IFES Opinion: New Draft Political Party Financial Reporting Form
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Adoption of the Law of Ukraine “On Amendments to Some Legislative Acts of Ukraine Concerning Prevention of and Fight Against Political Corruption” (2015 Political Finance Reform Law) is an important step to regulating money in Ukrainian politics. Introduction of regular financial reporting by political parties is among the most important elements of the law.

Financial reporting should now include detailed information of all legally registered local party organizations and candidates. The new reporting system is designed to increase political finance transparency, increase political party accountability to the state and civil society and enable citizens to make informed choices.

The existing political party financial reporting form approved by the National Agency for the Prevention of Corruption (NAPC) in September 2016 to administer the law, contains shortcomings identified during the 2016-2017 reporting period, which have been repeatedly emphasized by representatives of civil society, international organizations and political parties.

The NAPC’s efforts to improve the current financial reporting form is a positive development. As part of IFES technical assistance, the NAPC developed a new draft financial reporting form in 2017 that could significantly streamline the reporting process if minor improvements to the form are incorporated. For unknown reasons, the NAPC refused to continue its work on the draft reporting form, and on April 27 published its own draft financial reporting form on its website which only partially reflects key recommendations developed with IFES.

IFES analyzed the new draft reporting form and concluded that the new document incorporated some important recommendations provided by IFES. They include the following:

- A draft reporting form have been simplified allowing a political party to submit a single comprehensive report to the NAPC which includes information about its local organizations. This provision is in line with the Political Party Law and can significantly streamline analysis by the NAPC and all stakeholders.
- The new form’s structure is more consistent and coherent in terms of sorting information in different sections of the form.
- The new NAPC reporting form draft will enable political parties to provide more information on their property, income, expenses and financial obligations and includes in-kind donations (in the form of work, goods and services).
- The proposed new form is more compact than the current reporting form due to more effective aggregation of data in tables and elimination of duplication.
However, the new draft reporting form has several flaws that could compromise efficiency of the reporting process and analysis of submitted reports by the NAPC. Among the most notable downsides:

- The new form would oblige legally registered local political party organizations to report on receipt and use of public money. This requirement contradicts provisions of the Political Party Law. Even if local organizations spend these funds ineffectively, there is no way to apply any sanctions against them. Including this information into reports and its further verification by the NAPC may result in refusal to register the draft form by the Ministry of Justice or attempts to challenge the reporting form in the courts.
- The proposed reporting form includes a few tables requiring political parties to provide information that is not required by law. For example, a party leader’s personal data or information on property that the party no longer owns at the end of a reporting quarter. Discrepancies between the reporting form and provisions of the law may result in legal disputes.
- Some components in the tables in the proposed new form are inconsistent and unclear. For instance, almost all tables in the reporting form contain three identical summary lines, which makes the process of completing them confusing. There is a concern about the combination of text and numerical information into single columns which will complicate automatized report verification.
- Important concepts used in the form are articulated vaguely, incompletely or contrary to Ukrainian legal requirements. They are titles of sections and tables on political party receipts and use of public money, classification of political party expenses etc.

The new draft reporting form has some advantages over the existing reporting form. However, approval of its current template is premature given that several elements of the new form should be revised. The draft reporting form developed jointly by the NAPC and IFES in 2017 that addresses all problem aspects highlighted above should be taken into account.

Development, approval and launch of the new reporting form should meet several requirements to increase efficiency of the reporting process and report analysis.

First, the new reporting form should be approved in both Microsoft Word and Microsoft Excel formats. This will streamline the reporting process by political parties and its analysis by the NAPC and will generally increase political finance transparency. The structure of tables in Microsoft Excel format should allow easy transfer of information from reports into an open data format allowing further automatic verification. It will also help the NAPC to comply with the legal requirement obliging publication of reports in open data format.

Second, approval of a new reporting form by the NAPC should be preceded by wide and inclusive discussion with all relevant stakeholders, in particular, representatives of political parties, civil society and international organizations. Discussion should provide an opportunity to consider different proposals.
Third, approval of the new reporting form should be complemented by amending the NAPC’s bylaws regulating completion, submittal and analysis of the reports to reflect necessary changes. The new reporting form and the mentioned documents should be reconciled with the draft methodology for determining monetary value of in-kind donations to provide political parties with opportunity to calculate the value of such donations and correctly reflect them in their reports.

Finally, NAPC should note that political parties submitted their reports for the first quarter and began preparing reports for the second quarter of 2018. Therefore, introduction of the new reporting form will be feasible starting from the first quarter of 2019. Otherwise, the reporting process in 2018 will become unnecessarily complicated both for political parties and the NAPC. To ensure political parties have time to prepare for complying with the new reporting requirements, the NAPC should approve the new reporting form well in advance, preferably a few months prior to the end of 2018. The NAPC will then have time to explain the new reporting procedures to political parties in advance of an important national election year.

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