Introduction

The case for transparency of party and candidate finance

One of the major challenges related to money in politics is the lack of transparency surrounding political party and election finance (Falguera, Jones and Ohman 2014). This is the case across the world and applies to established and newer democracies alike. The open and transparent funding of political parties and candidates is desirable because it helps ensure that everyone is playing by the rules, which in turn strengthens the integrity of, and trust in, politics, among both the general public and political parties.

Reporting and auditing rules are essential for the enforcement of all other political finance controls (e.g. rules on parties' and candidates' income and expenses) and, hence, for the credibility of the political finance regulation framework as a whole. All that largely depends on the quality and enforcement of reporting rules.

Furthermore, transparency helps level the playing field, exposes the risk of undue influence over politicians and helps protect against the infiltration of illicit sources of money—thus contributing to the broader fight against corruption. The need for transparency of political party and campaign finances is enshrined in the United Nations Convention against Corruption, which states that countries should 'consider taking appropriate legislative and administrative measures . . . to enhance transparency in the funding of candidates for elected public office and, where applicable, the funding of political parties' (UNODC 2005, Article 7).

In recent years there has been considerable progress in the use of information technology (IT) to enhance transparency. The rapid digitalization of government agencies, political parties and citizens alike has significantly expanded the potential to use digital tools to enhance transparency. A growing number of

countries therefore assert that the broader global demand for financial transparency, from public bodies to private corporations, is best met by having political parties, candidates and other reporting entities file reports online to the oversight agency, which then makes this data publicly available on its website. The following sections describe online reporting and disclosure and its benefits.

What is online reporting and disclosure?

Online reporting refers to the process of submitting reports online either via a website or using dedicated software. These two options are discussed in more detail in section 1.4. The data that are submitted online then feed into an internal agency database. This allows the oversight agency to easily categorize, sort and store the data, which in turn helps it carry out compliance checks. It also gives the agency the ability to filter the data and publish it on its website in the form of a disclosure database. This integrated system automatically generates the data published online, although the agency's content management system (CMS) may be programmed to filter it and hide certain details from public view. In theory, political finance reports filed electronically can be published in real time, presuming the regulations allow for this.

Online reporting does not include digitally scanned copies of paper reports, since they are mostly not machine-readable and cannot be automatically fed into a database. Scanned portable document format (PDF) files are of limited value, as they are not searchable. Optical readable questionnaires may be an alternative, but they are less efficient and secure than online reporting. In Norway, optical questionnaires are offered as an alternative to online reporting, and are used by around five per cent of reporting units.

Why online reporting and disclosure?

When a country builds an online reporting and disclosure system, it becomes part of a wider societal effort to protect and enhance the integrity of politics. Such a system complements other transparency and anti-corruption efforts, and in many countries is concretely linked to other systems through the sharing of data. As Santiso and Roseth (2017) observe: 'In the anticorruption arena, the real value of open data lies in the ability to interconnect multiple datasets to discern patterns and expose signs of corruption'.

Online political finance reporting and disclosure systems form part of broader transparency efforts to make official data more publicly available and accessible, and contribute to efforts to increase the capacity and professionalism of candidates and political parties. More specifically, online disclosure sites help quickly publish data in a user-friendly format, which gives voters a more informed picture of the flows of party and campaign finance, and empowers them to hold

parties and candidates to account. Figure I.1 outlines the general process of online reporting and disclosure.

Figure I.1. The process of online reporting and disclosure
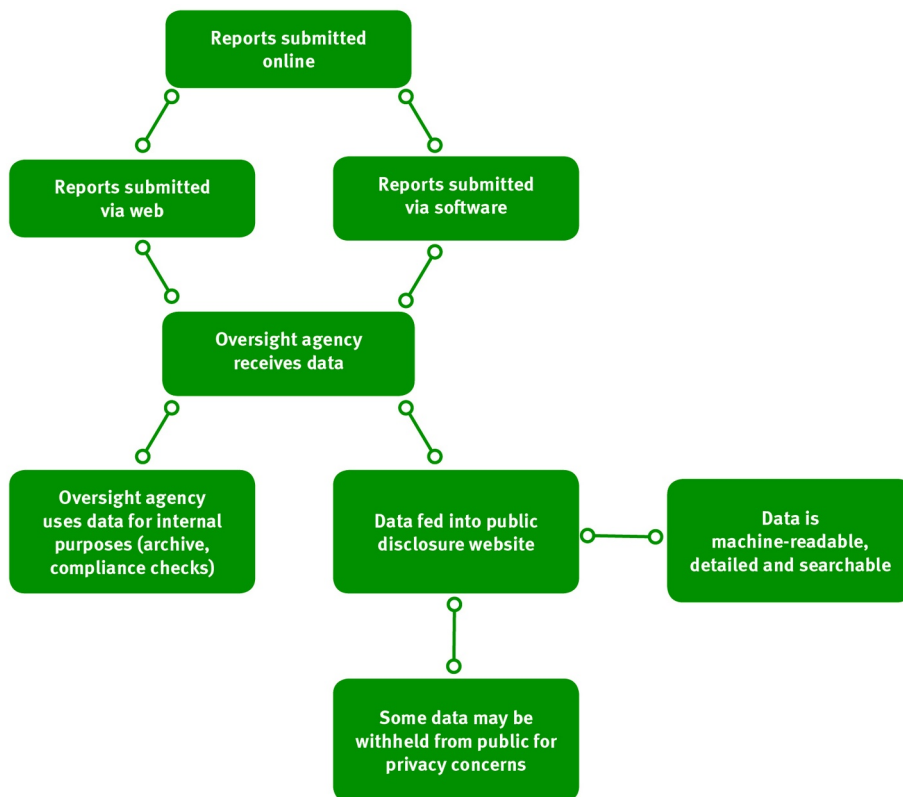
While the introduction of such a system is not a panacea for political finance reporting, it forms an important part of a society's anti-corruption efforts. It does not mean that political parties and candidates will change their reporting habits overnight, or necessarily be more honest in reporting their income and expenditures. Yet it can exert pressure to submit accurate and detailed data, as an online system with a database facilitates the scrutiny of filed data. The open nature of a public disclosure database can also create public or media pressure on political parties to improve their reporting habits.

While there is little hard evidence regarding the impact of these online systems, anecdotal evidence from a number of countries cited in this Guide indicates that their introduction has facilitated the process of verifying submitted data, and has led to increased media and civil society scrutiny of published data.

The benefits and risks of online reporting and disclosure

Online reporting and disclosure has a number of advantages over paper reports or digitally scanned copies for all stakeholders, as outlined in Table I.1. These benefits are based on feedback received from oversight agencies that have already introduced online systems.

Table I.1. A summary of the benefits of online reporting and disclosure

Type of benefit	For reporting entities (e.g. political parties, candidates)	For oversight agencies	For the public and civil society
Time saving	Time is saved by not having to print, scan or mail reports; having a user account that records and stores previously entered information (such as details on donors) means that users can easily draw on this data when needed.	Online systems sort and file data automatically, and can feed directly into the public website. Thus agency staff do not need to manually re-enter data for public disclosure purposes.	An accessible and user-friendly database with searchable and downloadable data greatly facilitates the ability of journalists and civil society groups to scrutinize the data.
Data integrity	Reporting entities have greater control over submitted data; once reports are filed the data should not be alterable by the oversight agency. Online reporting also ensures agencies do not make data entry errors.	Machine-readable data can be easily analysed, compared, filtered and statistics generated (e.g. largest donors, or amounts spent on types of campaign expenditure).	An online database helps civil society hold parties and candidates financially accountable.
Comprehensive records	Private user accounts allow users to maintain comprehensive records of all submitted data, both past and present. Party HQ can also track and monitor how funds are being allocated and spent at the local level.	Comprehensive records of party and candidate income and expenditure can be made available for internal purposes.	Detailed data for party and candidate finances remains available as a public record for future reference.
Flexibility	Users can save a reporting session and return to complete or amend it at a later date. Regulations permitting, amendments can even be made after reports have been submitted.	Cross-referencing the data with other official databases such as tax, population or business registries can significantly aid verification efforts. A system can also be calibrated to flag inconsistencies or anomalies in the data.	Users can search for and access the specific data that meets their needs.
Efficiency	Having all data located in one place online means political parties do not need to maintain multiple lists of donors and expenditures.	Received data are stored, filed and archived instantly, and incomplete reports are rejected.	Media and civil society watchdogs can access information without having to contact the oversight agency.

Type of benefit	For reporting entities (e.g. political parties, candidates)	For oversight agencies	For the public and civil society
Accuracy	Online reporting facilitates submission of complete and accurate reports: incomplete reports are automatically rejected by the system. While mistakes are still possible, a well-designed system will minimize this (e.g. by flagging dubious content or asking users to review data before final submission).	Because fewer data are entered manually by the oversight agency, the risk of human error is reduced.	An online database serves as a baseline for journalists and other civil society actors to assess the accuracy of financial information and launch investigations into inaccurate or fraudulent data, or possible illicit sources of funds.
Transparency	Information is requested and processed by the system in a transparent and impartial way.	In most contexts, an online public disclosure database is the best way to share political finance data with the most people.	A well-designed disclosure database accessed via an oversight agency's website that publishes data in a timely manner provides maximum public transparency.

There are also some risks associated with online reporting and disclosure which can, however, be mitigated and managed, including:

- *Sensitive information*. It may be that some data should not be made public. In some cases, the oversight agency may be provided with more information than it is allowed to publish. To avoid publishing data that should remain private, clear rules should be created for the CMS to ensure confidential data is not disclosed.

- *Inaccurate information*. Inaccurate or private data may be accidentally published by those filing reports. This risk is heightened when data is published in real time. Some countries allow parties and candidates to amend submitted data in order to mitigate this risk.

- *Online security*. A website or online database could be hacked. This risk should be taken seriously and thoroughly evaluated; appropriate measures must be taken to minimize it (see section 2.8).

- *Capacity*. The system may not be able to handle the volume of data it will receive, especially during peak periods, such as around election time or the end of the financial year. This risk can be managed by stress testing the system and planning for an array of contingencies in advance.

- *Availability*. The system may not be available when it is needed. All necessary measures and precautions should be taken to ensure that the

reporting system is working continuously, and a clear contingency plan should be made for system failure—especially in the lead-up to any deadlines for filing reports.

- *Maintenance*. If the reporting/disclosure system has been developed by an external company, its future maintenance should be carefully considered (e.g. with regard to the length and type of contract, where knowledge of the system sits, and how and when to move to a new supplier with minimum disruption).

- *Costs*. Developing and maintaining a system may incur unexpected costs. It is crucial to budget as accurately as possible, as developing and maintaining a robust online reporting and disclosure system is expensive, and runs the risk of going over budget if not properly planned.

- *Impartiality*. There is a risk that the oversight agency presents data in a biased fashion. To ensure impartiality, it should therefore carefully consider how it presents data on the public disclosure site.

- *Adaptation*. The oversight agency, as well as political parties and candidates, may find it difficult to adapt to a new reporting system. The adoption of a new way of filing reports and a new way of receiving, processing and disclosing data will entail a steep learning curve. Political parties are often organizationally weak and have limited administrative capacities. The oversight agency can provide guidance and training, and be flexible during the transition to a new online system.

Online reporting and disclosure systems

According to International IDEA's Political Finance Database, although 62 per cent of countries require political parties and/or candidates to publicly disclose financial information, such data are often only available in hard copy or, in summarized or PDF form when published online. Thus, it can be hard (or even impossible) for the public to extract useful or meaningful data. Only a small number of countries currently have an online political finance reporting system that feeds data into a public disclosure database. Yet more and more countries recognize the advantages and have the means to build such a system. The online systems of the countries highlighted in Figure I.2 are summarized in Annex A.

Figure I.2. Online reporting and disclosure systems for political finance around the world
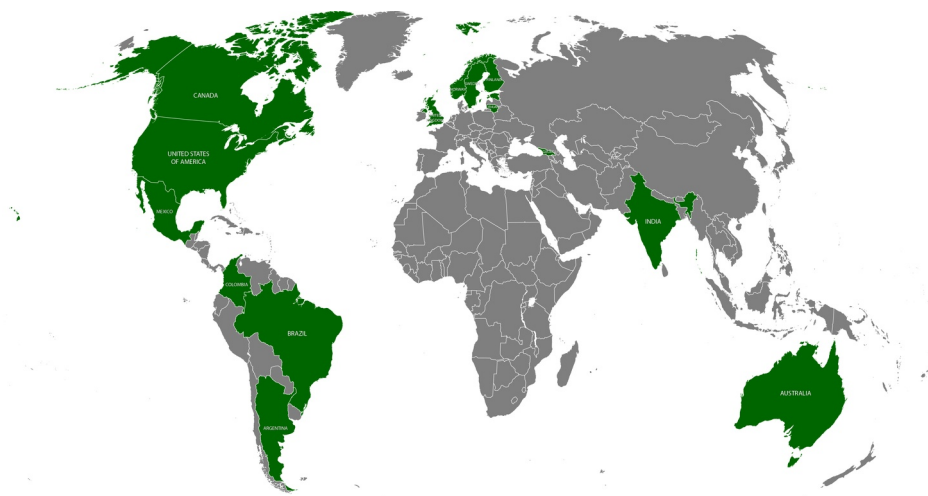
Note: The data in this map is based on International IDEA research up to July 2017, and is not necessarily exhaustive.

About this Guide

This Guide is a resource for those who are considering, planning or currently building an online reporting and disclosure system for political finance data. It is concerned primarily with the development process rather than the technicalities of building such a system. Getting the process right is crucial to the success of any system. Without careful thought and preparation that take sinto account the design and implementation processes, the resulting system may not meet the required objectives or aims, or may be unfeasible or unsuitable for its context.

It is beyond the scope of this Guide to make recommendations on the content of political finance regimes or analyse what should (or should not) be covered by regulations. The starting point is thus the legal and regulatory framework in a given context. The Guide also builds on two years of research. In 2015, International IDEA conducted a series of interviews with staff from oversight agencies from a dozen countries around the world. The interviews focused on the agencies' current practices and on the challenges involved in collecting political party and campaign finance data. These discussions revealed a clear consensus regarding the need for online reporting and disclosure, as well as a demand for

guidance on how to build such a system. To meet this demand, International IDEA gathered knowledge from countries with online systems already in place. In December 2015, it convened an expert meeting of representatives from the oversight agencies of Australia, Estonia, Finland, Latvia, Norway, Sweden, the United Kingdom and the United States to learn about their experiences of building online reporting systems. International IDEA also held bilateral conversations with Brazil, Canada, Chile, Colombia, Georgia and India in 2015 and 2016 about their respective systems (International IDEA 2016; Jones 2017a). It has since shared these lessons with countries that are considering building their own systems, such as Bosnia and Herzegovina, Moldova and Ukraine (Jones 2017b). This Guide draws on experiences and lessons from these political finance oversight agencies, as well as supplementary independent research.

The Guide is not intended to be a one-size-fits-all blueprint, but rather a reference tool that will help oversight agencies build online reporting and disclosure systems that are tailored to their local context. More broadly, it is designed to contribute to better party and campaign finance reporting and greater transparency of political finance data.

Who is it for?

This Guide helps oversight agencies design and build the right system for their needs and context by learning from the experiences of other countries. The target audience is political finance oversight agencies, namely the authority or authorities responsible for receiving, scrutinizing, and making public party and campaign funding and expenditure reports. In particular, it can be useful to decision-makers within oversight agencies, such as election commissioners, when considering whether to develop an online system, and to project managers and IT developers in charge of developing a system. Countries with widespread computer usage and Internet penetration, together with a desire to improve the transparency of money in politics, stand to gain the most from using this Guide.

How to use it

This Guide is intended as a stand-alone resource tool and reference material. It does not need to be read in order. The Guide can also serve as background material to in-country assistance that International IDEA can provide to political finance oversight agencies. International IDEA can provide such assistance upon request and feed into the development process at certain key junctures. It has developed training materials for this purpose, which build on the lessons and experiences found in this Guide. Among other areas, it can provide guidance on conducting a feasibility study, assessing user needs and compiling user guidance material.

Structure

The Guide is divided into five chapters stages related to the stages involved in the building and maintenance of an online political finance reporting and disclosure system. Chapter 1 covers the planning stage, which considers the system's objectives and feasibility and involves consulting with end users. Chapter 2 is concerned with the design and development of the reporting platform and looks at its conceptualization, what features should be included and crucial issues to consider as part of the design process. Chapter 3 then turns to implementing an online system and how the received data can be put to best use. Chapter 4 contains advice on how to make the received data public on the oversight agency's website. It discusses the main principles related to the public disclosure of data, as well as thematic issues to consider during the design phase of a public disclosure website. Chapter 5 is devoted to maintenance and performing upgrades. The Annexes provide an overview of existing online systems around the world, as well as examples of planning documents.