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MODELS OF DIGITAL REPORTING AND DISCLOSURE OF POLITICAL FINANCE

Latest Trends and Best Practices to Support Albania



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Latest Trends and Best Practices to Support Albania

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Chapter 1

TRANSPARENCY TO COMBAT CORRUPTION AND FOSTER TRUST

Transparency in politics—in particular with regard to political finance—lies at the core of every democracy. The availability of accessible, detailed information about the funding of political parties and candidates enables scrutiny by civil society organizations and the wider public, and ensures that all political actors can be held accountable. Effective public review provides additional incentives for candidates and parties to comply with the rules in place and helps to create and maintain a level political playing field. In addition, increased transparency serves as a major deterrent against corruption and the abuse of power, and consequently strengthens the integrity of the political class and fosters public trust in the political system.

The importance of increased transparency has been repeatedly emphasized by international organizations. Article 7(3) of the United Nations Convention Against Corruption recalls the commitment of every signatory to enhance transparency in the funding of political parties and candidates. The article states that: ‘Each State Party shall also consider taking appropriate legislative and administrative measures, consistent with the objectives of this Convention and in accordance with the fundamental principles of its domestic law, to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties’. Similarly, the Guidelines on Political Party Regulation of the Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR) and the Venice Commission emphasize the importance of providing transparency in political financing to guarantee candidates’ and parties’ independence from undue influence and to ensure the principle of equal opportunity among parties (OSCE/ODIHR and Venice Commission 2020: para. 204–05).

In **Albania**, transparency in political finance is enshrined in the fundamental principles of the Constitution. Article 9 on political parties stipulates that: ‘[t]he financial sources of parties as well as their expenses are always made public’. Despite the modest progress on party and campaign finance regulation

Transparency in politics lies at the core of every democracy.

achieved in recent years, however, lack of trust in politics and the risk of political corruption continue to be high.

Improving political transparency has been an important part of the observations of the international community. In its recommendations and reports on the funding of political parties and electoral campaigns in Albania, the Council of Europe's Group of States against Corruption (GRECO) has stressed the importance of oversight of and reporting on the annual accounts of political parties, including ease of access by the public (Council of Europe 2013: 6–8). The limited transparency in political finance and its negative implications for the ability of voters to make an informed choice based on knowledge of the source of campaign funds were also highlighted by the OSCE in its report on the 2021 parliamentary elections in Albania. The report called on the Albanian authorities to enhance the overall transparency of campaign income and expenditure, and the accountability of political parties (OSCE/ODIHR 2021: 2–3).

Political transparency and anti-corruption measures are also important points in Albania's accession process towards membership of the European Union. Among the accession criteria is having stable institutions that can guarantee democracy and the rule of law. In its recent reports on the state of the enlargement process in Albania, the European Commission highlighted the possible misuse of state resources during electoral campaigns, vote buying and political corruption as important challenges for the country (European Commission 2020: 8–10; 2021: 8–11). The recent formal start of accession negotiations between Albania and the EU provides an important window of opportunity for continuing to strengthen democracy, including political transparency.

An important way to improve transparency in politics is through full disclosure of the finances of political parties and candidates.

An important way to improve transparency in politics is through full disclosure of the finances of political parties and candidates. A basic system is currently in place in Albania in which the information is disclosed through scanned documents. A digital system with online disclosure could help to further improve political transparency and accountability in the country. Although several countries in Europe still use a reporting and disclosure system comparable to the one used in Albania, there has been a clear trend in the past decade towards more accessible online reporting and disclosure systems. The digitalization of public institutions and services in recent years, such as development of the e-Albania platform and digital taxes and services, shows that the country has the potential to strengthen the digitalization of political finance and even to become a frontrunner in Europe in this respect.

OBJECTIVES OF THIS REPORT

This report is part of the project 'Integrity and Trust in Elections in Albania: Fostering Political Finance Transparency and the Safe Use of Information and Communication Technologies', co-implemented by International IDEA and the

Rule of Law Centre of Finland. The main objective of this report is to provide the Central Election Commission (CEC) of Albania with steps for implementing an online system for the reporting and disclosure of political finance. The digitalization of political finance has been one of the priorities of the CEC and can build on previous initiatives to digitalize the electoral process in Albania, such as digital voter identification, and electronic voting and counting. This report examines the existing disclosure systems in Europe, highlights best practices and identifies the main challenges for the development and implementation of such a system in Albania, taking account of the specific political and institutional context of the country. The report makes a number of concrete recommendations to the CEC on how online disclosure can be designed best from the perspective of the parties and candidates that have to submit their financial information, and the citizens and civil society organizations that require accessible data in order to monitor the use of money in Albanian politics. Within this framework, International IDEA exchanged views with the Council of Europe, which is currently assisting the CEC to develop the IT infrastructure for political finance reporting and disclosure.

Methodology

The findings and recommendations of this report are based on a combination of desk research and fact-finding interviews. To gain insight into the situation of political finance in Albania, the regulatory framework and the current organization of political transparency (legislation and implementing acts) were examined, interviews were conducted with representatives of the CEC, political parties, civil society organizations and international partners in May–July 2022, and a fact-finding mission was undertaken in June 2022. A list of respondents can be found in Annex A. Furthermore, to highlight best practices, an exploratory analysis was made of existing reporting and disclosure systems for party financing in Europe and beyond. Follow-up interviews were conducted in June–August 2022 with representatives of the monitoring bodies in the countries with the most advanced online reporting and disclosure systems. These identified the main challenges faced and opportunities presented when developing such systems.

Some parts of this report draw on International IDEA's existing handbooks and reports, most notably *Digital Solutions for Political Finance Reporting and Disclosure: A Practical Guide*, which is a reference tool to help oversight agencies build online reporting and disclosure systems that are tailored to their local context (Jones 2017).

THE STRUCTURE OF THE REPORT

Chapter 2 describes the political and institutional context in Albania, including the regulatory framework for political finance. Chapter 3 provides a general overview of the disclosure and reporting practices for party finance in Europe, paying particular attention to transparency in the annual accounts, campaign expenditure and donations. The best practices identified serve as examples

and possibilities for the development of a digital system in Albania. Chapter 4 makes an in-depth assessment of the main possibilities, challenges and opportunities presented by the various aspects of a digital reporting and disclosure system, and focuses subsequently on the core choices, structure and design of the database, the reporting side of the system, data verification and monitoring, the principles and design of the disclosure side of the system, and the development, adaptability and maintenance of the system. The report concludes with a list of key recommendations on the development and potential future updating of a reporting and disclosure system in Albania.

Chapter 2

POLITICAL AND INSTITUTIONAL CONTEXT IN ALBANIA

2.1. POLITICAL SYSTEM AND PARTY FINANCE REGULATION IN ALBANIA

This section provides a brief overview of the political system and party finance regime in Albania. A more detailed overview can be found in Annex B. The electoral system in Albania is a form of proportional representation in which members of parliament are elected in 12 multi-member constituencies that correspond to the country's administrative regions. Despite the proportional electoral system, the party system is dominated by two political parties: the centre-left Socialist Party and the centre-right Democratic Party. A number of smaller parties occasionally gain a limited number of seats in the Albanian parliament. At the local level, the country comprises 61 municipalities, and municipal councils and mayors are elected every four years.

The rules on sources of funding for Albanian political parties differentiate between membership contributions, public funding from the state budget and 'non-public' funds, such as financial donations, in-kind donations, services, sponsorship, loans and guarantees, as well as any other financial transaction. In contrast to membership contributions, the two latter categories are well regulated.

Political parties receive public funding for their annual everyday activities and for their election campaigns. For both types of funding, a total sum determined in the state budget is subsequently distributed among the political parties, largely according to their share of parliamentary seats or valid votes. The non-public—or private—income of political parties is also regulated by the state, especially in the context of electoral campaigns. Political parties and candidates can only receive contributions from legal persons based in Albania or from Albanian citizens. Any form of financial assistance or material from foreign public or private entities is prohibited, with the exception of Albanian citizens living abroad. Similarly, there is a ban on anonymous donations,

Political parties receive public funding for their annual everyday activities and for their election campaigns.

and on donations from public entities or companies with partial government ownership. Although donations are thus not limited to natural persons, some companies, such as media companies or companies that have received substantial public funds, are prohibited from making donations.

There is also regulation of campaign spending. A single candidate cannot spend more than half of the largest campaign grant received by a political party, and no party can spend more than three times the amount the largest political party has received in public campaign funding. In addition, public resources cannot be used to support political parties or candidates during the elections. Central and local public authorities must report to the CEC all the public activities they plan to conduct during the electoral period.

Political parties and candidates are bound by reporting and disclosure requirements.

Finally, political parties and candidates are bound by reporting and disclosure requirements. The current system is predominantly paper-based, and financial reports are sent to and examined by the CEC. All political parties have to submit a financial report on their annual activities, accompanied by an audit report, to the CEC by 31 March of the following year, using a standardized template. They must also submit electoral campaign reports on the financing of their campaigns within 60 days of the announcement of the final election result. These must address all branches and constituent parts. These reports are scrutinized by external auditors. In addition, the CEC appoints a number of campaign observers to monitor the compliance of political parties and candidates with the funding rules. All political parties must record in a special register the amounts received in donations from any natural or legal persons either during or outside of the electoral campaign, with clear identification of the donor, lender or creditor. The funding rules also include a sanctioning system in case of non-compliance, but this is rarely used.

2.2. MAIN CHALLENGES IN ALBANIA

There has undoubtedly been substantial progress in recent years on the regulation and monitoring of party and campaign finance in Albania. Nonetheless, the country still faces a number of challenges as a consequence of lacunas in the regulatory framework, as well as the risk of illegal practices in the field of political finance.

First, several stakeholders from civil society organizations indicated during the interviews that the level of detail and the timing of the financial reporting are deficient in some respects and do not allow for proper scrutiny of the finances of political parties and candidates. For example, the template of the annual financial reports by political parties is not sufficiently detailed to gain a precise and comprehensive overview of their finances. While the template for the campaign finance reports is relatively comprehensive, more detailed information on specific campaign expenses and activities would further improve transparency in the monitoring of the electoral campaigns. In addition, the fact that this information is made available only as scanned documents

on the CEC website complicates financial scrutiny. Similarly, the fact that the campaign finance reports are not available until several weeks after the election curtails the ability of journalists and civil society organizations to properly monitor campaign expenditure. Furthermore, the financial capacities and strategies of parties and candidates, and possible non-compliance with the rules, cannot inform voter behaviour before election day. The OSCE/ODIHR Observation Mission for the parliamentary elections of 25 April 2021 made similar points and encouraged decision makers to require parties and candidates to disclose their campaign income and expenditure before election day (OSCE/ODIHR 2021: 28).

Second, while the internal administrative capacities of the larger, established political parties for dealing with disclosure and reporting requirements were deemed generally sufficient, several stakeholders highlighted the lack of such capacity and awareness among individual candidates and the smaller political parties. The central party organization is responsible for collecting the financial reports from its candidates, but often encounters difficulties convincing them to submit these reports, especially if the candidate was not elected. Similar challenges can be expected with local party branches. The regulatory framework has no provisions on third-party campaigning, but many stakeholders emphasized the risk that it can be used to circumvent the regulations on revenue and campaign expenditure (see also OSCE/ODIHR 2021: 17–18). Consequently, consideration should be given to either regulating third-party campaigning or imposing similar limits to those put in place on donations and the campaign expenses of political parties and candidates. Similarly, the use of social media in electoral campaigns is not currently regulated in Albania, but its importance for political parties and candidates as a channel for reaching voters is rapidly increasing.

Finally, several stakeholders highlighted the widespread informality and possible existence of parallel funding circuits beyond the regular financial accounts of political parties and candidates. This can involve the funding of politics by criminal organizations or through other illegal practices. These funds can be distributed among party members who transfer them to the party through donations or membership contributions. Another risk is the functioning of a ‘spoils system’, in which people acquire jobs through their political connections and in exchange contribute a share of their salary or other resources to the political party. Such illegal sources of income can be used for off-the-books purchases of media advertising or airtime, to pay for aspects of electoral campaign events or even to buy votes.

A well-designed system for digital reporting and disclosure could help to address these challenges. Such a system could lead to more timely, accurate and accessible financial reporting. The fact that financial information would be made available digitally through an online disclosure platform, which would ideally include analytical tools for searching the data, would overcome the barriers that scanned documents pose to effective and efficient examination. Development of an online platform could also provide momentum to further refine the reporting templates and efforts to make disclosure of all information

A well-designed system for digital reporting and disclosure could lead to more timely, accurate and accessible financial reporting.

on the revenues and expenditure of parties and candidates as detailed as possible. Similarly, it could also create momentum for regulatory change that imposes more timely campaign finance reporting obligations, or at least to make the necessary preparations for such a future reform of the rules that allows parties and candidates to voluntarily report on their campaign finances before the election.

A digital reporting and disclosure system also has the potential to facilitate the reporting process and overcome the hurdles that the current non-digital reporting system imposes, especially on candidates and smaller parties. For example, an intuitive and user-friendly interface in combination with tools that facilitate the migration and entry of financial data should increase the reporting rate. Similarly, a digital system can provide more instruments to the monitoring entities to apply (semi-)automatic checks and to facilitate targeted examination of the financial data, and as such improve the overall quality of financial oversight.

The protection of personal data should be an important consideration at all stages of the development of the online financial reporting and disclosure system.

The challenges posed by third-party campaigning, the use of social media and parallel funding circuits primarily require legislative change and determined enforcement, but a fine-grained and extensive reporting and disclosure system would certainly mitigate these problems. Providing citizens, journalists, civil society organizations and monitoring entities with a comprehensive and detailed overview of all reported revenue and expenditure should make it easier to identify the campaign activities and sources of income of parties and candidates that are kept out of official financial reports. In addition, linking the digitally reported data of parties and candidates to other government databases would make it easier for monitoring bodies to check compliance with the rules and to identify possible illegal financial practices.

The protection of personal data should be an important consideration at all stages of the development of the online financial reporting and disclosure system. The transformation from a paper-based to a digital system would concentrate a large amount of data, including sensitive personal data, in the hands of the CEC, especially when combined with other databases. Ensuring robust security management of the entire system would thus be of the utmost importance.

Chapter 3

CURRENT STATE OF POLITICAL FINANCE REPORTING AND DISCLOSURE IN EUROPE

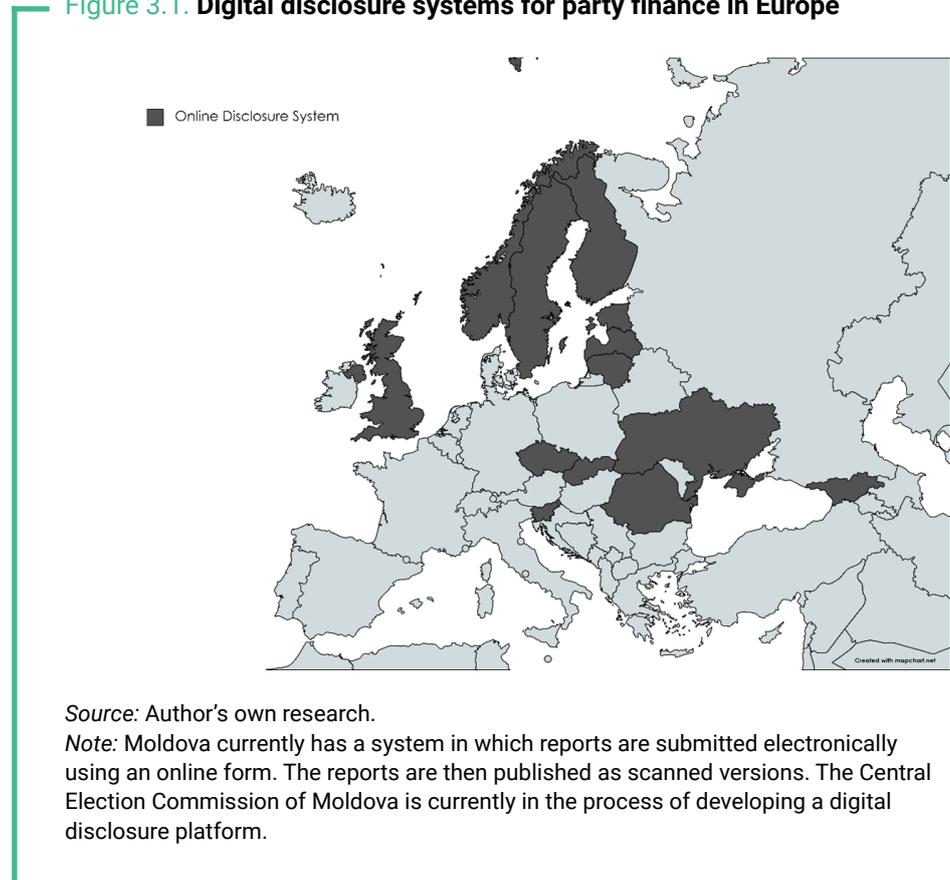
An online reporting and disclosure system entails a process in which financial information from political parties and candidates is submitted online either through a dedicated website (web-based) or using specific software (software-based). This information is subsequently brought together in a database at the monitoring agency, which allows for extensive monitoring, (re) categorization, analysis, checking and storage of the data entered. Finally, the financial information can be disclosed online through a downloadable data file or a searchable database. This gives the monitoring body the ability to filter the data and prevent some information from being publicly disclosed, for example for privacy reasons and to protect personal data. Efficient online reporting systems are based on machine-readable data that is directly fed into a database, and machine-readable, open data formats for publication of the data. They should avoid scanned documents and PDF files wherever possible (see also Carolan and Wolf 2017).

In recent years, more and more European countries have implemented an accessible and well-developed online disclosure system. Figure 3.1 provides an overview of the countries in Europe that have a digital disclosure system in place for annual financing, campaign expenditure and/or donations to political parties.

There are differences among these countries in the way in which they have developed their disclosure systems. In **Sweden** and **Slovenia**, for example, the annual accounts of the political parties can be consulted in an online database. **Estonia** has a database that allows the user to filter specific information and download this as a data file for further analysis; it includes features that immediately allow the user to compare income and expenditure over time to identify trends and search for particular patterns. **Finland** has specific databases dedicated to the largest recipients of donations, the largest donors and the total contributions received by political parties. Countries such as **Czechia**, **Latvia** and **Romania** provide downloadable data files that can be examined and analysed further. The level of detail, however, differs between

Efficient online reporting systems are based on machine-readable data that is directly fed into a database, and machine-readable, open data formats for publication of the data.

Figure 3.1. Digital disclosure systems for party finance in Europe



these countries and depends to a large extent on the regulatory framework for and implementing acts of the monitoring body.

While there are substantial differences among countries in Europe, and between the various aspects of the disclosure of party finance, there has been a trend in recent years towards more accessible and user-friendly online platforms that make more information available. Several of the countries that are currently still providing basic information are thinking about or even in the process of developing advanced online databases of political finance information. **Iceland**, for example, plans to implement a digital reporting tool in 2023. Consequently, digitalization of reporting and disclosure in Europe is at an important stage of development and is expected to become the standard in the coming years. **Albania** has prioritized digitalizing reporting and disclosure of political finance, and with practical efforts to build a modern system under way, it has the potential to become a frontrunner in this field.

Chapter 4

STEPS FOR THE DEVELOPMENT OF AN ONLINE REPORTING AND DISCLOSURE SYSTEM IN ALBANIA

The planning phase of any online reporting and disclosure system for political finance is of particular importance. Decisions on the organization and layout of the system will have lasting implications and can be difficult to change later on. It is therefore important to take sufficient time for the design, development and implementation of the system.

An important aspect in this respect is deciding on the main aims of an online reporting and disclosure system, and on how these aims can be translated into specific objectives for how the system can achieve these aims. Such aims could include: (a) to improve the accuracy and exhaustiveness of the financial information that is provided; (b) to enable timelier disclosure of financial information, which would improve public scrutiny and accountability; (c) to make it easier to search and analyse the financial data; (d) to facilitate a review and monitoring process; and (e) to reduce the administrative burden on political parties and candidates.

To assess the feasibility of and the main challenges facing development and implementation of an online reporting and disclosure system in **Albania**, a series of interviews was conducted with relevant stakeholders from the CEC to political parties and candidates, academia, civil society and international partners.

To enhance the likelihood of the success of the new system, the continued involvement of all relevant stakeholders throughout the entire process is highly recommended. The digital reporting and disclosure system could be seen as a service provided by the CEC to its users, be they the political parties or candidates that must submit their financial information, or the investigative journalists or civil society organizations scrutinizing the data. The remainder of this section focuses on crucial elements and choices to consider when developing a digital reporting and disclosure system.

The planning phase of any online reporting and disclosure system for political finance is of particular importance.

4.1. CORE CHOICES: WEB-BASED OR SOFTWARE-BASED SYSTEM, COMPULSORY OR VOLUNTARY USE

The advantages and disadvantages of web-based and software-based reporting systems

One of the first important choices that needs to be made is whether the reporting and disclosure system will be *web-based* or *software-based*. Although the financial data is fed into a content management system in both systems, the two variants each have specific advantages and disadvantages. With a web-based system, parties and candidates log into a website on which the financial data can be entered and submitted via a user interface. With a software-based system, the financial information is submitted using a program that is downloaded to the computer of the information provider. The data can be entered offline and then submitted to the server of the CEC.

A software-based system is generally better for countries with limited Internet access and infrastructure.

A software-based system is generally better for countries with limited Internet access and infrastructure, since it can be used as soon as the required software is downloaded regardless of the quality of Internet connectivity. This does not mean that countries with poor Internet access cannot use a web-based system, but they should take preventive measures such as creating a back-up system such as a minimal application or offline version that allows users to submit data even when they are experiencing poor connectivity. Since the data is stored locally, it is a good system for handling larger amounts of data. In general, the development of software-based systems is more straightforward and consequently usually cheaper.

A web-based system, on the other hand, generally has more possibilities in terms of design and can be made more intuitive and easier to use by parties and candidates. However, it requires a stable Internet connection. It is also easier to secure log-in credentials for a web-based system in comparison with desktop software, since the user account is linked to a specific individual user. In addition, timely and efficient functioning are usually another strong point of web-based systems compared to software-based systems, which require more manual handling, installation, data transfer, and so on. Finally, a web-based system can also be used as a database for previously submitted information, such as on donations, and consequently provide a more comprehensive overview of the available financial data (see also Jones 2017: 17–19). Although it is more expensive, the maintenance of a web-based system is more efficient, since all users use one central version. It is also easier to enable the disclosure of information in real time, since all data can be made public from the moment it is submitted.

The interviewees from the political parties in **Albania** made clear that much of the parties' financial management already occurs digitally. They use different software packages for their day-to-day accounting. While some interviewees did not voice a clear preference for a web-based or software-based system, other respondents preferred a web-based system. This would also be in line with parties' tax declarations, which are done online. In addition, Albania's relatively well-developed ICT and Internet infrastructures would enable the

introduction of a web-based system (see Box 1). The speeds and stability of Internet connections are good, and Internet use among the population is increasing. According to data from the World Bank, use of the Internet has been increasing sharply for the past 10–15 years. As of 2020, approximately 72 per cent of the population of Albania had access to the Internet. Further increases can be expected following the introduction of the online E-Albania portal for the delivery of all government services.

Box 1. The trend towards web-based systems as a default option

No clear geographical or development pattern can be discerned from the use of software-based or web-based systems in other countries. For example, a web-based system is in use in **Australia, Colombia, Estonia, Finland, Georgia, India, Latvia, Lithuania, Mexico, Norway** and the **United Kingdom**, while **Argentina** and the **United States** rely on a software-based system. **Brazil** combines both systems: it uses a web-based system for annual financial reports and obliges political parties and candidates to use a software-based system for electoral campaigns. Nonetheless, there seems to be a trend towards use of web-based systems. While **Sweden** and **Canada** initially used a software-based system, for example, they have recently switched to a web-based system.

Should digital reporting be made compulsory?

A second core choice that needs to be made is whether digital reporting of financial information should be made mandatory or remain voluntary. In this respect, it should be noted that if political parties and candidates were obliged to submit their financial reports digitally, this would require a proper legal basis. In general, digital reporting can be entirely compulsory, entirely voluntary or adopted in a more hybrid way (see Box 2).

Digital reporting can be entirely compulsory, entirely voluntary or adopted in a more hybrid way.

Box 2. Trends in other countries: A combination of mandatory and voluntary digital reporting

Most mandatory and voluntary digital reporting in other countries relies on a hybrid system. Even in those countries with an elaborate system of online reporting, most still accept paper-based financial reports. In **Finland**, for example, reports on party finances and election campaign spending must be submitted electronically using an online system, but it is also possible to submit the form to the National Audit Office by post or as an email attachment. Exceptions are **Estonia, Georgia** and **Lithuania**, which have made online reporting mandatory nationwide. In the **USA**, digital reporting is compulsory for large amounts and in certain states. Only if a campaign committee raises or spends more than USD 50,000 in a year is filing digitally mandatory, although some states have introduced lower thresholds (Jones 2017: 43–44).

Gradual introduction and transitional periods for the introduction of digital reporting have also been used in most countries. When **Lithuania** introduced a digital reporting system, for example, there was a two-year transition period, after which online reporting became compulsory. The digital reporting system in **Georgia** was initially focused on donations and online reporting in **India** was initially limited to candidate spending. In the **UK**, extended deadlines are used for digital reporting in order to make it more attractive than paper-based reporting. Intensive consultation with political parties and candidates before the introduction of a digital reporting system can also be considered best practice. In **Estonia**, party leaders and treasurers were consulted before the reporting system was introduced. Similarly, political parties in **Sweden** were invited to give their input into the design of the electronic forms that would be used. Respondents of the Swedish Legal, Financial and Administrative Services Agency highlighted the involvement of and feedback from representatives of the different parties as a factor in the successful development and functioning of the reporting system.

Specifically with regard to the hybrid option, compulsory digital reporting could be applied on a smaller scale, such as in a specific geographical region, although this might lead to claims of discrimination, or only for a specific number of reporting requirements, such as reporting on and the disclosure of donations, or the report on the annual activities of the party. The obligation could be expanded step by step at a later stage. Such an incremental approach would allow for refinements of and adjustments to the system. There would be time to tackle any problems and the impact of any possible errors in the system would be limited. Another possibility would be to introduce a transitional period, during which both paper-based and digital reports would be accepted. Use of a transitional period and/or the gradual introduction of new technologies is considered good practice in electoral management, since the risks of changing core elements of the system are considered very high.

Especially when use of the system is voluntary, it will be important to take account of the concerns of the political parties and candidates, given that a complex administrative burden would probably lead to substantially lower take-up. Incentives need to be put in place to encourage political actors to use the digital system. It should be made easier than filing a paper-based report, or more attractive, for example by extending the deadline for submission only for online reporting. Another possibility might be to introduce a 'digital-by-default' approach, meaning that online reporting is considered the standard and promoted as such on the CEC's website and in guidance material while the paper-based option is maintained as a back-up for those parties and candidates that experience difficulties reporting digitally.

In **Albania**, mandatory reporting of the financial data would be easier for the CEC, since any paper-based information would have to be entered by its staff, which can be very time-consuming and would be beyond the CEC's current capacity. However, when considering making digital reporting partly mandatory, it will be important to ensure that all parties and candidates, including the smaller parties, have the ability and capacity to comply with this requirement, including access to ICT infrastructure and training of party staff. Involving these actors in the planning phase and providing the necessary training will be of key importance.

In Albania, the capacity of political parties to switch from paper-based to digital reporting seems high, especially among the larger parties.

Most of the respondents from Albanian political parties had positive views about the mandatory use of a digital reporting system, albeit with some important reservations. In general, the capacity of political parties to switch from paper-based to digital reporting seems high, especially among the larger parties that have put in place digital management processes for their day-to-day accounting. More problems can be expected with the smaller parties, which have smaller staffs and less developed internal accounting practices, the local party branches, which have lower levels of professionalization, and individual candidates, who on average have a lower reporting ratio than political parties. Especially for this last category, the possibility of digital submission of reports should make it easier for them to fulfil their legal requirements, and specific training should be considered to facilitate the switch to digital reporting. With regard to municipal elections, respondents

suggested initially limiting digital reporting to mayoral candidates before expanding the system to all local candidates. Similarly, at the national level, it might be useful to introduce digital reporting for annual reporting first, before expanding it to campaign expenditure reports. This would ensure that any initial problems can be resolved and the necessary adjustments made before digital reporting is used for more important and politically sensitive electoral campaign finance. The only disadvantage might be that respondents see the templates for campaign finance reporting as more developed than the templates for annual activities. The introduction of digital reporting for political parties' annual accounts could thus be linked to a revision of the templates.

Box 3. Recommendations for Albania on the core choices

- Overall, conditions for the implementation of a digital reporting and disclosure system in **Albania** appear favourable. The ICT and Internet infrastructure in Albania allow for the establishment of a web-based reporting system, which presents greater opportunities in terms of design, and is easier to make secure and to use for parties and candidates. Although more expensive on average than the development of a software-based system, its maintenance and management are more straightforward and it would be more adaptable to future regulatory changes, such as the real-time declaration of party finance information.
- Mandatory use of the digital reporting and disclosure system should be the main aim, but an incremental approach is suggested when implementing a new system. For local elections, initial use for mayoral candidates should be considered before expanding the system to all local candidates. Similarly, at the national level, use solely for the annual accounts of political parties is recommended before the system is expanded to campaign expenditure and individual candidates' reports. A transitional period in which paper-based reporting is still allowed could help to create the time needed for capacity-building among smaller parties and candidates, and to anticipate and tackle any complications that occur during the launch and initial use of the new reporting system.

4.2. DATABASE STRUCTURE AND DESIGN

The database constitutes the bridge between the reporting and the disclosure sides of the system. It is the structure at the back end, in which all the financial information from political parties and candidates is stored, and which allows the CEC to view and analyse the data. The database also determines how the data is fed on to the public disclosure website.

In **Albania**, the existing templates for the annual financial reports and the campaign finance reports could be used to develop the structure of the database. An indicative structure of what a record of an income or expenditure item might look like is shown in Table 4.1.

A number of considerations should be taken into account when designing the database. First, in order to maximize transparency and the usability of the system, the database should include the smallest possible units. For donations, for example, this would mean the amount, type and date of the transaction, as well as detailed information about the donor and donor category. Second, separate servers can be useful for data protection or when a review of the information is required before it is disclosed. The purpose of

Table 4.1. Indicative structure of a record of an income or expenditure item

Data category	Data entry
Actor (to file reports)	<ul style="list-style-type: none"> • political parties (possibly subdivided) • candidates • third parties (to be included later when the rules address the issue of third-party campaigning)
Financial categories (type of information to be reported)	<ul style="list-style-type: none"> • income categories (donations, membership contributions, state subsidies, loans) • spending categories
Reporting schedule	<ul style="list-style-type: none"> • elections • annual • other
Source types	<ul style="list-style-type: none"> • individuals • companies • unions • state funding • donations • membership fees • loans • in-kind contributions
User types	<ul style="list-style-type: none"> • candidate • general party users • designated user for political party
History	<ul style="list-style-type: none"> • a record in the database of any changes to the above records
Status tables	<ul style="list-style-type: none"> • record status (active/inactive) • donation status (submitted/published) • audit status (audited/not audited)

the first server, which should be secured by a firewall, is to receive and store all the information, while the second server, which would be read-only, would be linked to the disclosure website and only include information that can be made public. An internally backed database behind a firewall separate from the public webserver is not just useful, but an essential for cybersecurity. Running the entire system on a public website would entail substantial security risks, since public websites are priority—and often easy—targets for hackers. An alternative would be to rely on cloud computing to manage the system. However, while online computing is highly efficient and easier to maintain, it is not well-suited to storing sensitive personal data for cybersecurity reasons. Third, in order to improve the trustworthiness of the system, history log tables should be used to record all the actions carried out in the application, and there should be daily back-ups and health checks of the system.

4.3. DEVELOPMENT OF THE REPORTING SIDE OF THE DIGITAL SYSTEM

An important aspect of the reporting and disclosure system is development of the interface used by political parties and candidates to submit their data, by the auditors to review the data and by staff at the CEC to analyse the data and add any missing information from the accounts submitted on paper. In order to maximize the user-friendliness of the system, the design should be kept as simple as possible.

Ensuring that only authorized individuals have access to the digital reporting system

The integrity of the system relies on the proper identification and authentication of its users. If a web-based reporting system is chosen, user accounts need to be created to grant political parties and candidates access to the system through an open or a closed identification process. An open process connects access to the digital reporting platform to existing security-relevant and administrative processes, for example the website used for most governmental e-services. In a closed process, a system of identification is developed specifically for the reporting platform, usually by allocating a unique username(s) and password(s) to appropriate personnel in the political party. This username can also be an email address. In a closed system in particular, a two-step identification process is the most secure way to ensure that only authorized persons have access to the reporting system. This means a second piece of information is required in addition to the password, usually a code sent to a mobile phone number in a text message.

In **Albania**, a choice needs to be made between a closed or an open system of identification. It could develop a unique closed system of identification that gives access to a limited number of pre-identified persons in the political parties, but this would probably be more expensive and complicated. An alternative would be to use a more open system. Many countries use a method of identification in which everybody with access to a central governmental platform similar to the e-Albania platform can enter or submit financial information for a party and/or candidate (see Box 4). The main advantage is that all the candidates, staff and leadership of the political parties then have experience of how to use this tool.

The use of different account types and the secure submission of the financial reports

It can be useful to provide parties with different types of user accounts with different privileges that can differentiate between a master administrator with full access and rights and subaccount holders with more limited access. Subaccount holders can typically enter data but cannot submit the information (see Box 5). Similarly, the submission of financial data and the declaration that all the information is accurate and complete must also be linked to a proper digital authentication, which serves as an alternative to a physical signature (if this is legally possible).

The integrity of the system relies on the proper identification and authentication of its users.

Box 4. Trends in access to digital reporting systems linked to e-government platforms

In several countries, access to the digital reporting system is linked to the more general online platform of the government, and/or linked to more widely used mechanisms of identification. In **Norway**, the political parties submit their financial information through the main digital portal for digital services that is regularly used by companies and individuals (Altinn). The platform is also used by the parties to submit their tax returns. Similarly, in **Lithuania**, access to the reporting system for all actors takes place through the e-Government Gateway, which is also used for other services such as pensions, healthcare, travel, education and registering place of residence or change of address. Accessing the Gateway can be through use of an electronic banking system (if the applicant is registered with a Lithuanian bank) or by electronic identification using a mobile device and personal identity card. In **Sweden**, access to the reporting and disclosure platform has been made available through several possibilities for e-identification, which are also commonly used by banks and telecom operators or to access other government e-services. In **Estonia** the electronic national identification card is used to verify the identity of the person submitting the financial information.

In **Finland**, identification for the purpose of digital financial reporting is linked to registration as a candidate in the election. All candidates who have been elected or included on the reserve list have to submit a declaration of electoral spending to the National Audit Office within two months of confirmation of the election result. Candidates are automatically registered and able to access the online system as soon as the election of candidates has been confirmed. The election funding declaration can only be made by the candidates themselves. Users of political parties and the party's local communities must apply for access to the transaction service from the monitoring entity. In order to use the online system, the user's identity needs to be verified by the public administration's joint identification service Suomi.fi using personal banking codes along with an ID card.

The legal provisions in **Albania** state that the annual financial reports must be submitted either by the person in charge of finances in the political parties (usually the party treasurer) or by another individual who is assigned to carry out this function in the party statutes (article 23 of the Political Parties' Law). Consequently, this person—and in addition the accountant(s) or members of the party hierarchy—could be given a master administrator account, while other members of the party staff could be given a user account with more limited privileges. Specifically with regard to the reporting of campaign expenditure of candidates, the political party is the main actor responsible for ensuring that they submit their financial reports. Several respondents from political parties stressed that they sometimes found it difficult to convince the candidates to submit their reports and suggested making candidates directly responsible for their submissions. If this remains the responsibility of the political parties, a master administrator account for the central party officials and a more limited account for the candidates should be considered too. If candidates become directly responsible, they can be given a master account. In either case, it would be useful to attribute the same username and password for submitting the electoral lists once this application has been developed.

A dual system of authentication seems most suitable for **Albania**. This means that an electronic authentication through an e-signature is complemented by a tool to print out the final version (duly labelled as such with a unique barcode), which is subsequently signed physically and submitted to the CEC (see Box 5).

Box 5. Trends in other countries: different user accounts and a move towards full online authenticated submission

With regard to identification, many countries' reporting systems differentiate between a master administrator and a subaccount. This is, for example, the case in the **UK**, **Mexico** and **Australia**. In the latter country, user credentials are sent through the post, and a signature is required to confirm receipt. After the first access to the system, the user must create a login and password that is verified using a verification email.

To authenticate the submitted financial reports, most countries use fully online authentication. In the **UK**, only the party treasurer can submit the financial report online in a two-step process. However, parties still have the option of printing out a declaration that is signed by the person responsible and sent to the Electoral Commission. A similar arrangement is in place in **Montenegro**. While all the information is submitted online, a signed print-out with a unique barcode functions as the legal authentication. The scanned and signed PDF copy is loaded on to the database to allow agency staff to compare and verify that the data submitted online matches the signed physical document.

How to improve the efficiency and reliability of data entry by political parties and candidates

In a software-based system, a downloaded computer programme is most often used to enter all the financial information. In web-based systems, the choice can be made to allow users to enter the data manually in all the required data fields and/or allow the parties and candidates to upload data from existing accounting systems or spreadsheets. Such a limited upload is recommended, since manual entry of information increases the risk of human error, especially in the case of large amounts of data. It can also be useful to allow political parties and candidates to attach files or documents to specific data fields to support the entered data. These might, for example, be bank statements of donations or invoices for party activities. This is especially recommended if external auditors make use of the reporting system (see Box 6).

Similarly, it is useful to build tools into the reporting system that require users to verify the entered and/or uploaded information (see Box 7). These resemble the obligation for users to check whether the data from uploaded spreadsheets has been correctly transferred to the appropriate data fields in the reporting system. In this respect, a technical validation of each data entry field can be introduced in order to improve the quality of the data that is entered by political parties and candidates. Such features include the inability to submit the report if all data fields have not been completed or a check for any inconsistencies, such as whether the date of the transaction actually took place before the reporting date. While validation is a useful tool to ensure compliance, it is also important that the system allows for non-compliance. For example, a party should be allowed to report expenses even if it has exceeded the spending limit. For instances like this, validation can be used to provide a warning message instead of preventing the user from entering the information. This is important as it will help prevent inaccuracies while maintaining the full functionality of the system.

A number of useful functions can be developed in the reporting system to make data entry more efficient and effective for the political parties,

Box 6. Trends in other countries: the ability to upload spreadsheets and attach supporting documents is increasingly permitted

Many of the tools described above are used in digital reporting platforms in other countries. Uploading spreadsheets, for example, is possible in **Australia, Colombia, Estonia, Georgia** and the **UK**. Similarly, in **Lithuania** political parties can choose to enter membership contributions into the reporting system either manually one by one or by uploading a spreadsheet of all the contributions. The ability to attach documents to the entered data also exists in **Lithuania**. Submission of the financial report is done online, but bank statements can be imported into the system as xml-files to prove certain expenses. In **Bulgaria**, the formal declaration required of every donor is attached to the entry on each donation.

Countries have also added features that require users to verify the uploaded information, in particular when enabling spreadsheets to be uploaded. In **Australia**, the user must identify which columns of data in the uploaded spreadsheet relate to the fields that are required in the database. In cases where columns do not match or are incompatible, the data must be submitted manually. This might be donation information that is introduced in a single cell in the spreadsheet but must be split in the online system. In the **UK**, offline templates are available that can be used by the party for day-to-day accounting and subsequently uploaded to the reporting system. It should be noted in this respect that uploading large datasets can cause problems that can lead to substantial additional work. Ideally, it should also be possible to recall data that has been previously submitted and even make suggestions when users are entering the data. This function is included in the systems in **Brazil** and **Colombia**, among others.

candidates, auditors and the CEC. A prominent example would be to allow users to automatically save the data entry before they close the system. In addition, at the end of the reporting, a review screen could give the user an overview of all the new information that has been submitted so it can be checked before final submission. It is also important that the user receives confirmation once the report has been submitted and an opportunity to print out the report. In a web-based reporting system, it can be a good idea to allow users to store a record of all their submitted data on their own computer, which can be used by political parties to compare income and expenditure over time.

In **Albania**, the CEC currently provides templates for reporting on the annual finances and campaign expenses of political parties and candidates. These templates could serve as a basis for the structure of the data fields for the reporting side of the online platform. While most respondents from the political parties were positive about the template for electoral expenses, the template for annual funding was considered fairly rudimentary as it merely foresees the reporting of large income and expenditure categories. Several respondents in civil society organizations also voiced concern that the current reports on campaign expenditure sometimes lacked the detail required to allow an in-depth assessment, and are not published in good time before the elections, which diminishes their usefulness. A similar concern was noted in the final report of the ODIHR Election Observation Mission that candidates: 'are not required to submit financial reports before the election day, thus limiting transparency and the ability of voters to make an informed choice based on knowledge of sources of campaign funds' (OSCE/ODIHR 2021: 3). The ODIHR consequently recommended requiring parties and candidates to disclose their campaign income and expenditure before election day (OSCE/ODIHR 2021: 18).

Box 7. Case study: best practices in Lithuania to improve the quality of the entered data

In **Lithuania**, membership fees are capped at a certain percentage of the annual declared income of a citizen. When the membership fee of a particular citizen is inserted, the system automatically indicates whether it is above the legal threshold. However, political parties are also able to report membership contributions that are too high to ensure that the reported information is in line with the genuine financial situation. This is to avoid parties refraining from reporting those amounts that breach the rules. In addition, the system alerts the user if the information entered does not match the data from the party membership registry or if there is a risk of a duplication of records (see Figure 4.1).

Figure 4.1. Example of membership contribution interface in Lithuania

ID	Year	Payment Date	Party Division	Period	Type of fee	Method of obtaining	Type of operation	Sum	STI and TM answer	CEC IS comments
404932	2020	2020-08-07	Personal data and title of political party removed	2020-01-01 - 2020-12-31	Annual fee	By transfer	Returns	360.00		Record duplication
404932	2020	2020-08-04		2020-01-01 - 2020-12-31	Annual fee	By transfer	Receipt	360.00	TM: The person does not belong to the specified party	Record duplication
404931	2020	2020-02-21		2020-01-01 - 2020-12-31	Annual fee	By transfer	Receipt	150.00	TM: The person belongs to the specified party	
404930	2020	2020-02-19		2020-01-01 - 2020-12-31	Annual fee	By transfer	Receipt	200.00	TM: The person belongs to the specified party	
404929	2020	2020-02-03		2020-01-01 - 2020-12-31	Annual fee	By transfer	Receipt	35.00	TM: The person belongs to the specified party	
404970	2020	2020-09-29		2020-01-01 - 2020-12-31	Annual fee	By transfer	Receipt	200.00	TM: The person belongs to the specified party	
404967	2020	2021-02-19		2020-01-01 - 2020-12-31	Annual fee	By transfer	Returns	300.00		Summe mismatch with registry data, Record duplication
404956	2020	2020-09-21		2020-01-01 - 2020-12-31	Annual fee	By transfer	Transfer to the state budget	12.00		Summe mismatch with registry data, Record duplication
404957	2020	2020-09-15		2020-01-01 - 2020-12-31	Annual fee	By transfer	Receipt	12.00		Summe discrepancy with register data
404956	2020	2020-08-21		2020-01-01 - 2020-12-31	Annual fee	By transfer	Returns	360.00		Record duplication

Source: Central Electoral Commission of the Republic of Lithuania.

Similarly, the treasurers of Lithuanian political parties have the ability to request information from the State Tax Inspectorate when they register a donation in the reporting system to verify whether the donor has declared income and assets, and whether the sum of all the donations by an individual exceeds 10 per cent of the donor's declared income. Such a tool is also available for candidates declaring their electoral expenses to verify that the personal financial resources they used in the electoral campaign did not exceed the legal ceiling of 20 per cent of their declared income. The reporting system also alerts political parties and candidates if something is wrong with the entered data, using different colours to differentiate between various possible problems.

In the reporting system in **Lithuania**, the media enter data about the price and conditions on their political advertising within 10 working days of running it. The reporting system issues an alert if the declared total price of advertising by a political party does not match this information.

Lithuania also provides an interesting example of a system that contains automatic checks on the data entered by parties and candidates to help them to avoid making mistakes or breaching the law. The reporting system, for example, calculates total sums, allows the import of data from previous financial years and makes various control checks before the report is submitted.

A more fine-grained itemization could resolve some issues, for instance if the reported financial data were broken down to a more detailed level, such as separate donations or campaign activities. Similarly, a (quasi) real-time disclosure of campaign income and expenditure reported on a weekly basis during the electoral campaign could give civil society organizations, journalists, election monitors and the general public greater opportunity to scrutinize the conduct of electoral campaigns. This would maximize transparency and mitigate the risks of third-party campaigning and illegal party campaign funding. The main trade-off in such a scenario would be a heavier burden on political parties, as more staff might be required to meet such requirements. In addition, such real-time reporting on campaign expenditure is currently not provided for in the legal framework and obliging parties and candidates would require legislative change. Nonetheless, it is desirable that the option of weekly reporting be made available to those parties that would like to be more transparent than legally required and could provide such quasi-real-time data.

A number of additional features could be included in the reporting side of the digital platform to facilitate data entry and the examination of financial information by auditors, election monitors and the CEC, as well as disclosure to the general public. First, parties and candidates could be allowed to upload spreadsheets as an alternative to manual data entry, in particular with regard to the reporting of data on donations. Ideally, this would be combined with a tool that requires parties to verify the uploaded information. Second, it might be useful to require parties and candidates to attach documents or other supporting information, such as bank statements, to specific income and expenditure items. This would facilitate the work of the auditors and the CEC. In this respect, attention could be paid to ensuring compatibility with the accounting software that political parties currently use. Third, a tool could be included that allows parties and candidates to see and copy information from previous reports. This could be useful, for example, for the general information that is required at the beginning of the annual financial reports and that is not likely to change. Fourth, a specific part of the reporting platform could be designed for parties to **report on public events**. The Electoral Code requires that public events that are organized in the four months before elections are reported at least five days in advance to the CEC (article 92 of the Electoral Code of Albania, as modified in 2020). Digital reporting of these events could facilitate scrutiny by the CEC.

Box 8. Recommendations for Albania for development of the reporting side of the digital system

- If an open system of identification is chosen, the username required to gain access to the reporting side of the digital platform could be linked to current government platforms, which would enable the CEC to verify who submitted the information.
- The automatic enrolment of registered candidates could facilitate submission of their financial reports after the elections. It would be also useful to attribute the same username and password for submitting the electoral lists when this function is developed.
- Where a closed system of identification is chosen, use of two-factor authentication with a separate system for the public-facing website is recommended.
- Different types of user accounts with different privileges can help to facilitate the reporting process by granting the party treasurer, accountant or a member of the party hierarchy a master administrator account, and other members of the party staff and/or individual candidates an account with more limited privileges.
- A dual system seems most suitable for submission of the financial report in Albania. This would require electronic authentication through an e-signature complemented by a tool to print out the final version, duly labelled as such with a unique barcode, which can then be signed and submitted to the CEC.
- The templates from the CEC for data entry of the annual financial reports and electoral campaign expenditure could serve as a basis for the structure of the data fields in the reporting side of the online platform. A combination should be considered of manual data entry and uploading from compatible existing accounting systems or spreadsheets. A spreadsheet is more user-friendly, especially for large amounts of data such as donations or membership contributions.
- A more detailed itemization of the data on the annual accounts and campaign expenditure is recommended, as well as preparations to allow for (quasi-)real-time reporting by parties on a weekly basis to pave the way for more frequent and timely disclosure of party revenues and expenditure.
- To facilitate the auditing and monitoring process, the reporting system should allow supporting documents to be linked to specific data fields on revenue and expenditure.
- To improve the quality of the data, submitting a report should only be possible when all the fields have been completed and are free of inconsistencies. The system should also allow for the entry of data that is not in line with the rules, and for highlighting these for the attention of the political parties, the auditor and the CEC.
- To facilitate data entry, the reporting system should allow parties and candidates to see and copy certain information from previous reports, such as the factual information about the political party.
- A specific part of the reporting platform could be designed for parties to report on the public events that must be reported on in the four months before planned elections.

4.4. DATA VERIFICATION: HOW TO FACILITATE THE MONITORING PROCESS

The most important purpose of the finance reports is to allow monitoring bodies to assess the compliance of political parties and candidates with the regulatory framework. The reporting and disclosure mechanism should consequently include features that facilitate this monitoring process. First, especially in case of a web-based system, the monitoring bodies could use the same interface as the political parties and candidates with supplemental permissions and analytical possibilities. These permissions can also differ among the various monitoring bodies involved, depending on their specific legal mandate. Particularly if multiple entities are involved in the process of examining the financial accounts, various user accounts would need to be provided as part of the overall system design, as with the different accounts for political party staff and candidates above. A second useful feature would be an overview page on the submission stages of the financial reports in order to

verify that parties and candidates have submitted their financial reports before the legal deadline.

Third, the reporting system should allow for specific entries that might require further investigation to be highlighted (see Box 9). This might be the result of labelling by the monitoring entities themselves or of a (semi-)automatic process. An auditor could, for example, flag large donations or membership contributions, or any entries that do not correspond or lack supporting documents or transaction details. Semi-automatic checks can also highlight specific entries, for example in cases of possible inconsistencies between the data submitted in one year compared to previous years, such as if the end balances do not match the starting balances of the year before. An additional feature that could be included is the automatic batching of similar names that might relate to the same organization or person. This would also allow an automatic check on whether the same person or organization submitted multiple donations or membership contributions. A review button should allow the monitoring entities to highlight any entries that signify non-compliance, for example when an amount exceeds the threshold for donations. The monitoring authorities should also be given a tool to mark certain parts of the report or even separate entries as ready for publication.

Box 9. Trends in other countries: useful tools for facilitating the work of oversight bodies

Reporting and monitoring systems from other countries can provide interesting examples of analytical tools that facilitate the monitoring process. In **Lithuania**, the Central Electoral Commission can generate overviews of the major issues for each of the different income and expenditure categories. Figure 4.2 is an example of a general overview of the data entries with regard to membership contributions. It also indicates the number of cases for each issue, such as contributors not registered as a party member or excess membership contributions. These entries can be scrutinized in more detail. The independent auditors can also use specific filters or export data in spreadsheets to facilitate their audits. Interestingly, Lithuanian political parties are able to see the findings of the independent auditors and to submit comments.

Figure 4.2. Overview of entries on membership contributions to political parties in Lithuania, 2020

Indicator (Year: 2020)	Number of records	Sum
1. Total entries:	117	48144.00
2. Adopted:	77	21480.00
3. Would not accept:	21	13332.00
4. Refunded / Budgeted:	19	13332.00
5. The amount reimbursed does not correspond to the receipt:	0	0.00
6. Do not contact TM:	0	0.00
7. Not applied to the STI:	0	0.00
8. STI: fee not acceptable:	6	9310.00
9. TM: Person does not belong to the following party:	4	820.00
10. It is obligatory to declare assets and income:	18	12660.00
11. The membership fee exceeds 20 VMDU:	0	0.00
12. Decision pending:	0	0.00
13. The membership fee in cash exceeds 0.3 VMDU	0	0.00

Source: Central Electoral Commission of the Republic of Lithuania.

Finally, the reporting system should ideally be linked to other government databases to allow automatic checks on the information entered by the parties and candidates (see Box 10). This would depend on the regulatory framework in place for political finance and could include the residence register or company register to verify personal details of individual members or donors, or the tax registry to examine possible problems with donations.

Box 10. Trends in other countries: links to other government databases for automatic verification

There are also several examples in which reporting and monitoring systems are linked to other databases. In **Estonia** and **Finland**, social security numbers are checked against civil registries to ensure that only genuine, living people make donations. In **Estonia**, any data that is contradicted by the information from the registry is automatically rejected. Similarly, donations from legal persons are linked to the business registry in **Estonia** to ensure that they exist as legitimate entities. In **Lithuania**, the reporting and disclosure system is linked to the register of members of political parties to verify that the person who made a membership contribution is registered as a member of that party (see Figure 4.3). Citizens are not allowed to make donations directly to political parties outside of electoral periods, so donations disguised as membership contributions must be prevented.

Another interesting link can be made with the tax registry. In **Estonia**, the annual revenue and expenditure declared to the state are compared with reports submitted to the oversight agency. This can, for example, detect whether donors are making donations larger than or close to the annual declared income in their tax declarations. In **Latvia** and **Lithuania**, membership fees are capped at a certain percentage of the annual declared income of a citizen. The link to the tax registry allows the monitoring bodies to check whether the membership fee is above the legal threshold (see Figure 4.3 for an example from Lithuania). However, for privacy reasons, it does not show by how much the fee is above the threshold.

Figure 4.3. Entry for membership contributions in the reporting system in Lithuania

The screenshot shows a web form for entering membership contributions. The fields are as follows:

- Political party:** A dropdown menu with a search icon.
- Payment Date:** A date input field.
- Year:** A dropdown menu showing "value not selected".
- Personal code of party member:** A dropdown menu showing "values depend on 'party'".
- Last name of party member:** A dropdown menu showing "values depend on 'party'".
- Party Member Name:** A text input field.
- Party's branch:** A dropdown menu showing "select a value".
- Period for which the membership fee has been paid:** A dropdown menu showing "value not selected".
- Date:** A date range input field.
- Fee type:** A dropdown menu showing "select a value".
- Method of receipt:** A dropdown menu showing "select a value".
- Operation Type:** A dropdown menu showing "select a value".
- Membership fee amount:** A text input field.
- Note:** A text area for additional information.
- Check tax eligibility according to STI declared income:** A checkbox.
- Check whether, according to the data of the Ministry of Justice, the person is a member of the party:** A checkbox.

At the bottom, there are navigation buttons: "to come back" and "Save".

Source: Central Electoral Commission of the Republic of Lithuania.

In **Albania**, there are multiple entities involved in the monitoring process: the independent auditors that examine the financial accounts, the CEC which scrutinizes the report and—specifically with regard to campaign finances—observers who are mobilized to monitor campaign activities. These three types of actor all need separate accounts with different levels of privileges, depending on their specific legal mandate and role. During the election campaign, the observers are the first to provide input. Campaign finances are examined by the auditor directly after the elections, and the final verification is conducted by the CEC. Consequently, whereas the activities of the observers will be largely limited to providing input on specific campaign activities, the independent auditors need to be able to highlight certain income or expenditure entries for further examination by the CEC. The system should grant most privileges to the CEC staff, including the possibility to cross-check information with government databases.

In this respect, semi-automatic checks built into the reporting and monitoring system might be desirable in order to reduce the workload of the staff at the CEC. In **Lithuania**, for example, a country comparable to Albania in terms of population, parliamentarians, political parties and candidates submitted more than 67,000 entries to the reporting system in 2020 (on bank transfers, donations, invoices, advertising and contracts), the media submitted more than 8,000 entries and monitoring groups more than 20,000 entries. Proper monitoring was only possible because of default checks.

The regulatory framework in Albania contains a number of elements that deserve specific attention when considering the technical attributes that could be included in the monitoring system. Since political parties and candidates can only receive contributions from Albanian citizens and legal persons registered in Albania, the register of membership contributions and donations should include personal or organization identification numbers. This would allow an automatic check against the Albanian residence and company register. Inclusion of the identification number for every registered donation, sponsorship or loan would also enable the CEC to verify that no company that received more than ALL 10 million in public funds, contracts or concessions in the past three years—the legal threshold—had made such a donation. This could be checked by connecting the data from the reporting and monitoring system to the public procurement register. In addition, by using the unique identification number, a tool can be built into the system to automatically add multiple contributions from the same person or organization to obtain an instant overview of the total donated amount. Similarly, since total campaign expenditure in Albania is capped, the system could automatically add up all the entries registered as campaign expenses, and this could be automatically checked against the expenditure ceiling in place.

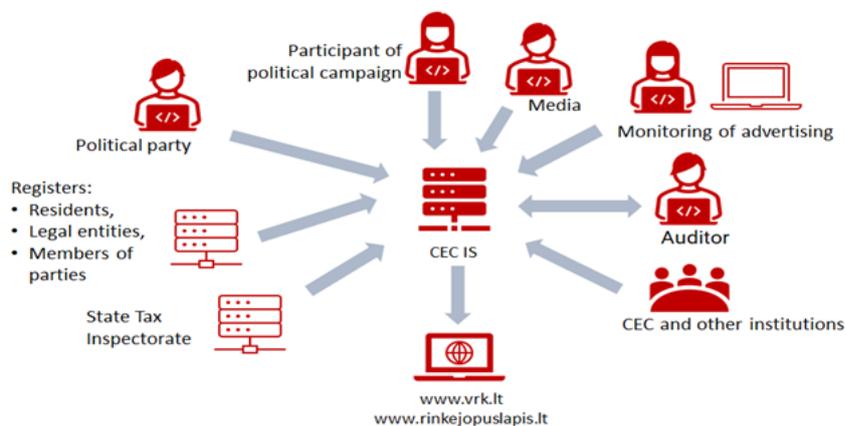
Finally, especially during electoral campaigns, several more actors must or should be given the opportunity to input information into the reporting system (see Box 11). In order to avoid public resources being used to support political parties or candidates during elections, central and local public authorities must report to the CEC any public activities they plan to conduct in the four months

before election day. This would require a separate tool in the reporting system, by which the information could subsequently be cross-checked with the date and location of the reported campaigning activities of political parties and candidates.

Box 11. Trends in other countries: input from third parties to improve monitoring

In several countries, third parties such as media companies, civil society organizations, citizens, activists and campaign observers are able to provide their own input into the reporting and monitoring system on the campaign finances of political parties and candidates. **Lithuania** again provides an interesting example. The system allows multiple stakeholders, from media companies to election observers, auditors and so on, to directly enter information into the reporting and disclosure system (see Figure 4.4). The decision to allow a body to enter information directly into the system was made to reduce the workload for the Central Electoral Commission. The Lithuanian monitoring body cross-checks the information provided by (social) media companies and hired campaign observers with the data submitted by the political parties and candidates to look for undeclared campaign expenditure. The system also allows the grouping of information from different sources (participants, media and monitoring groups) to assess the risk of hidden campaign expenses. For example, for the 2020 elections, 43,000 entries were summarized into 4,800 rows and 4 columns to allow for easier examination of the data.

Figure 4.4. Visual representation of the actors involved in the Lithuanian reporting and disclosure system



Source: Central Electoral Commission of the Republic of Lithuania.

Box 12. Recommendations for Albania for data verification

- The three main entities involved in the monitoring process—the independent auditors that examine the financial accounts; the CEC, which subsequently scrutinizes the report; and the observers specifically hired to monitor campaign finances and activities—all need separate accounts with different privileges, depending on their specific legal mandate and role. The system should grant most privileges to the CEC staff, including the ability to cross-check information with government databases.
- To reduce the workload of the staff at the CEC, some semi-automatic checks should be built into the reporting and monitoring system.
- The auditor and the CEC should have the ability to label data entries to highlight submissions made after the deadline, and incompatibilities with supporting documentation where there is a clear risk of non-compliance with the rules or where further inspection is required. In addition, by using a unique identification number, a tool can be built into the system to automatically add multiple contributions from the same person or organization to instantly obtain an overview of the total amounts donated. Similarly, since total campaign expenditure is capped in Albania, the system should automatically add together all the entries registered as campaign expenses, and this should be automatically checked against the expenditure ceiling in place.
- Linking the reported information with existing databases substantially increases the quality of investigations. These databases would include the civil and business registry to check the identity of the donor or party member, the tax registry to highlight possible suspicious donations or membership contributions, and the public procurement registry to ensure that no company that benefited from government contracts has made a donation.
- A separate tool in the reporting system should be planned to cross-check the information from central and local public authorities on the public activities that they plan to conduct in the four-month period before election day with the date and location of the campaign activities reported by the political parties and candidates.

4.5. DISCLOSURE OF POLITICAL FINANCE: MORE TRANSPARENCY FOR BETTER ACCOUNTABILITY

The disclosure website is the component of the system on which the financial data of the political parties and candidates is published for the general public. This strengthens transparency and the accountability of political actors, since it allows civil society access to examine and verify the use of money in politics. This is an important instrument for ensuring a more level playing field among the various parties and candidates, combating corruption and conflicts of interests, and limiting unequal and undue influence over politicians. This, in turn, helps to foster public trust in politics. In addition, it allows political parties, candidates, donors and/or beneficiaries to verify whether transactions have been reported and published accurately. Finally, the ability to examine aggregate revenue and spending categories over time and between parties allows the media, civil society organizations and the general public to identify differences and developments in the financial base of political parties or candidates, and in their campaign spending priorities and strategies.

The regulatory framework in **Albania** makes several provisions to help to ensure fair political competition and to limit undue influence in politics, such as campaign spending limits and extensive regulation of donations to political parties and candidates. The effectiveness of these legal provisions, however, depends to a large extent on the compliance of political parties and candidates, and on enforcement by the monitoring bodies. A well-functioning disclosure website can substantially help to combat non-compliance as it

empowers civil society to scrutinize political finance. Several stakeholders in civil society organizations stated that the current disclosure system does not allow effective scrutiny of the financial accounts of political parties, particularly their electoral finances. The main concerns expressed were late disclosure of electoral accounts (only after the elections), the lack of detail in some of the financial reports and the limited ability to digitally search for specific information in the reports.

In order to maximize the effectiveness of the disclosure system, International IDEA has developed a set of eight guiding principles on the public disclosure of political finance data (see Table 4.2). These principles correspond with the principles on open data as defined in the Open Election Data Initiative (see Wolf 2021).

Table 4.2. Eight guiding principles on the public disclosure of financial data

Overarching principle	<ul style="list-style-type: none"> • User-friendliness and accessibility
Quality of information provided	<ul style="list-style-type: none"> • Granularity (= depth) • Comprehensiveness (= width) • Verifiability • Timeliness
Quality of analytical possibilities	<ul style="list-style-type: none"> • Searchability • Comparability • Availability in bulk

Source: Jones, S., *Digital Solutions for Political Finance Reporting and Disclosure: A Practical Guide* (Stockholm: International IDEA, 2017), <<https://www.idea.int/publications/catalogue/digital-solutions-for-political-finance-reporting-and-disclosure>>, accessed 28 October 2022.

User-friendliness and accessibility

The two overarching principles of a good disclosure website are user-friendliness and accessibility. First and foremost, this means that all information needs to be made available free of charge, that it is permanently accessible at a stable Internet location for an indefinite period, and that there should be no barriers to reuse or distribution of the information that is made available (under an open licence). In addition, the financial data should be made accessible in a non-discriminatory way, meaning that the data should be available to any individual or organization for anonymous access without a requirement to make an application or register as a user. The effectiveness of the entire system substantially increases when users are able to access the information in an easy and logical way. It is therefore important to take account of the interests and practices of the end-users, notably civil society organizations, research journalists and citizens, when designing the disclosure website: what information do they require and how will it be used?

In order to maximize transparency, users must be able to quickly find the information they are looking for and to easily navigate the data. Another important point is that the website, downloadable data and/or datasets should be compatible with different operating systems and software packages (the non-proprietary principle). One way to improve accessibility is to develop a mobile version of the website, which automatically fits the size of the screen without losing any functionality. Accessibility for users with disabilities should also be considered through use of contrasting colours or the availability of a larger font. Another useful feature is a rich site summary (RSS) on the website to which users can sign up to receive notifications of new information or updated data. Accessibility is related not only to the technical aspects of the website, but also to the language and formulations used. It is therefore recommended that jargon or complex legal formulations should be avoided, or that an explanation of technical terms should be provided.

These considerations could also be the leading principles in the development of the disclosure platform in **Albania**. The most rudimentary subdivision seems to be between the annual financial accounts of the political parties, on the one hand, and electoral finances, on the other, with a further categorization of the latter according to election and between political parties and candidates. A specific part of the platform dedicated to membership contributions, donations and loans should also be considered. In order to foster public debate about political finance, the disclosure portal could enable users to download their findings and share them on social media platforms, or even allow them to generate specific graphs with the data (see the example from **Sweden** in Box 13). Furthermore, in order to allow access by international organizations and researchers, the data on the website should also be made available in English and other languages in addition to Albanian.

The website on party finance in **Norway** has a simple design. Three main sections give access to annual donations, election campaign contributions and the accounts of the political parties respectively (see Figure 4.5). **Lithuania** has 11 separate searchable databases that allow users to scrutinize each specific aspect of the finances of political parties and candidates.

To enhance user-friendliness, most countries provide a mobile version of their party finance website, as well as their searchable database where applicable. The **US** Federal Election Commission allows users to customize their RSS feeds (see Figure 4.6). Several countries also make their disclosure platform available in multiple languages, sometimes to comply with legal obligations. In **Norway**, the party finance website is available in the two written standards of Norwegian and in English. The disclosure portal in **Bosnia and Herzegovina** can be accessed in Bosnian, Croatian, Serbian and English.

Some countries have included specific tools on their website to enable users to easily search, analyse and circulate financial data. When users search for specific information in the searchable database in **Sweden**, for example, the search results page allows them to generate a PDF file of their findings, and there is a tool for direct sharing of their results on a number of social media

Figure 4.5. The main portal of the website of party finance in Norway

Funding of political parties in Norway

Political parties in Norway are funded in several ways. In addition to receiving public grants, a party may have income from gifts and donations, own business and internal transfers. Pursuant to the Political Parties Act, all parties and party units are obliged to disclose information regarding party accounts and donors. This website shows the information the parties have disclosed.



Annual donations

Here you can find all donations over the course of a calendar year. The overview will be updated each year in September.



Election campaign contributions

Here you can find donations that have been made in the election year between 1 January and the last Friday before the election day. The overview is updated regularly.

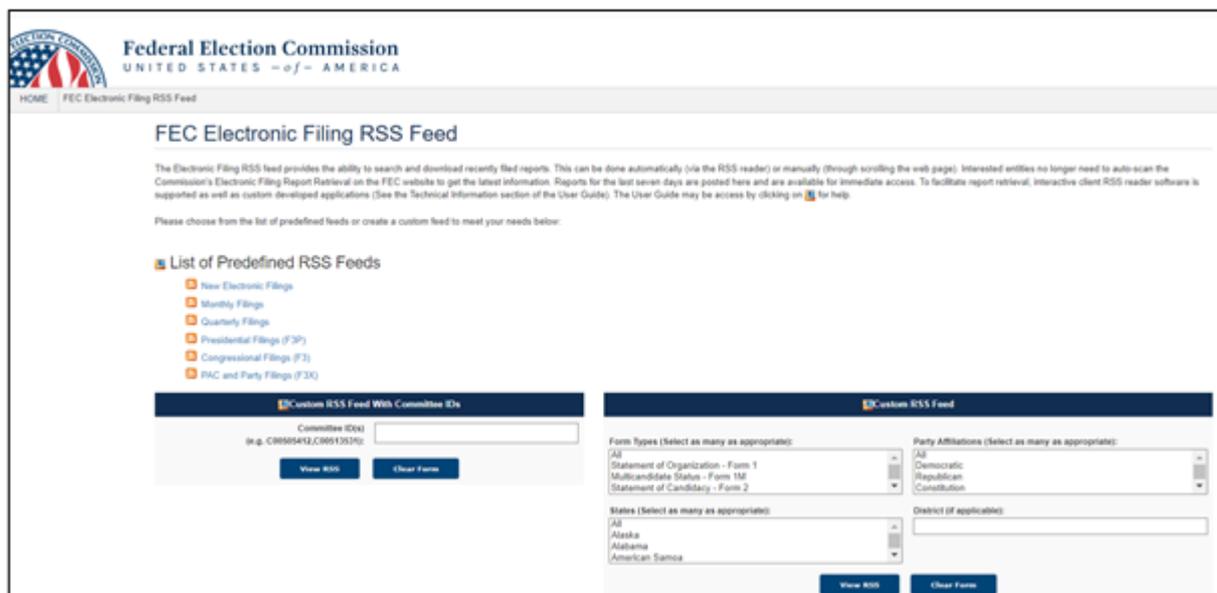


Accounting

Here you can access accounting information for parties whose income is NOK 12 000 or more.

Source: Ministry of Local Government and Modernisation, Funding of political parties in Norway website, [n.d.], <<https://www.partifinansiering.no/en>>, accessed 28 October 2022.

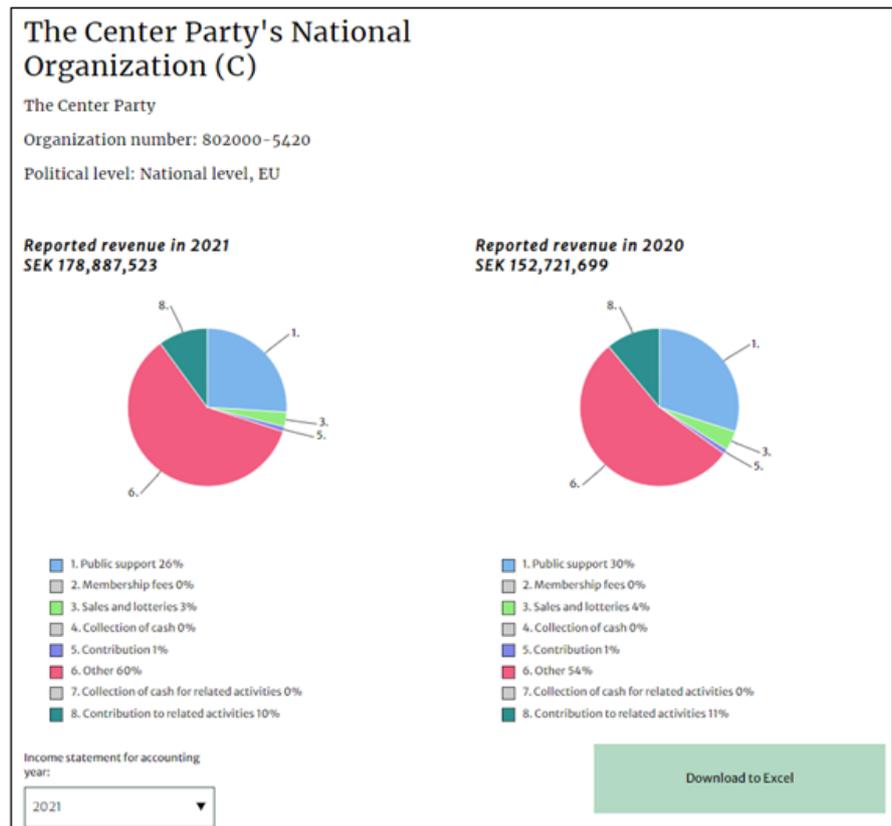
Figure 4.6. Customization of RSS on the website of the US Federal Election Commission



Source: US Federal Election Commission, FEC Electronic filing RSS Feed, [n.d.], <<https://efilingapps.fec.gov/rss/display?input>>, accessed 28 October 2022.

websites. The database also automatically generates graphs that set out the sources of revenue for each party (Figure 4.7).

Figure 4.7. Sources of revenue in Sweden



Source: Kammarkollegiet, [n.d.], <<https://www.kammarkollegiet.se/vara-tjanster/insyn-i-partiers-finansiering/hitta-statistik-pa-redovisade-intakter/intaktsredovisningar-politiska-aktorer-2018-och-framat>>, accessed 28 October 2022.

Granularity

The effectiveness of the disclosure of political finance depends to a large extent on the level of detail or granularity of the information provided. Ideally, the main objective should be as far as possible to allow the identification of all separate financial transactions. The disclosure of summarized or aggregate data hampers effective public scrutiny and monitoring. If only the total number and amount of donations to a political party are disclosed, for example, it is not possible to identify any large donors that could pose a potential risk of undue influence. Similarly, if only the total campaign expenditure of political parties and candidates is made available, it will not be possible to verify whether all campaign activities have been accurately reported. Offering data in both aggregate and itemized form resolves this issue (see Box 13). However, it is important that the disclosure of detailed data complies with existing legislation on the protection of privacy and personal data. In reality, the decision on

Box 13. Best practice on granularity of political parties' and candidates' financial data

There are several examples from other countries of how high levels of granularity can be achieved in a user-friendly way by developing online databases or searchable spreadsheets. For example, the spreadsheets made available in **Ukraine** on each political party are characterized by a high level of detail. Each file contains detailed information on almost every transaction that a political party has made, including the payment of salaries to party staff and payments for specific services provided by companies.

Estonia can be considered best practice, since all donations, even very small ones, are included in a database in which individual donors can be easily identified, although the protection of privacy and general data protection should also be taken into consideration. In **Norway**, the online donation database allows users to filter accounts, donations or any other monetary contribution according to the central party organization, to each of the county party branches, to each of the municipal party branches, to the central youth organization, to each of the county youth branches or to all party units combined. This provides a detailed overview of monetary flows to different party levels. The searchable database in **Lithuania** also provides a high level of detail on all aspects of the finances of political parties and candidates. For contracts agreed within the framework of electoral campaigns, this includes information on the type of contract, the contractor (including legal entity code), and the date, code and subject of the contract. The data on political advertising includes the medium on which the advertisement was published and its circulation (scope), the publication data and number, and its price, theme and duration. The political campaign finance overviews provide information on the date of a specific donation or expense, whether it concerns a legal or natural person and its identification number, and the full name, type and category of income, and the sum.

whether to disclose detailed personal information on donors, contractors, and so on, is a balancing act in which the protection of privacy must be weighed against transparency and the public interest.

In this respect, it should be noted that several stakeholders in **Albania** highlighted how the current level of detail in the financial information disclosed by parties and candidates is sometimes insufficient to allow for proper public scrutiny. This is mostly in relation to the annual accounts, but also to campaign expenditure where it would be useful to have a more fine-grained overview of parties' and candidates' various campaign activities in order to identify possible third-party campaigning and/or misuse of public resources. Consequently, the main objective of the disclosure platform should be to make financial information available at the highest possible level of detail. This would mean adjusting the structure and layout of some existing CEC templates.

Comprehensiveness

The usefulness of the financial information disclosed also depends to a large extent on the comprehensiveness of the data, or whether all the relevant information is made available. The added value of financial reports that are only partial is limited. If third-party campaigning is a crucial element of electoral campaigns but no information on their finances is provided, for instance, assessing how level the playing field is becomes more difficult. While the legal framework often includes provisions on the *minimum* information that should be disclosed, this does not prevent oversight bodies from offering more data if it is available.

If these general principles were applied to **Albania**, this would mean that information on all aspects of the finances of political parties and candidates should be made available to the extent possible: annual revenue and expenditure in non-election years and during electoral campaigns, including an overview of membership contributions, donations and loans; reports from the election observers, auditors and the CEC; the list of planned activities by public authorities; and information on social media advertisements. Most of this information is currently already made available on the website of the CEC, albeit mainly as scanned documents. The development of mandatory open online bank accounts for use by political parties and candidates for all campaign finances should also be considered. This would provide a comprehensive overview of all financial transactions (see the example from **Czechia** in Box 14). This could, for example, be used for the bank account that all parties are obliged to use for receiving donations during the electoral campaign.

Verifiability

In order to make reliable assessments of the political situation for political parties and candidates, the information provided in the databases must be verifiable. An effective way to achieve this is by linking the original reporting documents to data items in the database (see Box 15). This should ideally be done in a machine-readable format, although the attached documents and receipts could be scanned as an exception if this is the only way to make them available—as long as the information is readable. The most important objective is to allow users to check the data that has been entered into the reporting system and to ensure that no manual or technical mistakes have led to specific reporting errors. This can also be an important tool for the monitoring body that allows citizens and civil society organizations to make their own verifications and assessments. It is important, however, that if such information is provided, measures are taken to redact any personal information that must not be disclosed, such as signatures, bank details or personal contact details.

In the context of **Albania**, there should be far-reaching operationalization of the principle of verifiability. Most political parties already use digital accounting, which should make it possible to attach supporting files and invoices from accounting software or bank transactions. In addition, during electoral campaigns, every donor must submit a declaration which could be linked to the information disclosed on donations. However, it will be more challenging to put this principle into practice for the finances of local party branches and for individual candidates, which are generally less professional about financial management.

Box 14. Best practice on comprehensiveness: mandatory open online bank accounts

Experience from other countries provides a mixed picture. In several cases, only one aspect of party finances is disclosed and/or only older financial information can be accessed from the disclosure portal. For example, while the **Norwegian** website provides extensive information on the income side of the parties' finances, with detailed information on the donations, loans, public funding, goods and services provided and campaign contributions, the information on electoral expenses is limited to the difference between marketing campaign costs and other campaign costs. Conversely, with 11 different searchable databases on different financial aspects of electoral campaigns, **Lithuania** provides comprehensive information on the campaign expenses of political parties and candidates. Similarly, in **Ukraine**, users can download a spreadsheet on each political party pertaining to all aspects of party finances, from assets and liabilities to income and expenditure, donations, salaries, details of official local party branches and a list of the supporting documents attached to the financial report.

In **Czechia**, political parties are obliged to set up a specific bank account that is used for all electoral purposes, and which is disclosed to the general public. All transactions from this bank account are displayed, including the date and amount paid in or out, the type of transfer, the details of the counterpart and a description of the purpose of the transfer (Figure 4.8). Users can filter the transactions to cover a specific period.

Figure 4.8. Open bank accounts for political parties in Czechia

Fio banka							English	
Transactions on transparent account								
Account holder: Svoboda a přímá demokracie (SPD)								
Account Name: volební účet SPD - volby do PS ČR 2021								
Account currency: CZK								
Balance on: 01/01/2021	Balance on: 12/31/2021	Total incomes	Total expenses	Total amount	Current balance			
0.00 CZK	860.89 CZK	75,736,872.37 CZK	-75,735,711.78 CZK	860.89 CZK	860.89 CZK	01/01/2021 - 12/31/2021		
Date	Amount	Type	Corresponding account name	Message for beneficiary	KS	VŠ	SS	Note
12/22/2021	-477.62 CZK	Transfer within the bank		Michal Knap, helium do balonků	0306	2021201	1500	Michal Knap, helium do balonků
12/20/2021	-45,254.00 CZK	Cashless payment		Agentura A-PROPOS, postprodukce	0306	210100364	100	Agentura A-PROPOS, postprodukce
12/20/2021	-30,250.00 CZK	Cashless payment		OHŘE MEDIA spol. s r.o., inzerce	0306	107512021	1200	OHŘE MEDIA spol. s r.o., inzerce
12/20/2021	25,000.00 CZK	Transfer within the bank	Svoboda a přímá demokracie (SPD)	Převod prostředků z transparentního účtu na volební účet SPD - volby do PS 2021				Převod prostředků z transparentního účtu na volební účet SPD - volby do PS 2021
12/15/2021	-1,634.00 CZK	Instant outgoing payment		TS Dvora Kr. n. Labem, výlep plakátů	0306	20210545	500	TS Dvora Kr. n. Labem, výlep plakátů
12/13/2021	-33,861.00 CZK	Cashless payment		Přemysl Horák, bannery	0306	20210084	800	Přemysl Horák, bannery
12/13/2021	-4,147.10 CZK	Cashless payment		Jaroslav Holík, pohonné hmoty	0306	157544	1400	Jaroslav Holík, pohonné hmoty

Source: Fio banka, Transactions on transparent account, [n.d.], <<https://ib.fio.cz/ib/transparent?a=-49&lng=ENGLISH&f=01.01.2021&t=31.12.2021>>, accessed 28 October 2022.

Box 15. Best practice on verifiability: donor statements in Bulgaria

An extensive verifiability mechanism has not been applied in many countries, but **Bulgaria** provides an interesting example. Each political party must submit a list of the donations it receives in the run-up to elections. In the online register, users get an overview of the name of the donor, and the date and amount of the donation. It is also possible to consult the formal declaration attached to each donation entry in the register (Figure 4.9).

Figure 4.9. Register with overview of donations made during the campaign period in Bulgaria

Participant: Party "ABV (ALTERNATIVE FOR BULGARIAN REVIVAL)"

Donors For free Legal entities/ET Agencies Applicants/Members Cancelled data Financial statements

The names of the donors, the type, purpose, amount or value of the donations made.

Search by: Name

Donor	From date	Kind	Target	Size	Value	Decl.
ALBENA ASSENOVA VALCHEVA	03/02/2021	Monetary	Parliamentary elections 2021		BGN 975.00	
ALEXANDER AGENOV KNEZHAREV	17.03.2021	Monetary	Parliamentary elections 2021		BGN 700.00	
ALEXANDER LYUBOMIROV PETROV	03/01/2021	Monetary	Parliamentary elections 2021		BGN 1,000.00	
ANDREY PETROV ISAEV	26.02.2021	Monetary	Parliamentary elections 2021		BGN 650.00	
ANETA YORDANOVA SHTEREVA	04/01/2021	Monetary	Parliamentary elections 2021		BGN 1,000.00	
ANKA PETROVA ZANOVA	04/01/2021	Monetary	Parliamentary elections 2021		BGN 1,000.00	
ANTON STOVANOV ANTONOV	26.02.2021	Monetary	Parliamentary elections 2021		BGN 600.00	
BLAGOVEST SVETOSLAV STAMENOV	18.03.2021	Monetary	Parliamentary elections 2021		BGN 1,000.00	
BOYKA JORDANOVA HAT	26.02.2021	Monetary	Parliamentary elections 2021		BGN 600.00	
VALENTIN DIMITROV LAZAROV	26.02.2021	Monetary	Parliamentary elections 2021		BGN 600.00	

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Приложение № 1

ДЕКЛАРАЦИЯ
(члчл. 149, ал. 1 от НК във вр. чл. 245 от НК)

Подписаните(ата) Илиана Илианова Беневс
(собствено, общо, фамилно име)

██

ДЕКЛАРИРАМ, ЧЕ:
направеното от мен дарение на:
ИТН АБВ
(партия, регистрирана за участие в изборите за народни представители на 04 април 2021 г.)

в размер на 975 лв. е със следния произход:
лични спестявания

Известна ми е наказателната отговорност по чл. 313 от Наказателния кодекс за деклариране на неверни обстоятелства.

Дата 03.03.2021

Декларатор: ██████████

Декларацията се подава пред изборния комитет, партийния или кандидатния, регистриран за участие в изборите за народни представители на 04 април 2021 г., и може на изцяло или частично да бъде дублирана.
Декларацията се подава от всяко физическо лице – български гражданин, обикновен размер на даренията на лично извършен единичен работен ден.

Source: Сметна палата на Република България [Audit Chamber of the Republic of Bulgaria, Uniform register under the election code, [n.d.], <<https://erik.bulnao.government.bg/RegDonors/LogOnSite.aspx>>, accessed 28 October 2022.

Timeliness

Only if financial information is made available in a timely fashion can transparency lead to greater political accountability. Timeliness is of particular importance during electoral campaigns, to help voters take the financial information provided by parties and candidates into consideration when they cast their vote. The timing of disclosure typically depends on the legal framework, which often makes provisions in this regard. While legal requirements usually impose deadlines for disclosure, they rarely exclude the possibility of publishing the information sooner than legally required.

It is important to note that in a well-designed reporting and disclosure system, it is technically possible to make data available almost instantly on receipt. While it is important to ensure that any published data is correct, it should be considered in the interests of transparency and accountability that the data is published as soon as possible, and that the necessary corrections and amendments will be made later if the verification process would otherwise significantly delay publication. It is also good practice to clearly highlight that the published information contains unverified data, and that verified data will be substituted as soon as possible (see Box 16).

In **Albania**, several stakeholders have indicated that campaign finance information is currently not disclosed in time. Political parties need to submit their report on campaign expenditure to the CEC within 60 days of the official announcement of the election results. The CEC must publish the information

Box 16. Best practices on timeliness: voluntary and/or quasi-instant disclosure of party finances

Some countries have opted for quasi-instant disclosure of party finances. This is the case in the **USA**, for example, where the Federal Election Commission (FEC) publishes the data it receives within hours. However, it is the responsibility of the submitting organization to review the accuracy of the data and any errors are not corrected. The original document remains the official document. Consequently, the FEC favours timeliness over accuracy. The ability to make visible and trackable corrections would constitute an important improvement in this system.

In **Finland**, candidates can voluntarily submit a provisional financial statement of electoral campaign finances up to 31 days before the elections (the moment when the candidate lists are compiled) until the day before election day. These statements are published on the website of the National Audit Office but the Audit Office makes clear that they have not been scrutinized: 'The Audit Office does not monitor pre-notifications. The advance notices of those who have not been elected and who have been elected to the reserve will be kept public on the website of the Electoral and Party Financial Supervision Authority for 30 days after the election results have been confirmed. They will then automatically leave the website' (National Audit Office 2021). This constitutes another good example of the difficult trade-off between timeliness and reliability.

In **Bulgaria**, political parties and coalitions must provide the details of the donations they receive and the polling, advertising and PR agencies they are using for their campaigns to the register at the Bulgarian National Audit Office (BNAO) before election day. Any new information needs to be submitted to the Office within seven days. This keeps citizens informed about parties' finances during electoral campaigns. By 30 days after the elections, all parties and electoral coalitions must submit complete financial statements on the electoral campaign, which are also published in the register of the BNAO.

on its website no more than 30 days after it has received the financial accounts. This disclosure limits the ability of civil society organizations and journalists to monitor electoral campaigns for possible breaches of the rules. In addition, possible non-compliance has no electoral consequences. The CEC could consider changing the deadlines and obliging partial or periodic disclosure of campaign finances, or at least redesign the disclosure platform to allow the possibility of quasi-instant publishing of the information. For the time being, parties and candidates could also be given the option of voluntarily disclosing their campaign finances before election day. In this respect, there could be an option to disclose unverified data instantly and add the verified financial accounts at a later stage. If any data is substantially altered as a consequence of the audit and verification process, this can be labelled as such on the disclosure platform.

Searchability

Searchability is an analytical feature that deserves attention. The disclosure of political finance information is only truly useful to the public if people can quickly find the information they are looking for. The website should thus allow searches for specific data. Consequently, the website would best be designed as a searchable database with multiple possible search criteria and filters. This is particularly important for large datasets such as donations (see Box 17).

The current templates used in **Albania** allow for the development of fine-grained databases on which multiple filters can be used, although the template for the annual accounts could be developed further (see above). In line with practices in countries such as **Lithuania**, the CEC could develop several searchable databases on its website for the various aspects of party and campaign finance: the annual financial accounts; the financial campaign reports by parties and candidates (possibly with a separate database on campaign activities); a joint database for all donations, member contributions and loans; the reported activities of public authorities during the election campaign; and media advertising by political parties and candidates.

Comparability

A second analytical feature that would enhance the overall usefulness of the disclosure website is the ability to compare data across various categories. This is a good way to provide users with the necessary context and allow them to look for trends and patterns. A comparable overview of the financial information provides the necessary background to enable users to compare parties and candidates with each other and to assess, for example, the extent to which there is a level political playing field. Among the variables that could be compared are: (a) the levels of income and various sources of income across parties and/or candidates and across time; (b) spending levels and categories across parties and/or candidates and across time; (c) a ranking of parties and candidates based on the number and amount of donations received; and (d) the largest donors across parties and candidates and over time. A database interface that allows users to order the data and apply search filters, ideally in combination with user-friendly visualization, could achieve most of these comparisons (see Box 18).

Box 17. Best practice on searchability: different databases for all aspects of political finance

Several countries spread the disclosure of party finance over several databases. **Finland** has separate databases for a large number of donor and expenditure categories. In the **UK**, the Electoral Commission has three separate searchable databases on its website: one for donations and loans, one for campaign spending and one for the annual financial accounts. These databases allow the use of sophisticated search criteria and filters (Figure 4.10).

Figure 4.10. Searchable databases of the UK Electoral Commission

Source: UK Electoral Commission, Registers search page, [n.d.], <<http://search.electoralcommission.org.uk>>, accessed 28 October 2022.

Box 17. Best practice on searchability: different databases for all aspects of political finance (cont.)

Sweden has a database that can be searched for the sources of revenue of all the branches of all the political parties at the national, regional and local levels, and a database to search for donations from legal entities (the donor identity of natural persons does not have to be disclosed). Similarly, the **Norwegian** party finance website has searchable databases for donations, campaign contributions and annual accounts, and users can search by accounting year, donor and party (youth) branch at the county and municipal levels (Figure 4.11).

Figure 4.11. Searchable database on donations to Norwegian political parties

Source: Ministry of Local Government and Modernisation, Funding of political parties in Norway website, [n.d.], <<https://www.partifinansiering.no/en/election-campaign-contributions>>, accessed 28 October 2022.

Lithuania provides 11 searchable databases, which allows users to search for all aspects of the finances of political parties and candidates from campaign contracts to audit reports, data from election monitors, rates for political advertising, campaign expenditure, membership contributions and funding sources for campaign expenditure, among other things.

Ideally, comparability would not be limited to one electoral cycle or financial year, but also include historical data for comparison over time. This would provide the necessary political context for a proper assessment of the data. Important changes to the legislative framework, which might have affected trends and data, could be included in a footnote to the database. For advanced analytical possibilities, the database could provide information on patterns of income and spending behaviour according to gender, age and ethnicity. There is currently no disclosure website in Europe that provides such analytical data.

The ability to compare the finances of political parties and candidates would also be useful in **Albania**, in order to compare the differences in levels and sources of revenue, in particular with regard to donations, membership contributions and loans, and the levels and categories of campaign spending over time and across parties. The main headings of the financial templates of the political parties could be used as filter criteria. Such comparative tools could be developed first for the national level party organizations, before expanding them to the candidates, local branches and affiliated organizations, as is the case, for example, in **Sweden**.

Box 18. Best practices on comparability: interactive comparative tools

Several countries have developed interesting comparative tools for their disclosure websites. In **Finland**, for example, users can sort donations according to donor, recipient and donation amount. This allows verification of which parties and candidates have received a donation from a particular donor. In **Norway**, the donation database shows the evolution of the total number of donations over time, the 10 highest donors in the most recent available year and the annual number of donations for each political party (Figure 4.12).

Figure 4.12. Evolution of donations in Norway over time



Source: Ministry of Local Government and Modernisation, Funding of political parties in Norway website, [n.d.], <<https://www.partifinansiering.no/en/annual-donations>>, accessed 28 October 2022.

Box 18. Best practices on comparability: interactive comparative tools (cont.)

Sweden has a tool that allows users to compare the data on the various sources of income (public subsidies, membership fees, sales, donations, etc.) between the different branches of the political parties and between candidates (Figure 4.13). The tool allows users to generate graphics to show change over time and/or between parties or candidates. They can then share the graphics they generate by email or on social media.

Figure 4.13. Comparative tool for party revenue in Sweden



Source: Kammarkollegiet, Jämför redovisningar [Compare party revenue], [n.d.], <<https://www.kammarkollegiet.se/vara-tjanster/insyn-i-partiers-finansiering/hitta-statistik-pa-redovisade-intakter/intaktsredovisningar-politiska-aktorer-2018-och-framat/jamfor-redovisningar>>, accessed 28 October 2022.

Availability to export in bulk

Especially in the case of large amounts of data, it is important that users are able to export a complete dataset without any omissions from the disclosure website (see Box 19). In this regard, it is important that datafiles are made available in a machine-readable format and in non-proprietary formats that are compatible with multiple operating systems and software packages. This will enable users to conduct their own proper analyses of the data offline. Ideally, the application programming interface (API) will be made available, which means that new data can be downloaded automatically and instantly.

Availability in bulk would be particularly useful for the most sensitive aspects of political finance in **Albania**, such as expenditure on electoral campaign activities, as well as revenue from donations, membership contributions and loans. Users should be given the opportunity to download the datasets in different machine-readable file formats.

The CEC might not have the capacity to monitor every detail of the financial accounts of political parties and candidates. It is therefore important that the disclosure website provides the necessary information to citizens and civil society organizations to allow them not only to verify the financial data, but also to report possible non-compliance in an easy and user-friendly way. A specific reporting button next to each entry field or income and expense category would allow detailed reporting of anomalies to the CEC. Such a reporting tool should provide space for a detailed description and even the option to attach details of the specific non-compliance.

Box 19. Best practice on availability in bulk: large downloadable datasets

A substantial number of countries currently offer the ability to download large datasets. In **Norway**, annual accounts containing the various income and expenditure categories, and campaign contributions to all political parties can both be downloaded as single spreadsheets, which provides users with a ready-made data file for conducting additional analyses. Similarly, in **Sweden**, users can download all the information on the income of political parties since 2018 in one spreadsheet, comprising the total sums of public subsidies, membership contributions, donations, sales, and so on, for the various national, regional and municipal branches of political parties. In **Czechia**, the financial accounts of political parties can be downloaded in several machine-readable formats (CSV, HTML, XLS and JSON format, see Figure 4.14).

Figure 4.14. Download options for the annual accounts of political parties in Czechia

Czech Pirate Party (Pirates), ID number 71339698				
Full message	HTML PDF			
Overview of total income	CSV	HTML	XLS	JSON
Total expenses	CSV	HTML	XLS	JSON
Number of employees according to the work performed	CSV	HTML	XLS	JSON
Political Institute	CSV	HTML	XLS	JSON
Share in commercial companies or cooperatives	CSV	HTML	XLS	JSON
Monetary donations from a natural person	CSV	HTML	XLS	JSON
Free services of a natural person	CSV	HTML	XLS	JSON
Monetary donations of a legal entity	CSV	HTML	XLS	JSON
Free services of a legal entity	CSV	HTML	XLS	JSON
Overview of loans, borrowings and other debts	CSV	HTML	XLS	JSON
Overview of the value of property acquired by inheritance or legacy	CSV	HTML	XLS	JSON
Overview of political party/movement members	CSV	HTML	XLS	JSON
Additional information	none			
Auditor's report on the verification of financial statements	PDF			

Source: Úřad pro dohled nad hospodařením politických stran a politických hnutí (ÚDHPSH) [Authority for the Supervision of the Management of Political Parties and Political Movements], Czechia, [n.d.], <<https://zpravy.udhpsch.cz/zpravy/ps2021>>, accessed 28 October 2022.

In **Ukraine**, users can download a spreadsheet for each political party containing all aspects of the party's finances (assets and liabilities, income and expenditure, donations, salaries, details of the official local party branches and a list of supporting documents added to the financial report). **Lithuania** allows users first to save the information and then to download the selection in different file-formats (Figure 4.15).

Box 19. Best practice on availability in bulk: large downloadable datasets (cont.)**Figure 4.15. Downloading in different formats in Lithuania**

11. Political party information on disseminated political advertising and its funding sources (from 2020)

Political party

Year

Public information producer/disseminator (VIRS)

The name of the producer/disseminator of public information (VIRS):

Political advertisement date from

Date of political advertisement to

Type of advertisement

Additional parameters*

Source: Central Electoral Commission of the Republic of Lithuania, Voter page, [n.d.], <<https://www.rinkejopuslapis.lt/ataskaitu-formavimas>>, accessed 28 October 2022.

Finally, both the Federal Election Commission in the **USA** and the Electoral Commission in the **UK** make the application programming interface (API) available to users.

Box 20. Recommendations for Albania for promoting transparency through disclosure of political finance

- To maximize the accessibility of the financial information on political parties and candidates, the disclosure platform should be permanently accessible at a stable Internet location for an indefinite period. The data should be made available free of charge under an open licence, and without requiring users to register on the website or make specific applications for access.
- The disclosure website should be structured logically according to users' needs and should be easy to navigate.
- The website and downloadable data should be compatible with different operating systems and software packages.
- The accessibility of the disclosure website could be further improved by developing a mobile version, the availability of rich site summary (RSS) feeds, and the use of understandable language (with a specific glossary of technical terms) and multiple languages, including English.
- In order to foster public debate about political finance, the disclosure portal should enable users to download their findings and share them on social media platforms, and allow them to generate specific graphs with the data.
- Financial data on the various aspects of the finances of political parties and candidates should be offered in aggregate as well as itemized form. The objective should be to disclose information at the finest level of detail or granularity possible to allow the identification of all separate financial transactions (within the legal limits and weighed against the protection of privacy). This would mean adjusting the structure and layout of some existing CEC templates.
- Disclosure should comprise all aspects of the finances of political parties and candidates: the annual revenue and expenditure during non-election years and during electoral campaigns, including an overview of membership contributions, donations and loans, the reports from election observers, auditors and the CEC, the list of activities of the public authorities, and information on (social) media advertising.
- The development of mandatory open online bank accounts for political parties and candidates for all campaign finances should be considered. This could, for example, be for use as the bank account that all parties are obliged to use to receive donations during the electoral campaigns.
- The financial information that is made available on the disclosure website can be made verifiable by linking the original reporting documents to the data items in the database, ideally in machine-readable format but also as a scanned document if the information is readable. It is important to redact any personal information that must not be disclosed.
- Changing the legal deadlines for submission of the campaign finance reports should be considered, as well as obliging partial and/or periodic disclosure, or at least preparing the disclosure platform for the possibility of quasi-instant publication of this information. The option could be chosen to disclose unverified data instantly and add the verified financial accounts at a later stage. Parties and candidates could also be given the option of voluntarily disclosing their campaign finances before election day.
- The disclosure website could comprise several searchable databases for the different aspects of party and campaign finance (annual financial reports, campaign finance, membership contributions, loans and donations, campaign activities, reported activities of public authorities, media advertising), with the possibility to use several search criteria and filter the results according to various criteria (time period, data range, donor/recipient status, etc.).
- A tool to compare finances across parties and over time could be included on the disclosure website to provide users with the necessary context and allow them to look for trends and patterns. This might include features to compare the differences in levels and sources of revenue, in particular with regard to donations, membership contributions and loans, and the levels and categories of campaign spending over time and across parties. The main headings of the financial templates of political parties could be used as the filter criteria. Such comparative tools could be developed first for national party organizations, before expanding them to candidates, local branches and affiliated organizations.
- To enable users to conduct their own proper analyses of the data offline, the ability to download large datasets should be provided on the disclosure platform, in particular for expenditure on electoral campaign activities and the revenue from donations, membership contributions and loans. Such datasets should be made available in a

Box 20. Recommendations for Albania for promoting transparency through disclosure of political finance (cont.)

machine-readable format and in non-proprietary formats that are compatible with multiple operating systems and software packages. Users should be able to download the datasets in different machine-readable file formats.

- The disclosure platform should include a specific reporting button next to each entry field or income and expense category by which citizens and civil society organizations can flag specific suspicious entries or anomalies to the CEC.

4.6. POINTS TO NOTE IN THE DEVELOPMENT OF A DIGITAL REPORTING AND DISCLOSURE SYSTEM

In-house or external development

A first important choice that usually needs to be made is whether to develop the reporting and disclosure system in-house or to outsource it for external development. The CEC has opted to entrust the development of the system to an external company. In this respect, it is important that the CEC maintains an oversight over the development process to ensure that the system is built in line with its vision. This can be done by putting in place regular update and feedback mechanisms and progress reports.

Most monitoring bodies across Europe were developed externally. Only in **Norway** was the online reporting and disclosure system developed entirely in-house. While most monitoring bodies have opted for external development, communication during the development process was organized in different ways. In the **UK**, for example, the external developers physically sat with the internal team at the Electoral Commission to avoid communication difficulties. In addition, the intense involvement of the future users of the reporting and disclosure system is crucial to maximizing its effectiveness and efficiency. Close interaction with political parties during the development process was considered a major element of best practice in **Sweden**. Party representatives were invited to test the new instrument and provided substantial feedback. This was considered an important factor in the successful functioning of the system. The involvement of political parties and individual candidates is also very useful in **Albania**, particularly for the reporting side of the system, as well as the auditors and electoral observers (the monitoring side of the system) and media and civil society organizations (the disclosure side of the system).

Adaptability and maintenance

Once the digital reporting and disclosure system has been developed, substantial testing, maintenance and upgrading will be necessary at some point. Whether the system is developed in-house or externally, adaptability is of the utmost importance. The system must be able to adapt to future regulatory changes or adjust to additional functions. If the system is developed externally, this should also be included in the contract. In most countries, the monitoring body has a number of staff members dedicated to running and maintaining the system. This ranges from one full-time employee in the **UK** to more than

two full-time employees in **Estonia** and three part-time employees in **Finland** to more than five staff members in **Canada**.

Cybersecurity

Finally, during development of the reporting and disclosure system, sufficient attention needs to be paid to cybersecurity (Van der Staak and Wolf 2019). This is particularly important because the system in **Albania** will contain substantial amounts of sensitive personal data, especially when it is structurally linked with other government databases such as the tax registry or the public procurement registry. Collaboration with other responsible government services and agencies is appropriate, since cybersecurity transcends institutional mandates. However, while such collaboration is important, where the possible involvement of non-traditional agencies such as the security services or external partners begins and ends should also be clearly defined, in order to safeguard the independence of the CEC. In addition, cybersecurity not only is important, but must be communicated extensively as important in order to foster public trust in the system and prepare the public for possible cybersecurity incidents (especially following the large data breach in the run-up to the 2021 parliamentary elections). Cybersecurity must remain a continuous point of attention, since the technologies used by hackers are continuously improving and evolving.

Box 21. Recommendations for Albania for development of a digital reporting and disclosure system

- Constant interaction and communication is essential between the external company developing the reporting and disclosure system and the CEC throughout the entire process.
- Feedback and interaction from the future users of the system *during* the development process is considered a crucial factor in increasing the effectiveness and efficiency of the system. This means political parties and individual candidates in Albania (in particular for the reporting side of the system), as well as the auditors and electoral observers (for the monitoring side of the system) and representatives from the media and civil society organizations (for the disclosure side of the system).
- The adaptability of the digital reporting and disclosure system is important to allow for future regulatory changes or design improvements; the platform should be built in such a way that it can be easily adapted when necessary.
- The CEC should plan for a limited number of dedicated staff members to run and maintain the system.
- Since the system will contain a large amount of sensitive personal data, substantial attention should be paid to cybersecurity. Collaboration with other governmental agencies or external organizations should be clearly defined, as well as where the possible involvement of non-traditional agencies such as the security services or external partners begins and ends, in order to safeguard the independence of the CEC. Similarly, communication of the measures taken in this regard will be important in order to foster public trust in the system and prepare the public for possible cybersecurity incidents.

Chapter 5

SUMMARY OF KEY RECOMMENDATIONS

Conditions appear favourable for the implementation of a digital reporting and disclosure system in Albania. The available ICT and Internet infrastructure in Albania would allow for the establishment of a web-based reporting system, which presents greater opportunities in terms of design, security, user-friendliness, maintenance and adaptability compared to a software-based system. While mandatory use of a digital reporting and disclosure system should be the main aim, an incremental approach to implementation is suggested. A transitional period during which paper-based reporting is still allowed would help to provide the time needed for capacity-building among smaller parties and individual candidates, and to anticipate and tackle any complications that might occur during the launch and initial use of the new reporting system.

For identification and authentication, it would be useful to link the reporting side of the digital platform with existing government platforms. Automatic enrolment of all registered candidates would also facilitate the submission of financial reports after elections. Different types of user accounts with distinct privileges could help to facilitate the reporting process by granting a party treasurer or accountant a master administrator account, and other members of the party staff and/or individual candidates an account with more limited privileges. For submission of the financial report, electronic authentication using an e-signature could be complemented by a tool for printing out the final version, duly labelled with a unique barcode, to be signed and submitted to the CEC.

For data entry, the CEC templates for the annual financial reports and electoral campaign expenditure could serve as a basis for the structure of the data fields on the reporting side of the online platform. A combination of manual data entry and uploading compatible data from existing accounting systems or spreadsheets should be considered. Especially for large amounts of data, such as donations or membership contributions, a spreadsheet will be more user-friendly. A more detailed itemization of the required data from the annual

accounts and campaign expenditure is recommended, as well as making preparations to allow parties to provide quasi-real-time reporting on a weekly basis to pave the way for more frequent and timely financial disclosure.

The digital reporting and disclosure system could help to facilitate the monitoring process by providing the three main entities involved (independent auditors, the CEC and election campaign observers) with separate accounts with different privileges, depending on their specific legal mandate and role. To reduce workload and improve efficiency, some semi-automatic checks should be built into the system, as well as tools to highlight late submission, incompatibilities with supporting documentation, and data entries with a clear risk of non-compliance with the rules or where further inspection is required. Linking the reported information with existing databases would substantially increase the quality of the investigations. These databases would include the civil and business registry to check the identity of the donor or party member, the tax registry to highlight possible suspicious donations or membership contributions, and the public procurement registry to ensure that no company that has benefited from recent government contracts has made a donation.

The disclosure side of the online platform should be permanently accessible at a stable Internet location. Data must be available free of charge under an open licence that does not require users to register on the website or make specific applications for access. It should also be compatible with various operating systems and software packages. Financial data on all aspects of the finances of the political parties and candidates should be offered in both aggregate and itemized form. The objective should be to disclose the information at the finest level of detail or granularity possible to allow the identification of separate financial transactions, within legal limits and weighed against the protection of privacy. This would mean adjusting the structure and layout of some of the existing CEC templates. In addition, the development of mandatory open, online bank accounts for use by political parties and candidates for all campaign finances should be considered.

The financial information made available on the disclosure website could be made verifiable by linking the original reporting documents to the items in the database, although it would be important to redact any personal information that should not be disclosed. Ideally, the disclosure platform would contain several searchable databases and comparable tools for the different aspects of party and campaign finance, and the option to use several search criteria to filter the results and compare the data across parties and over time. To enable users to conduct their own proper analyses offline, the ability to download large datasets in machine-readable formats should be built into the disclosure platform, particularly for expenditure on electoral campaign activities and revenue from donations, membership contributions and loans. Finally, the disclosure platform should include a specific reporting button next to each entry field or income and expense category by which citizens and civil society organizations can flag specific suspicious entries or anomalies to the CEC.

During development of the digital reporting and disclosure system, constant interaction and communication between the external company developing the system and the CEC will be crucial. Furthermore, feedback and interaction from the future users of the system (parties, candidates, auditors, observers, and media and civil society organizations) *during* the development process is considered a key factor in increasing the effectiveness and efficiency of the system. To allow for future regulatory changes or design improvements, the adaptability of the digital reporting and disclosure system will be important. The platform should be built in such a way that it can be easily adapted when necessary. For example, the platform should be prepared for the possibility of quasi-instant publication of financial information should the legal deadlines for the submission of the campaign finance reports change or if parties and candidates are given the option to voluntarily disclose their campaign finances before election day. Since the system will be handling a substantial amount of sensitive personal data, detailed attention should be paid to cybersecurity. Collaboration in this regard with other governmental agencies or external organizations should be clearly defined, in particular where the possible involvement of non-traditional agencies such as the security services begins and ends, in order to safeguard the independence of the CEC. In terms of human resources, the CEC should plan for a limited number of staff members dedicated to running and maintaining the system.

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Annex A. List of correspondents

Balkan Investigative Reporting Network (BIRN)

Central Election Commission of Albania (Komisioni Qendror i Zgjedhjeve)

Central Electoral Commission (Lithuania)

Coalition for Reforms, Integration and Consolidated Institutions (Koalicioni Për Reforma, Integrim dhe Institucione të Konsoliduara, KRIIK)

Corruption Prevention and Combating Bureau (Latvia)

Council of Europe Office in Tirana

Democratic Party of Albania (Partia Demokratike e Shqipërisë)

Hashtag Initiative (Nisma Thurje, NTH)

Legal, Financial and Administrative Services Agency (Sweden)

Ministry of Local Government and Regional Development (Norway)

National Audit Office (Finland)

National Democratic Institute (NDI)

OSCE Office for Democratic Institutions and Human Rights (ODIHR)

Socialist Party of Albania (Partia Socialiste e Shqipërisë)

Standards in Public Office Commission (Estonia)

State Commission for Elections and the Control of Political Parties (Slovakia)

State Electoral Commission (Croatia)

Annex B. Detailed overview of the political and party finance system in Albania

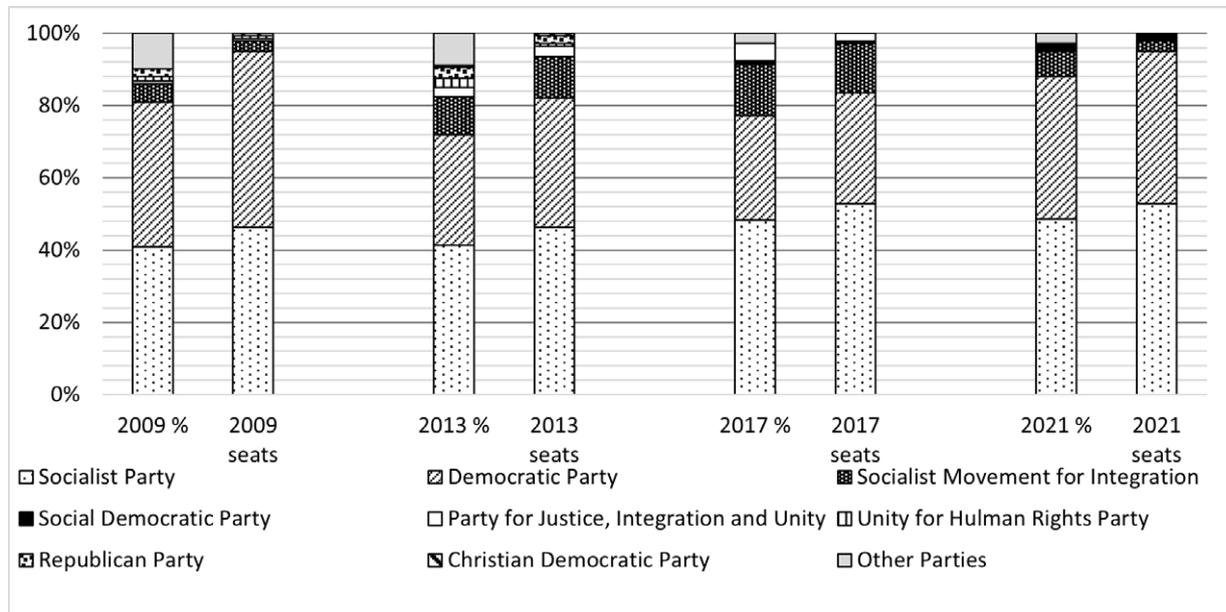
B.1. ELECTORAL SYSTEM AND PARTY SYSTEM IN ALBANIA

The national parliament of the Republic of Albania is a unicameral assembly with 140 seats. Members of parliament (MPs) are elected for a four-year term (article 64 and 65 of the Constitution of the Republic of Albania). The electoral system of the country is a form of proportional representation (PR) and MPs are elected to 12 multi-member constituencies. These correspond to the country's administrative regions, and the number of seats depends on the size of the constituency population. The electoral system was slightly altered in 2020. Before, a closed-list system was used with an electoral threshold of 3 per cent for political parties and 5 per cent for electoral coalitions. The seats in each constituency were allocated using the D'Hondt method, and subsequently, if applicable, between parties within an electoral alliance the Sainte Laguë method. In 2020, a parliamentary majority opted for a change to an open-list system in combination with a 1 per cent national electoral threshold. These new electoral rules were used for the first time for the parliamentary elections of 2021.

Despite the proportional electoral system, the party system is dominated by two political parties, the centre-left Socialist Party and the centre-right Democratic Party, while a number of smaller parties occasionally gain a limited number of seats (see Figure B.1). While the 2009 and 2013 elections were characterized by large electoral alliances, in the 2017 and 2021 elections most parties competed separately. Four parties have seats in the current parliamentary assembly. The largest party is the Socialist Party, with 74 seats. It is currently in government, supported by the Social Democratic Party (3 seats). The Democratic Party has 59 seats and the Socialist Movement for Integration has 4 seats.

The country is divided into 12 counties with similar administrative status, which are further subdivided into municipalities. In 2014, the number of municipalities was reduced from 373 to just 61. Local elections are held every four years and voters elect members of the municipal council (local legislative branch) and a mayor (local executive branch) under the supervision of the Central Election Commission (CEC) of Albania. The most recent local elections took place in June 2019. They were characterized by increased political tensions and a low turnout. The main opposition parties decided to boycott the elections, which meant that the ruling Socialist Party ran almost unopposed. It was able to win 60 of the 61 mayoral positions and secure a majority in 59 of the 61 municipal councils. The next municipal elections will be held in the spring of 2023.

Figure B.1. Vote and seat shares for Albanian political parties, 2009–2021



Source: Figure was created by the author using data from the CEC website, <<https://kqz.gov.al/zgjedhje-per-kuvendin/?lang=en>>, accessed 1 October 2022.

B.2. PARTY FINANCE REGULATION

The party finance regime in Albania is characterized by a set of legislative rules and implementing acts. The Constitution contains an important provision that guarantees transparency in political finance: its article 9 stipulates that '[t]he financial sources of parties as well as their expenses shall be made public'. This principle is further operationalized in both the Political Parties' Law (Law No. 8580 on Political Parties) and the Electoral Code of the Republic of Albania (as modified on 5 October 2020), which contain provisions on the regulation of party, candidate and campaign finance. The Party Law also clearly stipulates that the 'funding of political parties shall be guided by transparency. Data on the parties' financial resources and expenses shall be published at any [given] time' (article 15/1 of the Political Parties' Law). Finally, details on the implementation of the rules are dealt with by the acts of the CEC.

B.2.1. Rules on public and private income

The rules on political parties differentiate between party income from membership contributions, public funding from the state budget and non-public funds, which include financial donations, in-kind donations, services, sponsorship, loans or guarantees, as well as any other financial transaction. In contrast to membership contributions, the two latter categories of party income are well regulated.

Political parties receive public funding for their annual activities and their election campaigns. A total sum is determined in the state budget every year for the support of the political parties. In non-election years, this public funding cannot be less than the financial assistance provided in the previous year. The total sum is distributed as follows:

- 70 per cent of the funding is divided among the parties in proportion to the number of seats won in the previous parliamentary elections;
- 20 per cent is distributed in equal shares among all parties that received at least 10,000 votes in the previous parliamentary elections;
- the remaining 10 per cent is distributed among all parties that gained at least 1 per cent of the vote in accordance with the parties' vote shares.

It is important to note that a party that fails to submit its annual financial report does not receive public funding in the following year (article 19 of the Political Parties' Law).

The public funding for election campaigns is allocated in a similar way. All political parties that obtained at least 1 per cent of the votes at the national level in the previous parliamentary elections are entitled to public funds. A total funding amount is determined by parliament, which cannot be lower than that provided for the previous elections. This total sum is then divided by the total number of valid votes for the political parties that received at least 1 per cent of the votes at the national level in order to determine the 'monetary value' of a valid vote. For elections to local government bodies, the calculation is based on votes received for local councils. Finally, the total sum is distributed among the eligible parties by multiplying the monetary value by the total number of valid votes received. Thus, political parties receive public funding for their election campaign according to their vote share. Any financial sanction that is imposed on the party is deducted from this grant amount. In addition, if the grant is higher than the total electoral campaign expenditure of the party, the party is required to return the difference to the CEC. If the party fails to do this, it is excluded from public funds for a period of five years or until its dues and fines have been paid (article 88 of the Electoral Code, as modified in 2020). Parties that are not eligible for campaign funding but participate in the elections and gain at least 1 per cent of the votes are financially compensated after election day according to their vote share (article 89 of the Electoral Code, as modified in 2020).

The private—or 'non-public funds'—income of political parties is also regulated by the state, especially in the context of electoral campaigns. Political parties and candidates can only receive contributions from legal persons in Albania or from Albanian citizens. Any form of financial assistance or material from foreign public or private entities is prohibited, with the exception of citizens who reside outside the country and hold Albanian citizenship. Similarly, there is a ban on anonymous donations, and on donations from public entities or companies with partial government ownership (articles 91, 92/1 and 92/2 of the Electoral Code, as modified in 2020).

Donations are thus not limited to natural persons. Organizations, trade unions and private sector companies can also make contributions to political parties and candidates. However, there are a number of limitations in the law: a company or any of its shareholders cannot make a donation to the electoral campaign of a political party if that company has received more than ALL 10 million (approximately EUR 83,000) in public funds, contracts or concessions in the past three years, has been a partner in different projects using public funds or has any financial obligations to the state or a public institution. Media organizations are also banned from making donations. Similarly, natural or legal persons that make a donation to the election campaign are not allowed to bid for public contracts or public-private partnership contracts that exceed ALL 10 million for up to three years after the election date (article 92/1 of the Electoral Code, as modified in 2020).

Donations to electoral campaigns are capped at ALL 1 million to a political party and all its candidates. This includes any in-kind services that are provided. This is also the ceiling that is

imposed for loans (articles 86 and 92(1) of the Electoral Code, as modified in 2020). All parties must maintain a designated register of the amount and identity of each donor. All donations, sponsorship or loans over ALL 50,000 can only be transferred to a specific bank account of the political party or candidate. Political parties are required to take the necessary measures to ensure that their candidates comply with all the rules in place (article 90 of the Electoral Code, as modified in 2020).

B.2.2. Rules on party and campaign expenditure

A cap has been put in place on party campaign expenditure in connection with the regulation of campaign spending. Campaign expenditure is designated any expense by the party or its candidates for electoral campaign purposes, regardless of the date it is incurred (article 91(2) of the Albanian Electoral Code). A single candidate cannot spend more than half the amount of the largest campaign grant that a political party has received, and the total electoral expenditure of any political party—including that of its candidates—cannot exceed three times the highest campaign grant allocated to a political party (article 92/2 of the Electoral Code, as modified in 2020). In other words, a party cannot spend more than three times that which the largest political party has received in public campaign funding. During the 2021 national elections, the ceiling on the total campaign expenses for political parties was just below ALL 167.5 million. Individual candidates could not spend more than ALL 27.9 million (Council of Europe 2021: para. 56).

Additional restrictions have been put in place on party campaigning. Public resources, including movable and immovable assets as well as public employees or students, cannot be used to support political parties or candidates during the elections. There are also strict rules in place on the recruitment or dismissal of civil servants during the electoral period. Central and local public authorities must also report to the CEC all the public activities they have planned in the four-month period before election day (articles 91 and 92 of the Electoral Code, as modified in 2020). Vote buying is a criminal offence in Albania that attracts a sentence of up to five years in prison.

B.2.3. Disclosure requirements and account structure

Political parties (and candidates) are bound by reporting and disclosure requirements. The Albanian Political Parties' Law in this respect stipulates that '[t]he rules on monitoring, supervision and auditing of financial and material resources must observe at all times the equality of political parties before the law and must not infringe their right to be established freely' (article 15/1(3) of the Political Parties' Law). The CEC is the main body responsible for control and supervision of the financing of political parties with regard to both their annual activities and their election campaigns. The current system is predominantly paper-based. Financial reports are transferred to the CEC on paper and are put online as scanned documents. Partly because of this, the CEC lacks the capacity to scrutinize all the reports in detail and relies on the examination of external auditors.

Political parties have to submit a financial report to the CEC on their annual activities by 31 March of the following year. In an election year, these financial reports must be submitted with a financial report on the election campaign (article 23 of the Political Parties' Law). This report is based on a standard template that asks for detailed information on funding sources, various expense categories, and subjects directly or indirectly linked to the political party (article 23 of the Political Parties' Law). Submission of this annual financial report must be accompanied by an audit report drawn up by a certified external auditor. An auditor may not audit the same

political party for two consecutive years (article 23/3 of the Political Parties' Law). The annual financial report and the audit report are published on the CEC website together with a summary report by the CEC no later than 30 days after submission by the party (article 23 of the Political Parties' Law).

Since 2017, the CEC has had the competence to monitor political parties' electoral campaigns, and parties have had to submit a financial report immediately after the elections. In 2019 the obligation to submit financial reports was extended to all candidates. These reports on the finances of the campaign must be submitted within 60 days of the announcement of the election results, including all branches and constituent parts. These are also based on a standard template approved by the CEC. They provide an overview of the income received from all permitted sources for use in the electoral period: the source and date; detailed information about every donation, credit or loan received, including in-kind contributions, during the electoral period and in the six months before; an overview of the various expenditure categories in the context of the electoral campaign; and a balance sheet of the assets and liabilities of the political party for the period from the announcement to the day of the elections.

No later than five days after the announcement of the final results of the elections, the CEC appoints one or more certified auditors to examine the electoral finances of the political parties. These auditors must examine the funds received and spent by the party, their candidates and branches in the context of the election campaign, and then draft an audit report within 30 days. The CEC publishes these audit reports no later than 30 days after the date the report is submitted or, depending on the case, from the date any verifications have been completed (article 92/6 of the Electoral Code, as modified in 2020). The CEC also has the right to conduct additional investigations to verify electoral campaign income and expenditure, and parties must respond to its requests within 15 days. Failure to cooperate, the destruction of documents or inappropriate behaviour during the verification process is treated as a criminal offence and must be reported to the prosecutor's office (article 92/6 of the Electoral Code, as modified in 2020).

Every political party that participates in an election campaign must keep its financial records for a period of seven years. These comprise a detailed overview of the various sources, modalities and amounts of income, expenses and payments; documentation on immovable assets owned by the party and any rental contracts; and a detailed register of donors, lenders and creditors (article 92/3 of the Electoral Code, as modified in 2020).

In addition, the CEC appoints a number of campaign monitors at least six months before the date of the election to monitor compliance by political parties and candidates with the rules on the financing of the electoral campaigns and possible misuse of state resources. These monitors identify the activities, events and materials used by the political parties during the election campaign (article 92/4 of the Electoral Code, as modified in 2020), and compile a report every 10 days.

For donations received both during and outside of the electoral campaign, every political party must record the amount received from each natural and legal person, including a clear identification of the donor, lender or creditor, in a special register. Donors must also sign a declaration stating that they are allowed under the finance rules to make a donation and that they are personally liable for a false declaration (article 23/1 of the Political Parties' Law; and article 92/2 of the Electoral Code, as modified in 2020). Outside the electoral period, all donations of more than ALL 100,000 have to be made public (article 23/1 of the Political

Parties' Law). During the electoral period, political parties must disclose information on all donations, borrowing or loans that exceed ALL 50,000 (article 92/1(5) of the Electoral Code, as modified in 2020). Political parties must use a specific designated bank account to receive all donations over ALL 100,000 during their annual activities, and all donations over ALL 50,000 during the electoral campaigns (article 23/1 of the Political Parties' Law; and article 92/2 of the Electoral Code, as modified in 2020). According to the Electoral Law, the CEC must also maintain an open online portal on which potential violations of the campaign finance rules can be reported (article 92/5 of the Electoral Code, as modified in 2020).

The funding rules also include a system of sanctions in cases of non-compliance, although it is rarely used. If the person in charge of the finances of a political party infringes the finance rules, this is punishable by a fine of ALL 50,000 to ALL 100,000. During an electoral campaign this can be increased to ALL 100,000 to 200,000 (article 23/4 of the Political Parties' Law; and article 173 of the Electoral Code, as modified in 2020). Failure to cooperate with the auditor is punishable by a fine of ALL 1 million to 2 million for annual activities, and ALL 2 million to ALL 3 million, as well as suspension of public financing for up to 5 years, during election campaigns. A similar violation with regard to a campaign monitor is punishable by a fine of ALL 50,000 to 100,000 (article 173 of the Electoral Code, as modified in 2020; and article 23/4 of the Political Parties' Law). If the party fails or refuses to make the financial sources for its annual activities transparent, a fine of ALL 2 million to 5 million can be imposed and/or a five-year suspension of funding to the political party (article 23/4 of the Political Parties' Law). Similarly, if the party fails to submit its financial report on its annual activities within the timeframe, a fine of ALL 50,000 to ALL 100,000 can be imposed (article 23/4 of the Political Parties' Law). Failing to meet the deadline for submission of the electoral campaign report is penalized by even higher fines of up to ALL 2 million, and fines of ALL 500,000 to ALL 1 million can be issued for campaign reports that do not follow the standard templates and rules of the CEC.

During electoral campaigns, if an anonymous donation is not transferred to the account of the CEC, the party forfeits the funds and is sanctioned an amount equivalent to the donation. The same sanction applies to a private contribution of more than ALL 50,000 that was not received in the designated bank account (article 173 of the Electoral Code, as modified in 2020). Donations from prohibited donors can lead to a fine of up to twice the amount received. A violation of the spending threshold is punishable by a fine of ALL 5 million or a fine equal to the amount by which the limit was exceeded, whichever is the higher (article 173 of the Electoral Code, as modified in 2020).

About the author

Wouter Wolfs, PhD, is a Lecturer and Senior Researcher at the Public Governance Institute of the University of Leuven (Belgium), where he teaches on Governance of the European Union and Comparative Politics. Previously, he has held the position of political advisor in the European Parliament and has been a guest lecturer at the University of Antwerp and visiting research fellow at Maastricht University, Heinrich Heine University Düsseldorf, International IDEA and the Historical Archives of the European Union in Florence. In 2021–2022, Wouter Wolfs was a fellow of the Re:Constitution Programme on the Exchange and Analysis on Democracy and the Rule of Law in Europe. He publishes regularly on political finance, party politics and legislative organization, and provides policy advice to the European Commission and the European Parliament on these topics. Recently, his monograph *European political parties and party finance reform: funding democracy?* was published with Palgrave Macmillan.

About International IDEA

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Transparency in politics—in particular with regard to political finance—lies at the core of every democracy. The availability of accessible, detailed information about the funding of political parties and candidates enables scrutiny by civil society organizations and the wider public, and ensures that all political actors can be held accountable.

In Albania, transparency in political finance is enshrined in the fundamental principles of the Constitution. Despite the modest progress on party and campaign finance regulation achieved in recent years, however, lack of trust in politics and the risk of political corruption continue to be high.

The digitalization of political finance has been one of the priorities of the Central Election Commission in Albania and can build on previous initiatives to digitalize the electoral process, such as digital voter identification, and electronic voting and counting. This report examines the existing disclosure systems in Europe, highlights best practices and identifies the main challenges for the development and implementation of such a system in Albania, taking account of the specific political and institutional context of the country.