed auditors should be reviewed, and set out criteria which will be applicable in practice.

As an example we can take the request that is defined in this provision of the law that the Assembly of Republic of Kosovo selects through a public advertisement of at least 10 licensed auditors as an integral part of the legal entity for auditing the reports of political entities and should meet all the criteria set out in the law. The number of auditors will be considered to decrease, and will also be reviewed the other criteria for selecting auditors.

Increase transparency and accountability by publishing financial reports by political entities

By amending and supplementing the Law on the Financing of Political Entities, the obligation of publishing financial reports by the Political Entities on their official websites will be precisely defined but without being bound by the audit of these reports, seen as two processes separated from each other.

Also, it will be stipulated that the political entities, besides publishing the reports on their official websites, send a copy to the CEC, whereby the CEC will make their publication on its official website.

Harmonization of provisions for violation of the Law on Minor Offenses

Initiating the amendment of the Law on Financing of Political Entities would enable the harmonization of offenses with the relevant provisions of the Law on Minor Offenses.

Based on the situation presented in this concept paper, and based on the current practice of implementing the Law on Financing of Political Entities, the Government of Kosovo recommends for approval option no. 2