



Availability of Data on Political Parties Finance

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Abstract

This study analyzes the availability of data on financing of political parties from two perspectives: the Central Election Commission (CEC) and the general public, i.e. the voters. Although the analysis from both perspectives take into account the quality and quantity of the information available, in the case of CEC the greater focus is on quality of the information available, while in the case of citizens the greater focus is on quantity of the information available.

The result of this analysis shows that a number of existing problems in the field of financing of political parties leads to the questionable credibility not only of financial reports that the political parties submitted to the CEC, but also of the audit reports of the CEC, which are available to the general public.

The importance of regulation of this field is manifold. In Bosnia and Herzegovina, the current system of financing political parties generates a corruption which reflects in the fact that a political party may receive the contributions that are prohibited by law and will most likely remain undiscovered.

Besides the fact that it generates the corruption, the system of financing political parties has a negative impact on democracy. The effect on democracy is reflected in the fact that citizens are not familiar with the financing of political parties, which is confirmed by the field investigations carried out within this study. There are two reasons why citizens should be familiar with the financing of political parties. The first reason relates to the fact that people indirectly, through the taxes fund a leading political parties. The second reason relates to the fact that citizens when voting do not have insight into which donors are financing political parties and this knowledge might influence the decision of voters to whom give their trust in the elections. One of the significant problems identified in the study is the monitoring system of money in politics. The role of monitoring has been done by CEC but unfair ratio between the capacities of CEC and the large number of political parties to be analyzed requires a serious engagement of the NGO sector.

The facts that will be mentioned in the study indicate the complexity of the problem of financing political parties and that its solution implies a reform approach. Such an approach implies the inclusion of more stakeholders, such as: governmental institutions, NGOs, media and the European Commission. Although previous changes in the regulations of funding of political parties talk about insufficient political will to solve this problem, when it comes to financing of political parties, it is inevitable to talk about the role of the European Commission. Precisely the European Commission, in its Strategy of enlargement indicates to potential candidate countries the necessity of amendment of political parties funding.

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1. Introduction

Laws on regulation of political party financing may lead to corrupt behaviour of political parties that can stay undetected. Legislative rules recognize different ways to control money in politics such as contribution limits, spending limits during election campaign, forbidden contributors and so on. These rules are meaningless if there are no proper rules of disclosure of political finance that can lead to dishonest reporting of political parties. Dishonest and inaccurate reporting may lead to corrupt behaviour of political parties.

Another dimension of the problem with political party financing is related with the public. Citizens are not familiar with political party finance, although they are entitled to, due to a fact that around 85%¹ of sources of funding (parliamentary parties) come from the budget (tax payers). Election results can depend on the information of political party finance; knowing the sources of funding it enables citizens to determine financial interests that support candidates. This way during the electoral process, citizens can reject any candidates whose campaign relies on a donor with a given profile. At the same time, it will be easier after the elections to determine if a donor's company is being favoured, for example, in public contracting processes.

The methodology used for this study mainly relies on analysis of legislation, comparative analysis, field test and interviews done with key stakeholders. Legislative analysis will point out inefficiencies in the existing legislation, and at the same time, it will demonstrate how political parties can file dishonest Financial Reports to Central Election Commission. Comparative analysis will indicate that it is urgent to reform the field of political party finance since it is a global trend in democratic countries and it will provide some examples in other countries that will serve for drafting recommendations. Field test shows that citizens (voters) are not informed on political party finance and they do not know where to find the information. The interviews were used to verify the practice in the field of political party finance.

Since the focus of the Study is on disclosure of the political party finances', the analysis will involve the elements that affect the quality of disclosed information. This primarily refers to control of disclosed financial reports.

Overall goal of this research is to raise the awareness among all stakeholders involved in political party finance. Strong arguments, that this study will provide, will serve as a wake-up call to animate the inevitable reform. In addition, it also supposes to animate non-governmental organizations to start acting in this field, through monitoring of political party finance, and through raising awareness on these issues among public.

There is a global intention for increasing democracy and decreasing corruption in political party finance. International Foundation for Electoral System (IFES)² has recognized that political finance has a central role in relation with corruption, effective governance, free and fair elections and democracy. Also, Council of Europe, through Group of States against corruption evaluation teams (GETs) gives General Recommendations to its member states among which is BiH, on political party finance.³

In making recommendations, there are two opposing sides that will be considered: political will and EU accession process.

Synchronized actions of European Union, nongovernment organizations, media and voters can suppress political will and contribute to solving the problem what needs to be undertaken by the government. However, before this happens all participants in the field of political party finance need to understand the size of the problem and what repercussions can the problem provoke.

¹ Financial Reports of political parties available on www.izbori.ba

² Ohman, M., Zainulbhai, H. (2009). *Political Finance Regulation: The Global Experience*, pg. 14

³ Recommendation of Council of Europe

2. Problem description

“Political finance is a vital issue for democracy, governance and development. No matter how flawless are the country’s elections, how active its civil society, how competitive its political parties, and how responsible its local authorities, the role of money in politics undeniably influences the quality of democracy and governance. Only through greater transparency will one fully understand the extent and nature of this influence.”

(United Nations’ Office of Democracy and Governance, 2003)

2.1. General background of the problem

Global Corruption Barometer in year 2009 points out that citizens perceive political parties as the most corrupt segment of the society with an average score of 4.4.⁴

Determination to fight against the corruption is recognized not only by Council of Europe⁵ but also by the United Nations⁶. One of the ways in fighting the corruption among political parties is an adequate way of regulating political party finance.

The rules that countries usually apply in attempt to control money in politics are: contribution limits, contribution bans, spending limits and public disclosure.⁷ These rules are often combined within the certain country, which is the case in BiH, but what is important to emphasize is that these rules cannot be implemented if there are no adequate rules on disclosure.

International standards on political party financing are aimed at decreasing corruption, increasing level of democracy, ensuring effective governance and free and fair elections. Reaching these goals is possible through public disclosure, transparency and control over political party finance.

Different basic guidelines and rules have recently been advocated by a number of international governmental and non-governmental anti-corruption organizations. Many of the proposals, such as those emerging from the organs of the Organization of American States (OAS), Council of Europe (CoE), World Bank, African Union, ADB-OECD Anti-Corruption Initiative for Asia and the Pacific, Transparency International, or the Association of Central Eastern European Election Officials (ACEEEO) indicate in which directions could move future anti-corruption political finance regulations. They emphasize strategies based on public disclosure and most of them address the question of monitoring. The 13th International Anti-Corruption Conference (IACC)⁸, held at the end of 2008.y., assembled a group of researchers and they discussed about the both within the context of the Convention and the emerging set of global best practices. The Workshop tried to galvanize the debate and identify the set of best practices for global standards. On the conference there was a general agreement on the following principles:

- Anti-corruption political finance efforts should emphasize strategies based on broad and timely public disclosure and strong, independent monitoring mechanisms
- Global standards of best practices in political finance shall envisage the difference between what is legal and what is acceptable from the point of view of fair democratic competition.
- Global standards shall include: separation of public and party resources; timely access to information; independent and strong oversight process.

⁴ Transparency International GCB is in range from 1 to 5 (1 signifies non-existence of corruption, and 5 signifies extremely high presence of corruption)

⁵ Communication from Commission to the Council, the European Parliament and the European Economic and Social Committee on a comprehensive EU policy against corruption
http://europa.eu/legislation_summaries/fight_against_fraud/fight_against_corruption/133301_en.htm

⁶ United Nations Convention against Corruption was adopted on 9th December which represents the International Anti-Corruption Day. BiH made ratification of the Convention on 30th January 2006.

⁷ USAID. (2002). *Money & Politics Handbook: A Guide to Increasing Transparency in Emerging Democracies*. Washington, DC: USAID

⁸ Workshop report on 13th International Anti-Corruption Conference (IACC): Global Transparency Fighting Corruption for a Sustainable Future, Athens, Greece from 30 October to 2 November 2008; Rapporteur: Delia M. Ferreira Rubio



Successful *formula* on public disclosure does not exist. Every country in its own way establishes the system and sets its own rules. Research conducted by USAID in 2002 tells us that only 32% out of 118 countries has law that requires from political parties to report the names of their donors to the public.

One of the main reasons for choosing disclosure as a rule and practice in countries is because it is much easier to detect the irregularities and therefore to avoid or punish corruptive behaviour.⁹ For instance, if a business magnate makes a large political contribution to the winning party and then gains a favorable governmental contract, it will obviously be easier to raise questions about the possible link between the political donation and the contract if the facts about the donation are in the public domain.

⁹ Ibid.

The study will analyze disclosure from two perspectives, the first one is from the perspective of control body, which is Central Election Commission, and the other one is from the perspective of citizens, more specifically voters.

2.2. Historical overview of controlling money in politics in BiH

Multi-party system in BiH started in 1990 and since then the information on incomes and expenses were secret. Lack of control in the political party financing was typical for all East-European transition countries. Considering a fact that party funding can lead to corruption and jeopardizing sustainability of democracy, it is necessary to provide an adequate rule of law in order to minimize the possibilities of its abuse.

The secrecy on political party finance ends in 2000 when the Law on Political Parties Financing in BiH was adopted.¹⁰ According to this Law, political party may obtain funds for its operations from: membership fee, contributions from legal entities and natural persons, incomes generated by property owned by political party, incomes from the budget, profit from the income of the enterprises owned by political party and goods or free services for which political party is not obliged to pay.

¹⁰ "Official Gazzete BiH" no 22/00

The law also introduced the limitation to the amount of contribution that a legal entity and natural persons may donate to a political party. These contributions may not be cumulated more than once in a calendar year, the total amount may not exceed the value of eight average worker's salaries (for natural and legal entity) according to average worker's salaries from the Agency for Statistics. According to BH Agency for Statistics, an average salary in BiH in 2010 was around 700KM, therefore the limit is around 5,600KM.

There is also a limitation as to which the legal entities are not allowed to contribute to the political parties. These organizations are: state, entity and cantonal bodies; municipal and local communities bodies; public institutions; public companies; humanitarian organizations; businesses, which by virtue of their activity are exclusively intended and directed for non-profit; religious communities as well as an economic association in which the public capital has been invested in the amount of minimum of 25%. Also, by the Law it is forbidden to accept donation from the private enterprises which perform public services through government contract. During the elections conducted by Provisional Election Commission (PEC), the auditing of financial reports was done by the Auditing Team¹¹ and the Election Appeal Sub-Commission (EASC) imposed sanctions for irregularities.

¹¹ Auditing Team was established within the office of the Head of the OSCE Mission to Bosnia and Herzegovina

At a session of the House of Representatives held on 21st August 2001 and of the House of Peoples held on 23rd August 2001, the Parliamentary Assembly of BiH adopted the Election Law in BiH, which entered into force on 28th September 2001. PEC ceased operations, and the Election Commission of BiH was established, which in April 2006 changes its name into Central Election Commission (CEC) and has autonomous sources of income, a mandate to adopt bylaws and to dispose with the Audit Office.

Two years earlier, in 2004 emerges a Project "Money and Politics" (MAP), which is a global initiative by IFES with the aim to follow political parties financing and to promote transparency of election process around the world. At the centre of the Project was a database, which supposes to provide at the website of the Central Election Commission of BiH (www.izbori.ba/map) the information on political funding. The goal of the database was to provide free and immediate access to information on political party finance, for media and analysts that monitor the trends in financing of election campaigns. It also aimed to inform voters about incomes and expenditures of different candidates/parties and make better-informed decisions at the polls.¹² However the link could not be opened, which implies that the main purpose of the project has failed. Consolidated information on political financing could represent a starting point for the NGOs to monitor the implementation of Law on Political Party Financing as well as to connect the contributions with the policy decisions.

¹² Walecki, M., Šehić, V., Hadžimehić, N., Ivaniš, G. (2004). *Users' Guide on Political Party Financing*. Sarajevo: Money and Politics Project (MAP), IFES

From 2006 up to now the Law on Political Party Financing was amended two times in 2009¹³ and in 2010¹⁴. In 2009 the changes were minor, but in 2010 just before the General elections 2010, new amendments were adopted that were mostly in favour of political parties (e.g. the contribution limit for legal entity was almost doubled). However, regarding disclosure, a strict provision was adopted which forbids anonymous donations.

¹³ Official Gazette no. 102/09

¹⁴ Official Gazette no. 54/10

2.3. Current situation regarding disclosure of political party financing

2.3.1. Disclosure to Central Election Commission

Disclosure process starts from the political parties who are obliged to disclose the Financial Reports to Central Election Commission (CEC) (**Figure 1**). There are three types of financial reports that include standardized formats¹⁵:

1. Regular (annual) financial report for each calendar year. This report is submitted no later than March 31st of the following year, for the previous calendar year. Together with this report, the political parties are also obliged to deliver the annual accounts verified by the relevant institutions in BiH.
2. Financial report for the period preceding the period of pre-election campaign. These reports are submitted on the day of submission of an Application for Certification of Participation in Elections and cover the period of three months prior to the submission of the Application for Certification; and
3. Supplementary financial report, which covers the period from the day of submission of the Application for Certification to the day of certification of election results. This report is submitted no later than 30 days after the certification of elections results.

CEC is authorized to request from the political parties, aside financial reports, an additional financial reports.

¹⁵ Book of Rules on Annual Financial Report ("Official Gazette BiH" no. 61/06)

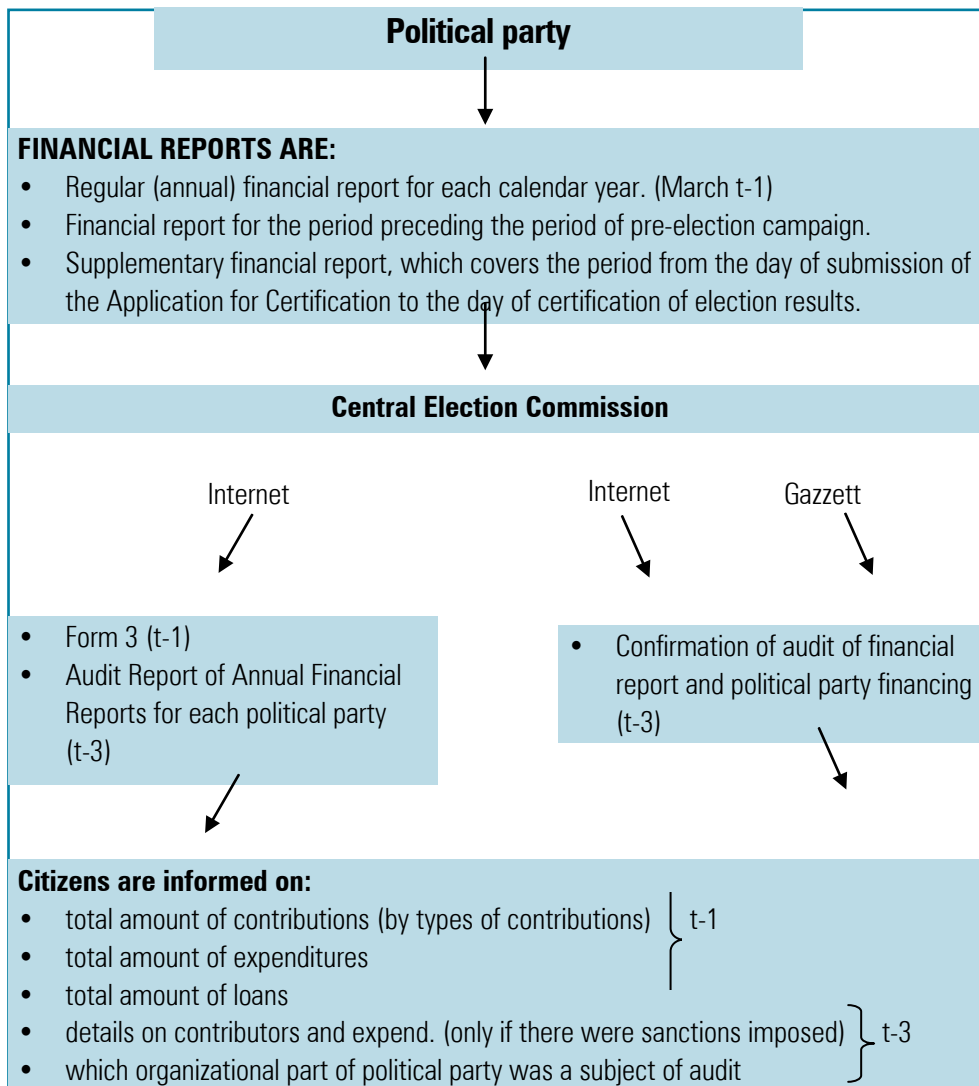


Figure 1: Model of disclosure in Bosnia and Herzegovina (t = current year)

Financial reports of political parties are filed on standardized forms that are defined by Book of Rules (For details see Appendix 1):

- Form 1: General information about a political party
- Form 1-1: The territorial structure of political party
- Form 2: Review of turnover of all transaction accounts of political parties
- Form 2-1: View of the state treasury
- Form 3: Total revenues of political parties (sources of financing) with a review of income for each organizational units of the party
- Form 3-a: Contributions of natural entities higher than KM 100,00
- Form 3-b: Contributions of legal entities higher than KM 100,00
- Form 3-c: Income from property of a political party
- Form 3-d: Profit of legal entities owned by the political party
- Form 3-e: Non-cash donations and amounts that political party was not obliged to pay
- Form 3-f: Income from the budgets
- Form 4: Expenditures of political parties with an overview of expenditures by organizational units of the party
- Form 4-1: Overhead-administrative and other costs
- Form 4-2: Advertising costs

- Form 5: Loans, credits and debts (obligations of political parties on credits or loans and other liabilities)

On the basis of analysis from the report it is possible to conclude, from the point of view of complete openness, that on standardized forms there is no information on:

- Identity of natural and legal entity that has contributed amount bellow 100KM
- Identity of vendor of political party expenditures
- Occupation of donor
- Correlation between contributors

After CEC receives the Reports from the political parties, CEC gives its opinion on, if political party has acted according to the provisions of Law on Financing Political Parties. The Audit office, among other things, investigates if:

- The report is submitted on the given forms of the Book of Rules
- If the forms are correctly fulfilled
- If the forms are comprehensive
- If the Report contains all business changes
- If the analytical evidences are correctly sedated
- If the Report is submitted in timely manner

For CEC, by having these authorities, it is difficult to investigate and prove dishonesty of financial reports. CEC doesn't have the authority to check the bank accounts of political parties, which can be done only by jurisdiction prosecutor with the consent of the judge for the particular process. At the same time from the data shown in financial reports, it is not easy for CEC to detect irregularities that could be reported to jurisdiction prosecutor who will continue to investigate the possibility of the abuse. Besides the issues of CEC's authorities, CEC has only six employees in its Audit Office.¹⁶ On the other side in 2008, CEC has done a revision of 85 political parties in terms of their financing.¹⁷ The fact that all reports are in hard copies represents a technical problem that additionally causes inefficiency of the audit.

¹⁶ Korajlic, Ivana (Eds.). (2010). *Finansiranje politickih partija u BiH*. Sarajevo: Transparency International BiH

¹⁷ Visit www.izbori.ba for CEC's Audit Reports on political party financing for the year 2008.

¹⁸ From January 2008 until May 2009. Mr. Arnautović has been President of Central Election Commission BiH

¹⁹ www.sarajevo-x.com (03.11.2011). *Najveći problem je što stranke koriste državne resurse za kampanje.*

This implies the need of empowering the function and the role of Central Election Commission, since there is a danger in BiH that disclosed information is not reliable and credible.

These issues were pointed out also by Mr. Suad Arnautovic, member of CEC BiH¹⁸ at the media conference held on 3rd November 2010.¹⁹ : "all kinds of irregularities could be discovered if CEC, State Audit Office, Financial police and other institutions would have certain authorities."

2.3.1.1. Possible misuse of law and reasons for misreporting

Insufficiencies in financial reports, as well as the authorities and capacities that CEC has and the fact that reports are filed only in hard copies can lead to misuse of the law and misreporting. The identified problems and what they could cause is presented in Figure 2.

Collusion among the contributors. Large donations from one entity (a company or an individual) may be concealed by being divided among a number of different donors. For example, an individual may openly donate a small amount and then make additional donations through, for example, company whose director is that person, or through his/her spouse or children. In this way the provision of ban limits can be violated, since the law doesn't recognize the connections between the donators, and it doesn't exclude the possibility of family ties between the contributors, or between individuals and directors of the legal entity.



The case in European Union states different situation.²⁰ Individual donors can often be checked against company registers in order to reveal all of the donor's corporate connections. These companies can then be cross-referenced against a register of public contracts or licenses awarded, or a public procurement register. Corporate donors, as well as the companies associated with the individual donors, can also be cross-checked with any pending or concluded antimonopoly legal proceedings.

Threshold amount. Ban limits can be broken also by making contributions less than KM 100,00 since the identity of contributor is not revealed in the financial reports. According to IDEA Matrix-Legal framework on political party finance, 34 countries out of 111 have an obligation to disclose all data on donations (e.g. Bulgaria), and 14 countries only if the contribution is above a specific amount (like in BiH). Democratic countries usually set a threshold for effectiveness of the system. Although parties are not giving the names of donors below 100KM these donations are not anonymous²¹ since parties are obliged to give the receipt on donations with full identity of the donor. These contributions are available to CEC if they want to check the identity of donors. According to CEC's data, the contributions below KM 100,00 are relatively small in respect to total amount of contributions.²² For these reasons, it is not urgent to change this provision since it has a positive impact on the effectiveness of the system.

Vendor as a contributor. Legislation of political party finance does not recognize the identity of vendor. Neither the financial reports through their standardized forms do not set up the details of expenditures by political parties. In this way, a political party can spend their money at one supplier for the same goods or service. This situation creates two problems: the first one relates to the fact that the supplier can offer permanent discounts on its goods or services, though it is not its practice, and thus to participate as a donor to a political party which is not recognized in the financial reports. On the other hand, one and the same supplier can sell its goods or service to a political party at a higher price than its competitors because the supplier at the same time paid a donation to the political party which is also not a subject to audit.

Possibility of double booking. It is possible for political parties to have double booking. This cannot be proven because the donors are not obliged to report CEC on their donations, and CEC doesn't have authority to check their transactions in the banks. Tax Directorate have insight in the contributions from the legal entities, but Tax Directorate doesn't check if natural entity has made the contribution according to the Law on Political Party Finance, neither double checks if information from the Financial Reports corresponds to the information in business accounts of the donors.

One of the examples of misuse of this Law is recently revealed by the Center for Investigative Journalism's (CIN) investigation. According to them, Party of Democratic Action (SDA), was paying services to private company "Peskara" from Sarajevo, although this company is not registered in the Court. Tax Directorate also investigates the suspicion that through this company the certain companies have paid receipts for the services of workers that don't exist. CIN has shown that SDA, through Peskara, was paying services to persons who denied that they've received the amount of money that Peskara put in their accounts.

Although we cannot jump into conclusions, since the investigation is not yet finished, it is inevitable to conclude how easy is to launder money through political party finance.

²⁰ Open Society Institute. (2005). *Monitoring Election Campaign Finance, a handbook for NGO*. New York: Open Society Institute

²¹ According to new amendments of the Law it is forbidden to accept anonymous donations (Official Gazette no. 54/10)

²² Total contributions below KM 100,00 are in average less than 1% of total contributions that political party received

Sanctions and misuse of Law. Sanctions have significant role in preventing any misuse of Law. This implies only if sanctions are effective, which cannot be said for the once defined by the Law on Political Party Finance. The highest financial punishment for violating the Law (KM 10.000, 00) has never been pronounced. Looking only at 2007, the highest punishment has been pronounced to Croat Democratic Union (HDZ) in the amount of KM 3.200,00 because "... *it received forbidden contribution from a public company in total amount of KM 3.159,00...*"²³ Sanctions are sentenced only for political parties and not for the donors.

It depends on Decision of the members of CEC what punishment will be pronounced since the Law doesn't recognize ranges of sentences. Opinion on the Law of Financing of political parties for BiH from the Venice Commission,²⁴ stated that the Law does not clearly specify the range of acceptable fines for its violations.

This opinion is an answer to a letter of CEC and OSCE Mission to BiH (on 28th November 2007) in which they requested the assistance of Venice Commission in dealing with three issues concerning BH legislation on political party financing among which is an *acceptable range of fines*.

However in 2010, the government failed to take into consideration the recommendation given in the Opinion, when the amendment to the Law was adopted last time.

Republic of Serbia made one step forward regarding the sanctions. On 10th February 2011 Serbian government will discuss on the Proposal of the Law on political party financing which is on the list of the conditions that Serbia has to fulfil in order to gain the status of EU candidate country.²⁵ According to the proposal, strict punishments are anticipated for the ones who are hiding the source and the amount of contributions from three months to three years in prison, and the punishments will be applied on the donors as well.

Effectiveness of audit and misuse of Law. A small volume of audit of political party boards can lead to low credibility of disclosed information. For instance, in 2006 SDA had one Main Board, 7 cantonal boards, 6 regional boards, Brcko district, and 76 municipality boards while the subject of the audit in 2006 was its Main Board, 1 cantonal board and three municipal boards.²⁶ This means that the audit for 2006 covered only 0,05% SDA's organizational parts. The reason for small volume of audit can be find in human capacities of CEC (only six employees) and technical capacities (hard copy of financial reports). Human resources insufficiency is not the case only in BiH, also GRECO evaluation report²⁷ has "expressed its concern" in this issue especially for Germany (8 employees). Nevertheless, low number of employees in Germany can come from the fact that parties must report the identity of the donors in their published accounts if their total donations per year exceed €10.000,00.²⁸

The effectiveness of the system is violated also due to a fact that a party can open more accounts. During the interview with the main accountant of one political party, it came up that in the year when this party was expanding even its main accountant didn't know that some accounts opened on behalf of that party existed. In this particular case the accountant found it out through CEC and CEC found this account through a bank.

²³ 16th July 2009, Public announcement, CEC. On its 29th session CEC adopted 13 decisions on financial sanctions for the political parties for violating the provisions of Law on political party finance and Election Law, and on the basis of the Audit Report of financial reports for 2007.

²⁴ The opinion was adopted by the Venice Commission at its 74th Plenary Session (Venice, 14-15 March 2008)

²⁵ B. Čpajak, „Tri godine zatvora za skivanje partijskog finansiranja“, Politika online, www.politika.rs, 8th February 2011

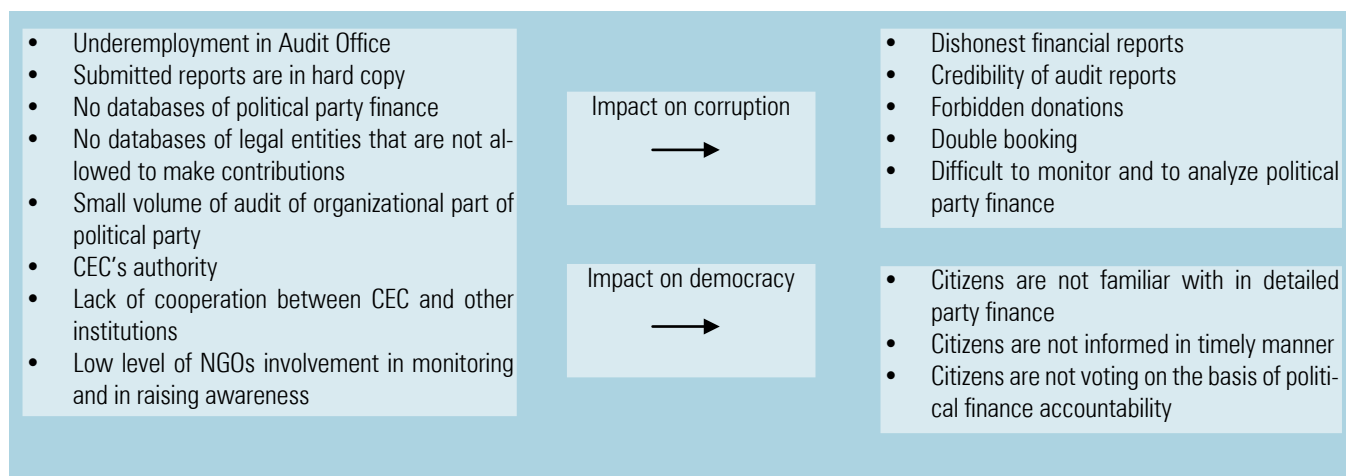
²⁶ CIK, Audit Office (2008), "Izveštaj o reviziji godišnjeg finansijskog izvještaja za 2006. godinu i postizbornog finansijskog izvještaja opšti izbori 2006, SDA"

²⁷ Doublet, Yves-Marie (2010), Political financing: GRECO's first 22 evaluations, third evaluation round, GRECO, Council of Europe

²⁸ Ibid.



Figure 2: Identified problems in political party finance and what they cause



2.3.2. Disclosure to public

Citizens are informed on political party finance through CEC by disclosure provision²⁹: *Information from Form 3 of the Annual Financial Report filed to CEC BiH is published on the web site of CEC. Audit Report with the opinion and findings of the auditor of Annual financial reports is published on the web site of CEC. Confirmations of the auditor on financial reports and political party financing consistent with the Law on Political Party Finance, are published in "Official Gazette of BiH" and on web page of the CEC.*

Although BiH is one of 59 countries out of 111 that have provision on disclosure of contributions,³⁰ in-depth analysis of the situation indicates that there are many problems regarding disclosure of political party finance to the public.

Before CEC finishes the audit and gives its financial confirmation of the audit, it discloses the Form 3 to the public. The Form 3 is one of the forms that political parties are obliged to fulfil and to submit to CEC by 31st March every year. It contains general information on each party and general financial information on:

1. total income,
2. total amount of membership fees,
3. total amount of contributions from natural entities,
4. total amount of contributions from legal entities,
5. income generated by the property owned by political party,
6. profit from the income of the enterprises owned by political party,
7. goods or services that party didn't have to pay for,
8. income from the budget, and
9. total amount of the income.

Therefore, the information on identity of the contributor, the amount of each contribution, and the date of contribution are not available, even though they are available to CEC.

Between the disclosure of Form 3 and the Confirmation of the auditor elapses a period of two to three years. This means that in the present time (February 2011), on the CEC's website (www.izbori.ba) Form 3 for each political party is available for year 2010, but the Audit Report of Annual Financial Reports for each political party is available for 2008 (see Figure 1).

²⁹ Political parties are not obliged to disclose their financial report to public

³⁰ Tjernström, Maja & Austin, Reginald (2003) Funding of Political Parties and Election Campaigns Handbook Series. Stockholm: IDEA

In detail information on the internet is available only on CEC's web site if a political party violated the Law and if sanctions were pronounced. In these cases the Audit Office gives details on the contribution that was made³¹. But this is only a part of donations, therefore, a complete image on political party financing cannot be obtained.

³¹ Information on pronounced sanctions are not easy to find as is case with the Forms 3 and Audit Report and Confirmation of Auditor

By the Freedom of Access to Information Act, every person that has an interest in political party finance has the right to request from public institution (CEC) an information on the amount of money that every political party has received from the budget on the level of municipality, city, canton, BD, entity or BiH level.

If a citizen wants to see all forms of financial reports, CEC cannot deliver it, because they contain the personal data³², and because they are not in electronic form. But CEC enables an access to their premises, for the ones who are interested in analyzing the reports. Although CEC enables premises for analyzing the reports, it is difficult to do that because there are too many papers that need to be analyzed. This also explains the time lag between submitting the reports from the political parties to CEC and the time when the final confirmation on the audit of CEC is done (2-3 years). This time lag is not meaningless; actually it is important that citizens are informed on political party finance in timely manner especially in the election year. The quantity and quality of information and the time frame in which citizens are informed on political party finances, from the perspective of voting, tell us that in BiH the political party finance does not affect the final decision of voters.

³² This refers to Law on Protection of Personal Data ("Official Gazette of BiH" no. 32/01). According the Law the identification number of natural and legal entities are protected.

Voters' ignorance on political party finance is proved by the field test organized for this Study. There was established a group of 10 volunteers, who are voters with different profiles (2 pensioners, 4 employed, 2 students and 2 unemployed) that were interested in the matter of political party finance. Five of them were male and five of them were female. All of them had a university degree (except two students) and they had an access to internet. Although this is not a typical picture of BH population, since more than 50%³³ of population lives in rural area and only 5%³⁴ have a university degree, the group was selected since the aim of the research was to show that even choosing *the best scenario group*, voters are not familiar with political party finance and they even don't know where to find the answers.

³³ Household Budget Survey (HBS) 2004 i 2007, Agencija za statistiku BiH

³⁴ According to Labour Force Survey 2009.y., Agencija za statistiku BiH

In front of them was set a task to find the answers on the following questions, with freedom in the way of finding answers (internet, telephone, letters...):

1. What is the biggest amount of the contribution that a legal entity donated to a political party in 2006?
2. Name of the legal entity that made the biggest donation?
3. Which parties were funded by legal entity?
4. Dates when the contributions were made?
5. Which party has received the biggest total amount of contributions that is below 100KM in 2006?
6. What is the total amount of the contribution that one party has received?

The purpose of this research was to find out:

1. How much time will the volunteers spend in finding the answers?
2. What tool will they use in order to find the answers?
3. What information will volunteers find?



The outcome of the research (for details see Appendix 2) was:

1. The average time that was spent in order to find questions per volunteer was 4 hours.
2. All of them used internet as a tool in finding the answers and first portal they've opened was google.com.
3. Only three out of ten found Financial Reports from the CEC, but they have not found any specifics in them that would help them to answer the questions.

This proves that the citizens are highly uninformed on political party finance although they were interested in the matter of financing.

Transparency International BiH (TI BiH) made a research on political party finance, just before the General Elections in 2010. Within the research, they've made a couple of transparency tests of political parties in terms of their finance. The goal of these tests was to determine if the political parties are ready to inform the public on their finance especially regarding the costs side, since the political parties are not obliged to give any information on finance to citizens, but it would be a moral thing to do since more than 80% of their funding comes from the budget.

For this research³⁵ TI BiH included citizens, students and journalists. All of them sent letters requesting for information from two governing parties (SNSD and SDA) and two main opposition parties (SDP and SDS).³⁶ None of these four parties replied to citizens, and they even didn't get an explanation why they did not provide the answers.

Transparency test showed that political parties are not transparent and they plan to work in the future on this field in order to give more inputs to the voters for whom they vote.

Although it is difficult to find the answers on specifics of political party financing and it takes a lot of time to do that, the Center for Investigative Journalism (CIN), has managed to go in depth of the financial reports and to inform public on their findings. On 15th of January Dnevni Avaz published CIN's research on political party finance in which they have drawn the connection between the contributions from the legal entities and gaining the public procurements at the same time. CIN has found out that in period 2006-2009 seventy legal entities contributed to six governing parties³⁷ and at the same time they were making deals with government institutions, which is forbidden by law.

The aim of CIN's research was to denote the fact that political parties are profiting from other sources that are not mentioned in their financial reports nor they are subject of control of official institutions. During year 2010 six - seven journalists were investigating seven, the most powerful, political parties in terms of their incomes and expenditures. The process of collecting more than 5000 documents of financial reports for the period from 2006-2009 took nine months. At the same time, they investigated public procurements (listing Official Gazettes) so they could connect the contributions with the public procurements since it is not allowed for political party to receive donations. Aside from the fact that they've fulfilled their goal, they have also filed to Audit Office (CEC), on CEC's request, the list of 70 private companies that made contributions to political parties although they had contracts with public institutions and the list of 40 natural entities that had a contract with the public companies. Although the CIN's investigation included the period for which has already been done the auditing, there were found a violation of the Law that Audit Office did not identify.

³⁵ Korajlic, Ivana (2010). *Financing of Political Parties in BiH*. Sarajevo: Transparency International BiH

³⁶ The following information was asked from the governing parties: total amount of assets that were gained through donations for pre-election campaign for General elections in 2006; Names of contributors and amounts of the biggest contributors for pre-election campaign for General elections 2006; Total amount of money for buying the media space on TV and radio (in minutes) and media space given on Public radio-television service of BiH with the purpose of pre-election campaign for general elections 2006.; Total amount of money for buying the media space (in minutes) and amounts of money that were spent for the advertisement during 2009. On the other hand from the opposition parties were asked the following information: Total amount of assets that were gained through donations in 2009. Total amount of money for buying the media space (in minutes) and amount of assets that are spent for advertisement in the year 2009..

³⁷ HDZ - Hrvatska demokratska zajednica (Croat Democratic Union); SDA - Stranka demokratske akcije (Party of Democratic Action); SNSD - Stranka nezavisnih socijaldemokrata (the independent Social Democrats); SBiH - Stranka za Bosnu i Hercegovinu (Party for Bosnia and Herzegovina); SDP - Socijaldemokratska partija (Social Democratic Party); SDS - Srpska demokratska stranka (Serbian Democratic Party)

³⁸ Istraživanje: *Pobjednici tendera daruju političke partije; HDZ, SNSD, SDP, SDS, SDA i SBiH prijavili da su im privatnici donirali više od dva miliona KM* - date: 15th January 2011, written by CIN, published by Dnevni Avaz page12

CIN published several stories on political party finance. The story on violating Law on Political Party Finance was published in Dnevni Avaz.³⁸ From the perspective of an ordinary citizen it can be concluded that the media is not paying enough attention to this issue. For instance, the story in Dnevni Avaz was published on Saturday and other media recently afterwards didn't write about that, nor there were any political debates on television.

CIN is journalistic agency, it doesn't have an activist role like NGOs, but it does respond on the requests of the institutions that in their findings see a material for further investigations.

For example, they have found out that "Hifa Petrol" had made the biggest contribution in period 2006-2008. From 2006-2008 Hifa contributed to SDP, SDA and SzBiH in total amount of KM 14.100. At the same time, Hifa was a big fuel provider to public institutions and public companies. From 2006 up to now, Hifa made around KM 8.5 million worth deals through public procurement. Besides the connections between the contributions and the public procurements CIN also drew a line between the contributions and public subsidies and beneficial credits: "Hering" received beneficial credit in 2007 from the Federal Ministry of Development, Entrepreneurship and Trade in the amount of KM 200.000 when the firm contributed to HDZ. Nevertheless, Mr. Bevanda who is a director of Hering, for CIN said that he was gaining beneficial credits before the contribution but the contribution he made was for "buying the peace".

With strong investigative willingness of non-governmental institutions it is possible to detect the irregularities even with the existing regulations. In BiH there is no NGO which continuously monitors political party finance. What CIN has done was a "one time job". Further development of their findings would depend on social community and the donors to push this research further.

³⁹ Open Society Institute (2005) "Monitoring Election Campaign Finance, a handbook for NGO",

⁴⁰ www.fair-play.sk

One of the positive examples of the public disclosure and role of NGO is Slovak case³⁹: Slovak legislation emphasizes that aside from political parties, also electronic media, printing companies, publisher of printing media have an obligation to disclose how much money every political party spent on their promotion or commercial. The Slovak NGO, Fair Play Alliance,⁴⁰ monitors political party finance in the country and promotes transparency in party financing and procurement. It has developed and maintains the databases of information about parties' financial status, donors, and internal structures. It also gathers and analyzes the information about financial supports that parties receive from the government and about procurement. The Alliance works with the journalist who, based on databases, investigate the cases of misuse of public funds by a political party. It also drafts a political finance legislation, which aims to promote a transparency of party financing by introducing an effective public control mechanisms.

3. Policy options

3.1. Possible approaches in solving the problem

There are three possible options that would decrease the possibility for corruption among political parties and build democracy through raising awareness among citizens on political party finance:

- Status quo
- To disclose all financial reports to public - Focus on civil society
- Improving control over political parties financial reports - Focus on legislation and institutions



The option of full transparency is rejected since it could make the system unefficient, especially from the aspect of monitoring and control.

3.2. The criteria for options evaluation

In order to make a choice between three policy options we will use six criteria for evaluating each option:

1. Increasing the reliability and credibility of financial reports
2. More informed public
3. Existence of political will
4. Increasing the prevention against fighting corruption
5. Costs/benefits
6. Timely reporting

The financial reports of political parties are the only source of information available to CEC for analysis. Just the disclosure of information has no meaning if the published information are not reliable and credible.

By observing the political will in BiH, we often lose hope that any significant change could happen. Illustrative example of its negative influence in the area for strengthening the institutions that are important for fighting against corruption is the case of Financial Police FBiH. Director of Financial Police FBiH, in his interview for BH Dani⁴¹ stated that in the last 10 years his institution has been exposed to numerous obstructions among which are "multi-annual prohibition to employ public servants-inspectors although there were available space to employ." Law on Financial Police FBiH has been in parliamentary procedure from 2006, although the proposal of Law has been done by the highest European standards. In his opinion the reason for this lies in the fact that "there is no political will to adopt the Law".

⁴¹ Dzenana Karup-Drusko, *Media mutants fabricate lies and rob the state!*, Interview with Zufer Dervisevic, director of Financial police of FBiH; dated 1st August 2010, published in magazine BH Dani

On the other side the external influences that might affect the regulations in this field should be considered too. This particularly relates to the process of European Integrations, which had positive impact on changing the process of regulating political finance in Serbia. Costs have an important role in the process of choosing the best option. To talk about costs in delicate process like this can be difficult and here is why. For instance, if we take into consideration that NGOs can be activated in the process of monitoring political party finance they would have to create a database on political party finance, public procurements, public subsidies, continuously update databases, continuously monitor them, detecting irregularities, disseminating the findings and raising awareness among the voters. These activities are impossible without a sustainable funding which represents a great challenge to NGOs. Costs in status quo, play an important role but from another perspective. It would be difficult to measure them since it is hard to estimate what is the cost of corruption in political party finance in BiH.

Criteria	Status quo	To disclose all financial reports to public – Focus on civil society	To increase disclosure to CEC, strengthen the control of financial reports – Focus on legislation and institutions
Reliability and credibility of financial reports	-	-	+
Informed public	--	++	+
Political will	++	+	--
Prevention against corruption – (precondition to become candidate of EU)	-	+	++
Cost/benefits	++ / --	- / +	-- / ++
Timely reporting	--	-	+

Table: Analysis of policy options

3.2.1. Option 1 - Status quo

From table options, status quo is presented as the option with the most minuses. The only plus this option gained was for the political will.

The option is not sustainable mostly because of the EU position in which the need for fighting against the corruption has been emphasized through regulating the field of political party finance. Status quo also neglects the potential of Agency for Prevention Corruption and Coordination of Fight against Corruption in BiH, which can have a significant role in controlling money in politics.

3.2.2. Option 2 - To disclose all financial reports to public – Focus on civil society

Monitoring political party finance and connecting financing with corruption, although difficult, it is possible. CIN's example provide us an option: *academic community, NGOs and journalists/media, can within the existing regulation draw a line between financing and public procurement in order to detect forbidden donations*. However, the minuses this option gained for are: reliability and credibility of financial reports and reporting in timely manner. Minus for reliability and credibility they've gained for the fact that they don't have the authority for double checking information stated in the Reports. Citizens won't be timely reported since the reports would be again in hard copy and still we would have a problem with effective analysis of the reports. Monitoring political party finance demands sustainable funding and the negative side of choosing this option is that it is risky to rely on free will of the donor, which makes the process unsustainable.

Option 3.2.3 - To increase disclosure to CEC, strengthen the control of financial reports – Focus on legislation, institutions and authorities

This option gained most pluses, but as can be seen in the **Table 2**, the pluses and the minuses are absolutely opposite from the Option 1. The only minus they've gained is for political will.



Key role in this option is given to Central Election Commission, because it implies its institutional strengthening. Besides CEC the Agency for Preventing Corruption and Coordination of Fight against Corruption, could have an important role in the process, since one of its goals by law, is *to identify and to eliminate sources of corruption*. One of the responsibilities of the Agency is *co-operation with other authorities, to analyze delivered data with goal to identify corruptive behaviour and therefore to undertake necessary actions according the law*. This authority needs to be recognized in order to improve horizontal connection between CEC and other public institutions.

This option, besides institutional strengthening of CEC and improving its horizontal and vertical coordination, implies a change of regulation and in particular the Law on financing political parties of Bosnia and Herzegovina.

By choosing this option the government would send a clear message that it is determined in preventing and fighting the corruption.

4. Conclusion and recommendations

Regulations on political party finance in BiH, is the process that started 20 years ago. Changes that happened in twenty years period can be divided into third stages. First one was a period of *anarchy* that began from establishing multi-party system up to 2000 since the first Law on political party finance was adopted. Period between 2000-2006 is a period of *bloom*, since the Law and the standardized forms were adopted and the CEC along with its Audit Office was established. After 2006 up to now the period can be described as the period of *stagnation*, since there were no any significant changes concerning the regulations. The study analysis has shown that there are numerous ways in violating the law such as: receiving forbidden donations, double booking, collusion between donors, etc. High possibility of staying undetected mostly depends on CEC's capacities and its authorities. Another dimension of the problem is that citizens are poorly involved in political party financing. Field test proved that educated citizen, who are voters, are not familiar at all with political party finance.

In BiH exists specific situation in terms of undertaking essential reforms especially ones that are in function of fighting corruption, because there are two confronted sides. On one side, there are slow and long lasting changes influenced by the political will in the country, and on the other side, there is a pressure that EU has been doing towards all the countries that are in the process of EU integrations.

CEC is recognized as a key institution for solving the identified problems. But the role of NGOs also shouldn't be underestimated. The Slovak case demonstrates the positive role of NGOs, and CIN's engagement in this field proved that Slovak case might be transmitted in BiH.

Financing of political parties is a complex process, and to make it functionable every stakeholder in it must have a clear role. The stakeholders of the system of financing political parties, apart from governmental institutions and NGOs, also include the media and the European Commission.

4.1. Recommendation to government

- *Drafting new legislation that will regulate political party financing (to fulfil the EU demands)*

It is necessary to change the Law on Political Party Finance especially in terms of authorities that CEC has and in terms of sanctions pronounced to the political parties. It is also necessary to incorporate in existing legislation the possibility to punish contributors if they make contributions that are not in line with the Law provisions. CEC needs to have insight in financial accounts of the contributors in order to double check correctness of the information stated in the Financial Reports.

- *Improving Financial Reports*

Financial reports should be more detailed and they should also include vendors' names and donors' profession.

- *Setting mechanisms for horizontal cooperation*

The cooperation between CEC and the Agency for Preventing the Corruption and Coordination of Fight against Corruption in preventing the corruption through Law of Political Party Financing. Besides the Agency, the horizontal cooperation should be also enhanced with the Tax Administration, Financial Police, prosecutors, etc.

- *Improving CEC capacities: human and technical*

CEC's capacities need to be enhanced in human resources since only six employees audit more than eighty political parties. Technical equipment needs to be improved since all data are in hard copy, which produces the inefficiency of the system.

4.2. Recommendation to nongovernmental organizations

Role of NGOs is important in process of monitoring political party finance and in raising awareness among the citizens. Joint action of non-governmental organizations and the media leads to better informed citizens. A positive example can be found in Slovak case, where NGO has made a database of public procurements and legal entities contributions. These databases are daily refreshed and they are available to analysts in order to detect the irregularities between public procurements and the contributions. CIN has proved that it is possible to find many irregularities that were not detected by CEC.

- *Continuously monitor political party finance;*

- *Build interest in this area for other NGOs and media, and*

NGOs should monitor the political party finance and call official institutions to be accountable. They should continuously involve the public through the media and the media suppose to organize a public debates on this issue.

- *Raise awareness among citizens.*

To inform public on current problems regarding the political party finance, especially in the sense of possibilities in misuse of the Law.

- *NGOs, media, citizens need to initiate changes of the Law.*

NGOs, media and the public need to be active in creating a pressure to adopt the law, and making incentives for changing the law, initiating public debate and continuously monitor the work of political parties and politicians.



- *Create a databases*

For further analysis it is necessary to create a database of all legal entities that perform the public services through government contract, and the databases of all legal entities that are not allowed to contribute to the political parties.

Center for Investigative Journalism could have an important role in this, where they might create a database of Financial Reports and Public Procurements and then to give a password to NGOs and analysts if they want to search for some irregularities. These NGOs and analysts would attend a training on political party finance.

4.3. Recommendations for European Commission:

- *European commission should recognize the political party financing as the most important area for the combat against corruption.*

Within the reform, CEC should be recognized as the central figure, but together with the other official institutions it shouldn't be neglected. The role of the Tax Offices, Financial police, Agency for Preventing Corruption, and courts needs to be considered in political party finance reform.

Inline with the EU recognition of the importance of political party finance, the donors need to see this as an important process for decreasing corruption and increasing democracy level for BH citizens and to finance NGOs who will monitor political parties' finance.

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Appendices

Appendix 1: Financial Reports

Number of Form	Name of Form	Form contains information on..
Form 1	General information about political party	Aside general information on political party this form contains information on: - persons authorized to represent parties: full name, a position in the party and address, - an authorized person for the Financial Statements: name, address and telephone number - whether a party has the organizational components of lower level (yes or no)
Form 1-1	The territorial structure of the political parties	- Name of organizational parts of political parties
Form 2	Review on turnover of all transaction accounts of political parties	- Name of organizational part of political party, - Account number and name of the bank, - Balance sheet at 1st January of the year for which the financial report is submitted, - Total turnover of the entrance without opening balances (for the required year) - Total turnover of output (for the required year) and - Balance sheet at 31st December of the year for which the report is submitted
Form 2-1	Review of the state treasury	- Name of the party organization, - Cash balance at the beginning of the period - Total entries in the cash register, - Total outcomes from the cashier and - Cash balance at the end of the period
Form 3	Total revenues of political parties (sources of financing) with a review of income for each organizational units of the party	a) Membership fees (total fees charged in KM; the number of party members who have paid membership fee) b) Financial contributions of individuals and members of the party (details given in Form 3-a) (total amount collected in KM) c) Contributions for legal entities (details given in Form 3-b) (total amount collected in KM) d) Sales of property of a political party (details given in Form 3-c) (total amount of revenue on this basis in KM.) e) Net profit entities owned by the party (details in Form 3-d) (total amount of revenue on this basis in KM) f) Income from gifts and services which political party was not obliged to pay (details given in Form 3-e) (total amount of revenue on this basis in KM) g) Revenue budget (details given in Form 3-f) (total amount of revenue on this basis in KM) h) Total income of political parties in KM in the reporting period for all charges.
Form 3-a	Contributions of natural entities greater than 100 KM	a) Name of the party organization , b) Total amount of items costing less than 100 KM c) Name and surname of the donor whose contribution are greater than KM 100 d) Identification number of donors (not publicly available) e) Date when contribution was made f) Amount of contributions
Form 3-b	Contributions from legal entities greater than 100 KM	a) Name of the party organization unit, b) Total amount of items costing less than 100 KM c) Name of the legal entity whose contribution was greater than 100 KM d) Identification number obtained from the competent tax authority (not publicly available), e) Date when contribution was made f) Amount of contributions.
Form 3-c	Income from property of a political party	a) Name of the party organization b) Type of property on the basis of which party generates revenues, c) User of property of a political party d) Number of agreements, decisions and so on. (Central Election Commission may request that a political party to submit a copy of these documents) e) the amount of earned income and f) the amount of funds collected by a political party.



Form 3-d	Profit of legal entities owned by the political party	<ul style="list-style-type: none"> a) Name of legal entity, b) Identification number obtained from the competent tax authorities; c) Code and activity of legal persons, d) Participation of political parties in the ownership (%) e) Amount of profit that is transferred to a political party f) Date of the transfer of profits.
Form3-e	Non-cash donations and amounts that political Party was not obliged to pay	<ul style="list-style-type: none"> a) Organization of political parties, b) Contributor c) Kind of gifts or services, d) Date of receipt of gifts or services, e) Total value of gifts or services f) Value that political party was not obliged to pay.
Form 3-f	Income from the budgets	<ul style="list-style-type: none"> a) Name of the party organization unit b) Name of the level of government, c) Number and date of the decision and d) Total amount of income.
Form 4	Expenditures of political parties with an overview of expenditures by organizational units of the party	<ul style="list-style-type: none"> a) Overhead - administrative and other costs expressed in KM (details in Form 4-1), b) Costs of advertising (details in Form 4-2) and c) Total expenses during the reporting period for all charges.
Form 4-1	Overhead -administrative and other costs	<ul style="list-style-type: none"> a) Organization of political parties, b) Nature of the cost, c) Account and d) Amount.
Form 4-2	Advertising costs	<ul style="list-style-type: none"> a) Name of the party organization unit b) the nature of cost: the cost of printing posters and billboards, printing costs of election advertisements, proclamations, press releases and similar, in the media, the costs of the organization and maintenance of the rallies and the cost of printing, copying and mailing election materials to voters and other costs. c) Account and amount.
Form 5	Loans, credits and debts	<ul style="list-style-type: none"> a) Total credits and loans b) Total debt obligations
Form5.1	Obligations of political parties on credits or loans	<ul style="list-style-type: none"> 1) Name of the creditor or loan; 2) Amount of credit or loan, 3) Date of realization of the credit or loans, 4) Amount of rate 5) Deadline to repay a credit or loans.
Form 5.2	Other liabilities	<ul style="list-style-type: none"> 1) Name of the creditor 2) Amount of debt, 3) Date of debt, 4) Amount of rate 5) Deadline to repay the debt.

Appendix 2:
Outcome of the field research

	Search through	Time	Outcome
1.	Internet (Google, TI BiH) Because the person is highly informed on political situation through TV and newspapers but still doesn't record that he read anything similar.	11 h 20 min (in five days)	Data from the Financial reports on www.izbori.ba
2.	Internet (Google)	10 h	No any specifics
3.	Internet (Google)	5 h 30 min	Only data from the Financial report on www.izbori.ba
4.	Internet (Google, TI)	4 h 15 min (in two days)	No any info
5.	Internet (Google) Because the person thinks that these information cannot be obtained by telephone	2 h	No any specifics, at the end this person had a feeling that there was a big secrecy on political party financing
6.	Internet (Google, TI)	2 h	No any info
7.	Internet (Google, TI)	1 h 15 min	No any info
8.	Internet (Google)	30 min	Information from Financial report on www.izbori.ba
9.	Internet (Google, Center for Civil Initiatives)	30 min	No any info
10.	Internet (Google)	30 min	No any info
Total time per person		4 h	





Amra Fetahović was born in 1979 in Travnik where she finished elementary school and high school. She obtained her BA in Economics at the Faculty of Economics of the University of Sarajevo, Department of International Economics. She finished her Master studies on „European Economy and International Finance“, at the University Tor Vergata, Rome. During her studies in Sarajevo, she worked in the Organization Committee on the project Balkan Case Challenge in 2002. After finishing her studies she worked in Raiffeisen Bank and from 2007, after obtaining her master degree, she works in the Directorate for Economic Planning BiH, where she is currently employed.



A "Policy Development Fellowship Program" has been launched by the Open Society Fund BiH in early 2004 with the aim to improve BiH policy research and dialogue and to contribute to the development of a sound policy-making culture based on informative and empirically grounded policy options. The program provides an opportunity for selected fellows to collaborate with the Open Society Fund in conducting policy research and writing a policy study with the support of mentors and trainers during the whole process. Seventy three fellowships have been granted in three cycles since the starting of the Program.