

“Financial Evolution of Ukrainian Parties: Reform or Imitation?”

Presenting results of analysis of parties’ annual reports

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**July 2016: Key provisions of the Law
On Amendments to Certain
Legislative Acts of Ukraine with Regard
to Combating Political Corruption
entered into force**

CONTENT OF THE LAW



Quarterly and annual submission and **publication of reports** by parties to the National Agency for Corruption Prevention (NACP)



State **funding** of parties that overcome the **2%** threshold



Mandatory external and internal **financial audits**



Reimbursement of costs for electoral campaigns



Limiting the size of contributions to support the parties



Monitoring the transparency of work (of NACP, Accounting Chamber, Central Election Commission, Ministry of Justice)



Mandatory **identification** of parties' **donors**

What information did public receive access to?



PARTY PROPERTY
(including intangible assets)



**FUNDS IN BANK
ACCOUNTS**



**MONEY OF THE
PARTY**
*(revenues and
expenditures)*



DEBTS



REGIONAL UNITS

How much do voters have to pay to finance parties?

2016

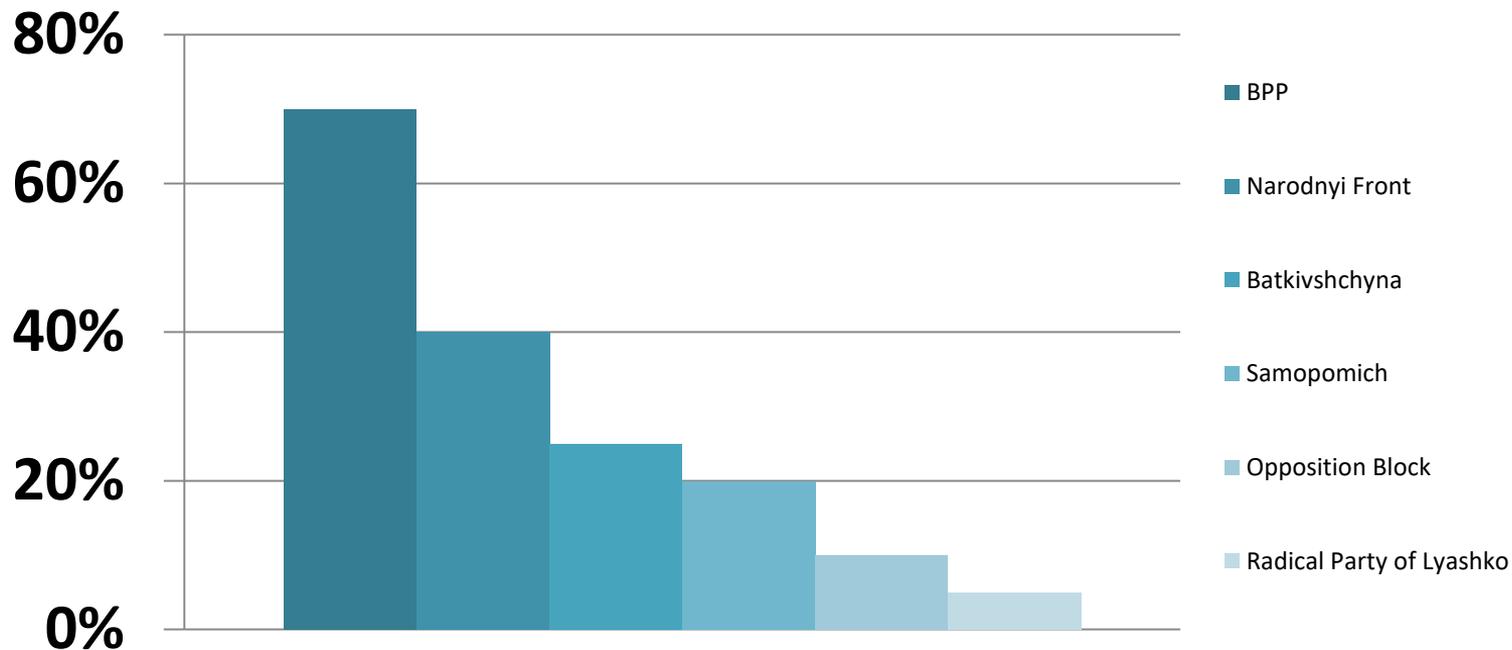
Provided to parties: UAH 195 516 100 (\approx 6 517 203 €)

2017

To be provided to parties: UAH 442 399 400 (\approx 14 746 646 €)

Assessment of the parties' integrity

by criterion: transparency

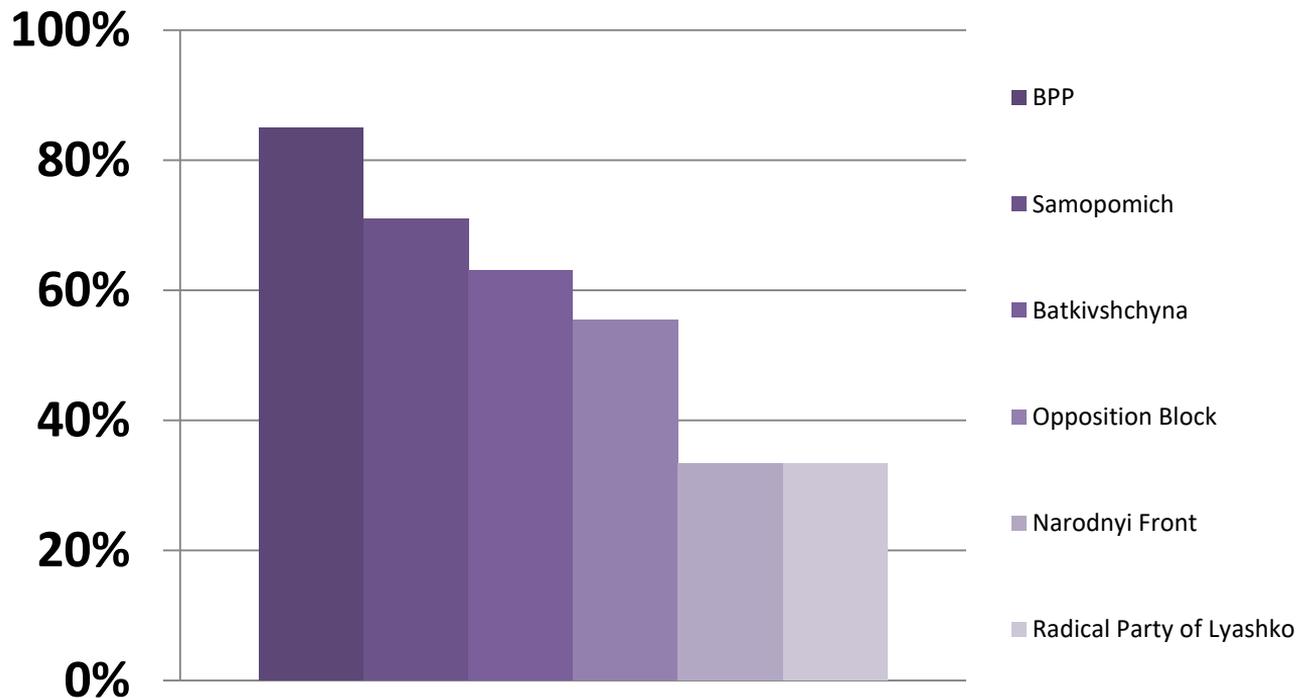


criterion: **transparency**

- Publication of reports on websites (sub-sites)
- Publication of accounts on websites (sub-sites)
- Publication of audit results
- Answering appeals, requests, complaints, suggestions, communication with the public

Assessment of the parties' integrity

by criterion: Institutional capacity

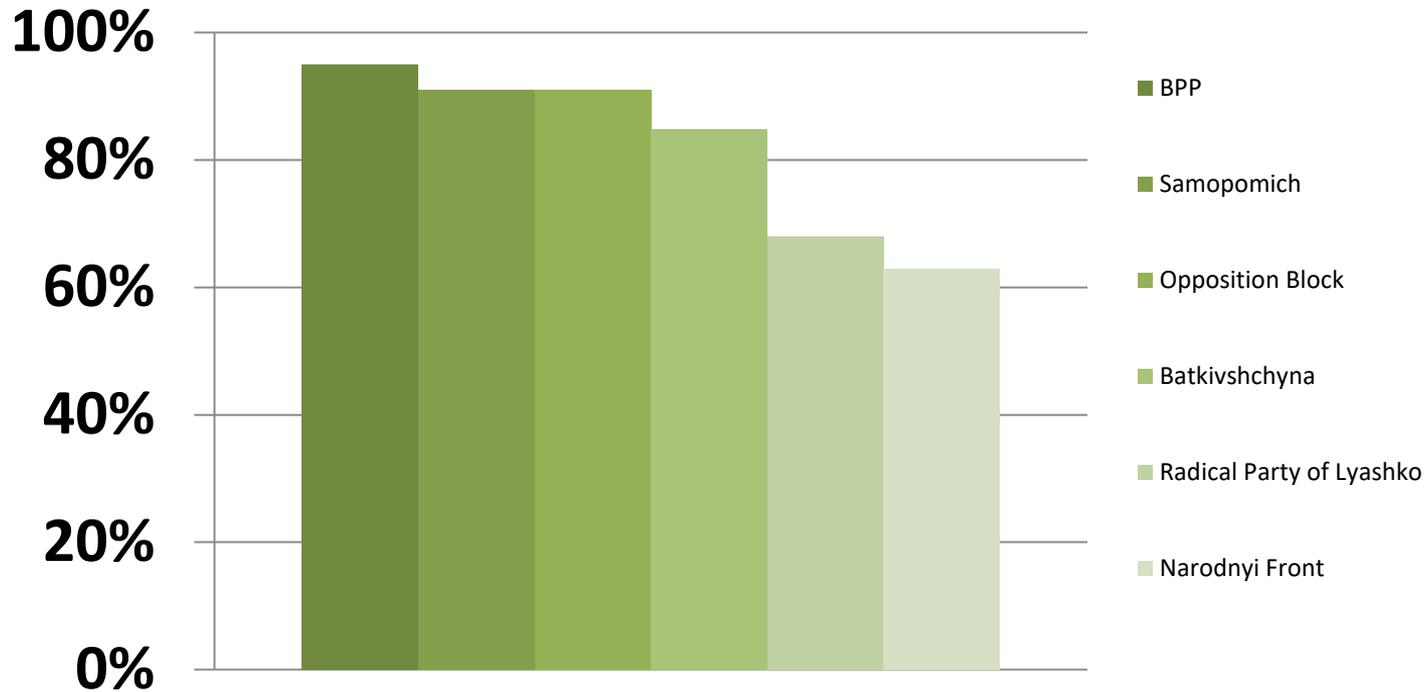


criterion: **Institutional
capacity**

- Introducing changes to the statute
- Opening accounts
- Appointment of responsible persons
- Availability of employees
- Availability of membership fees

Assessment of the parties' integrity

by criterion: **accountability**



criterion: **accountability**

- Information on the territorial units of the party
- Submitting reports of registered units
- Information about funds on accounts
- Information about sponsors
- Information about costs
- Availability of annexes

Assessment of the parties' integrity

General level of integrity

СОЛІДАРНІСТЬ
БЛОК ПЕТРА ПОРОШЕНКА

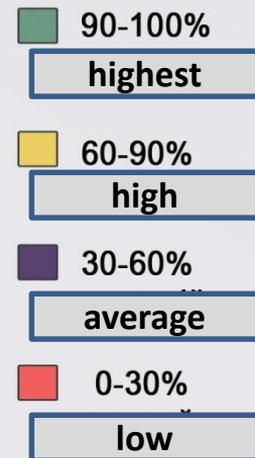
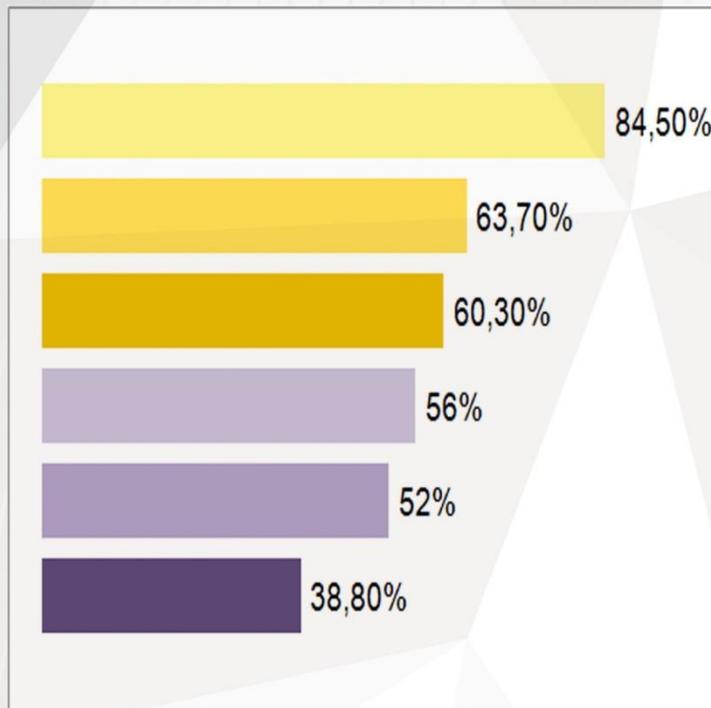
ОБ'ЄДНАННЯ
САМОПОМІЧ

БАТЬКІВЩИНА
ВСЕУКРАЇНСЬКЕ ОБ'ЄДНАННЯ

ОППОЗИЦІОННИЙ
БЛОК

Народний
фронт

ЛЯШКО
РАДИКАЛЬНА ПАРТІЯ



What's next? Good news



Public for the first time gained access to detailed information about the material and financial status of political parties



The allocated budget funds are enough for party activity



Parties began to actively develop their regional networks



Young parties demonstrated their transparency and accountability to society on the actual basis even without state financing – in particular, by revealing all their sponsors and demonstrating their real costs.

What's next? Bad news

The shadow financing of political parties still exists.
But now it can be traced

Disproportionate and non-transparent distribution of funds
between the "center" and "regions"

Parties spend funds on hidden political advertising

Parties do not spend money to popularize their ideology, analyze
data, or train their members



How the state funded parties in 2016

Pattern of spending budget funds by parties in 2016

195 516 100 provided
ГрН

161 858 002,34 used
ГрН

Funding for quarter III and IV: UAH 391 032 200 / 4 x 2 = **195 516 100**

Narodnyi Front UAH **50 272 800**

returned: UAH **3 923 522**

BPP UAH **49 543 600**

Samopomich UAH **44 474 915**

returned: UAH **1 866 114**

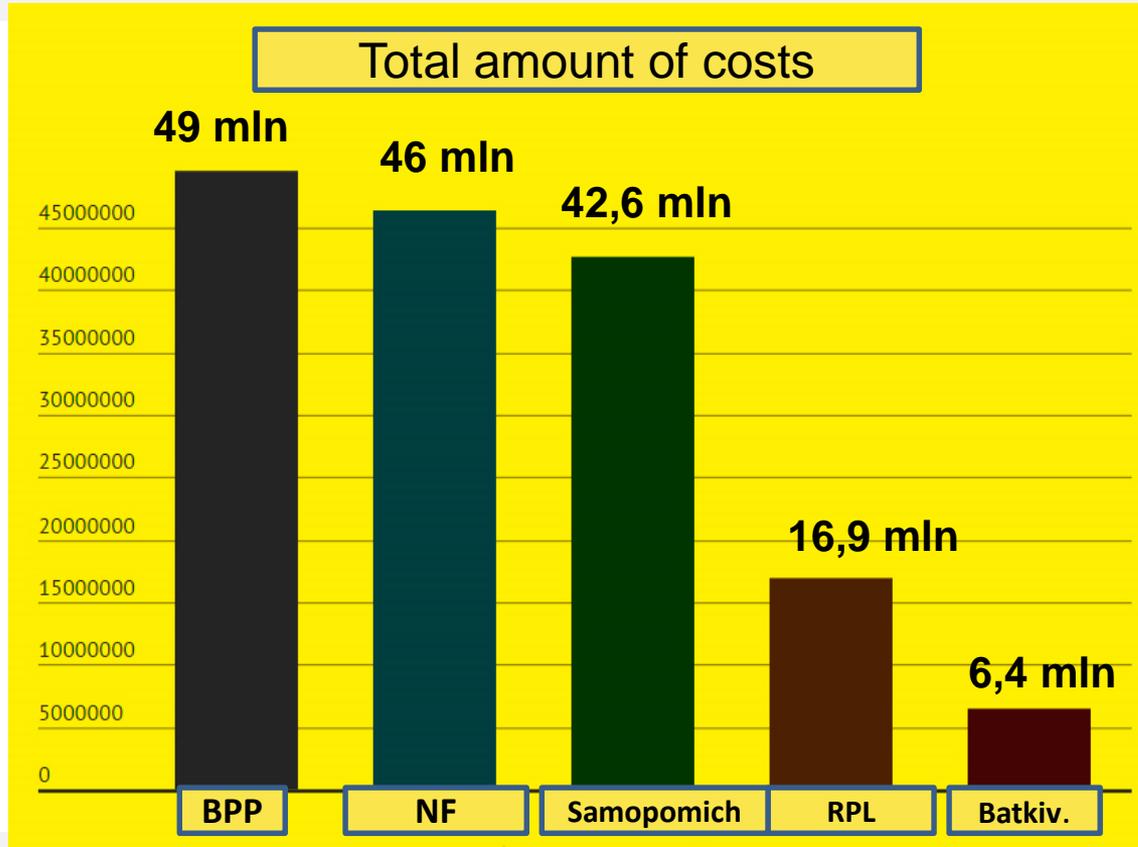
Opposition Block UAH **21 420 000**

returned: UAH **21 420 000**

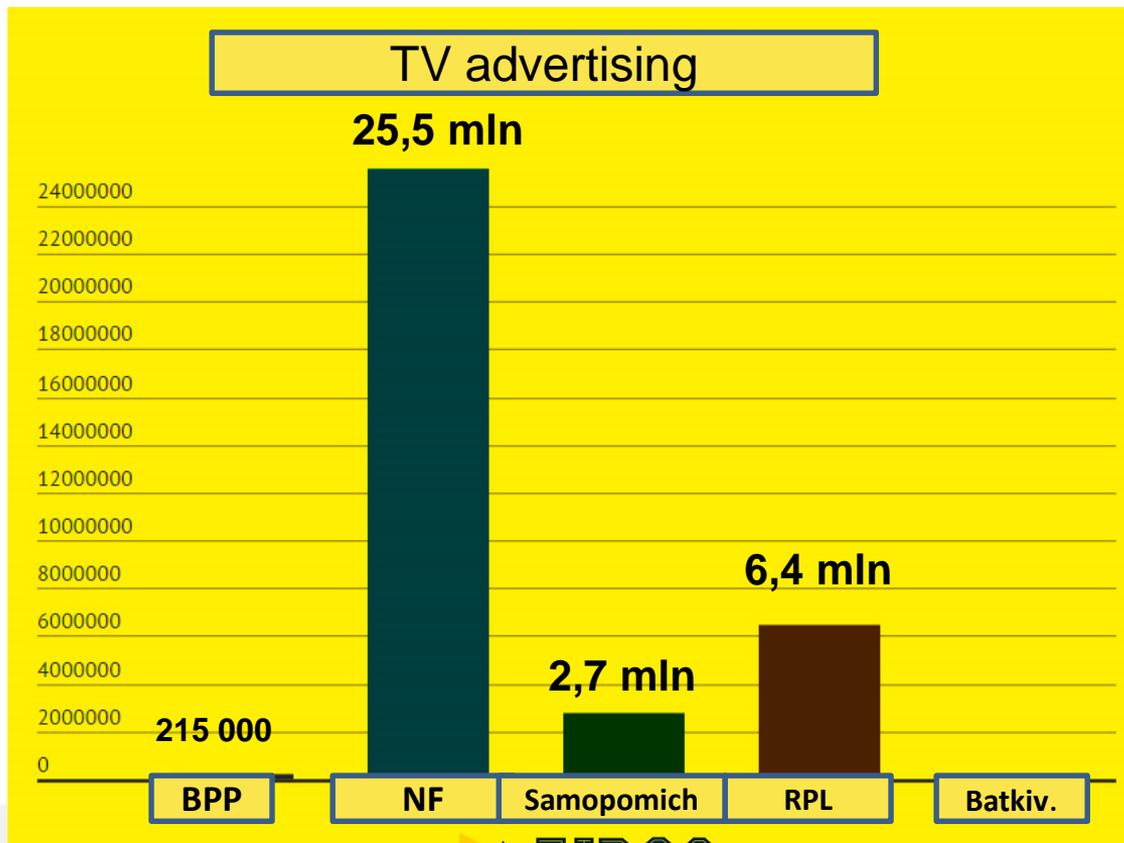
Radical Party of Lyashko UAH **16 907 850**

Batkivshchyna UAH **6 448 475**

The pattern of spending funds received by political parties from the state budget

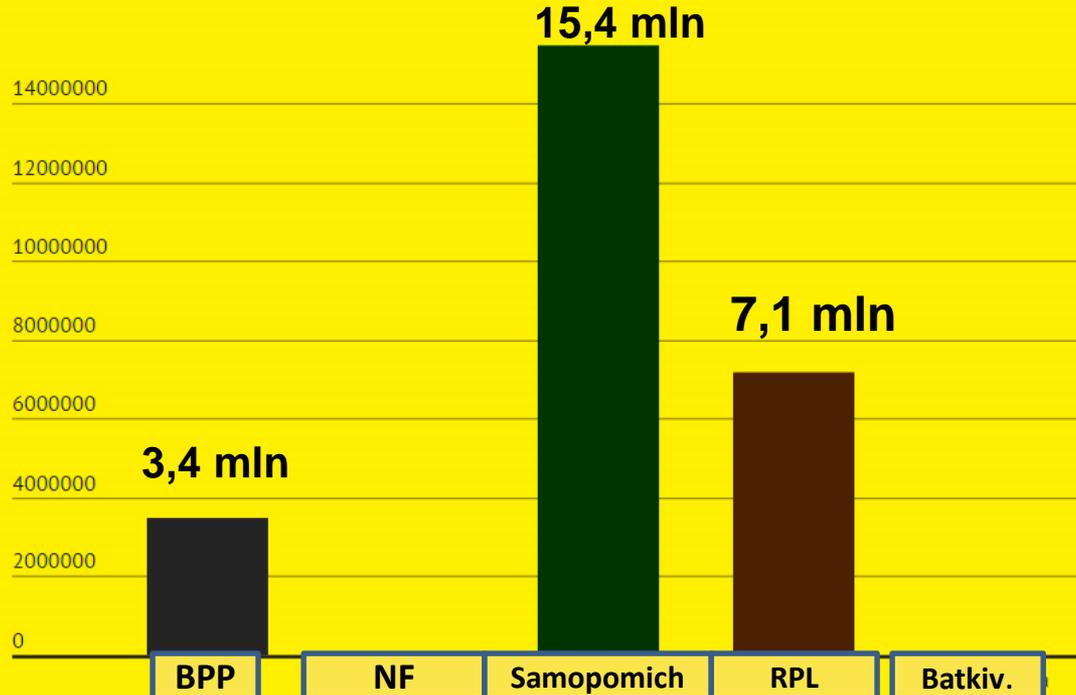


The pattern of spending funds received by political parties from the state budget

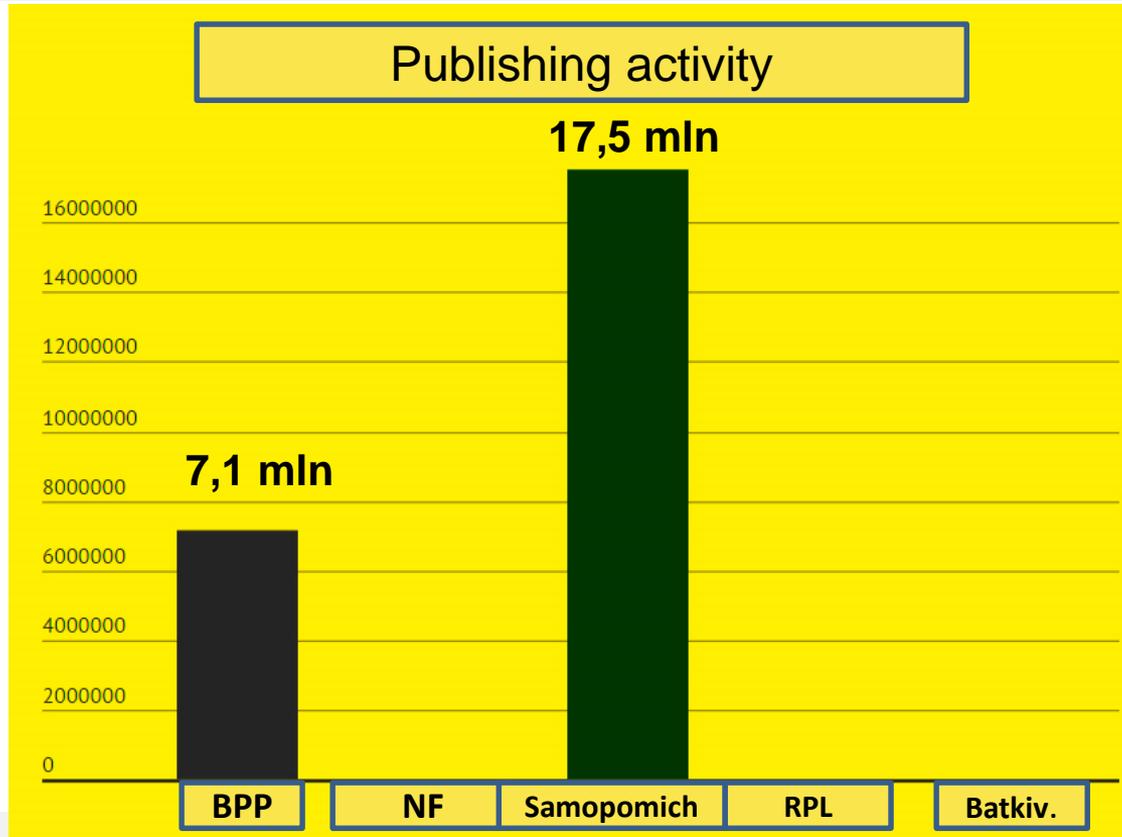


The pattern of spending funds received by political parties from the state budget

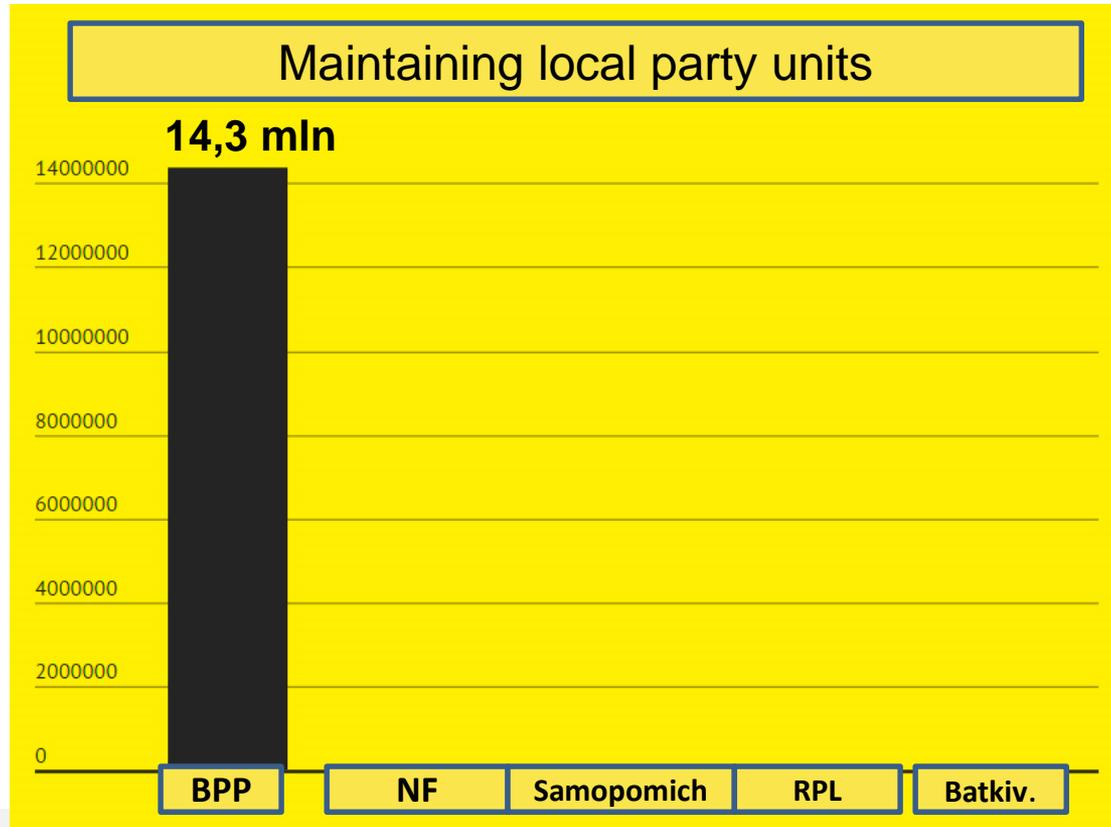
Material costs and payment for services



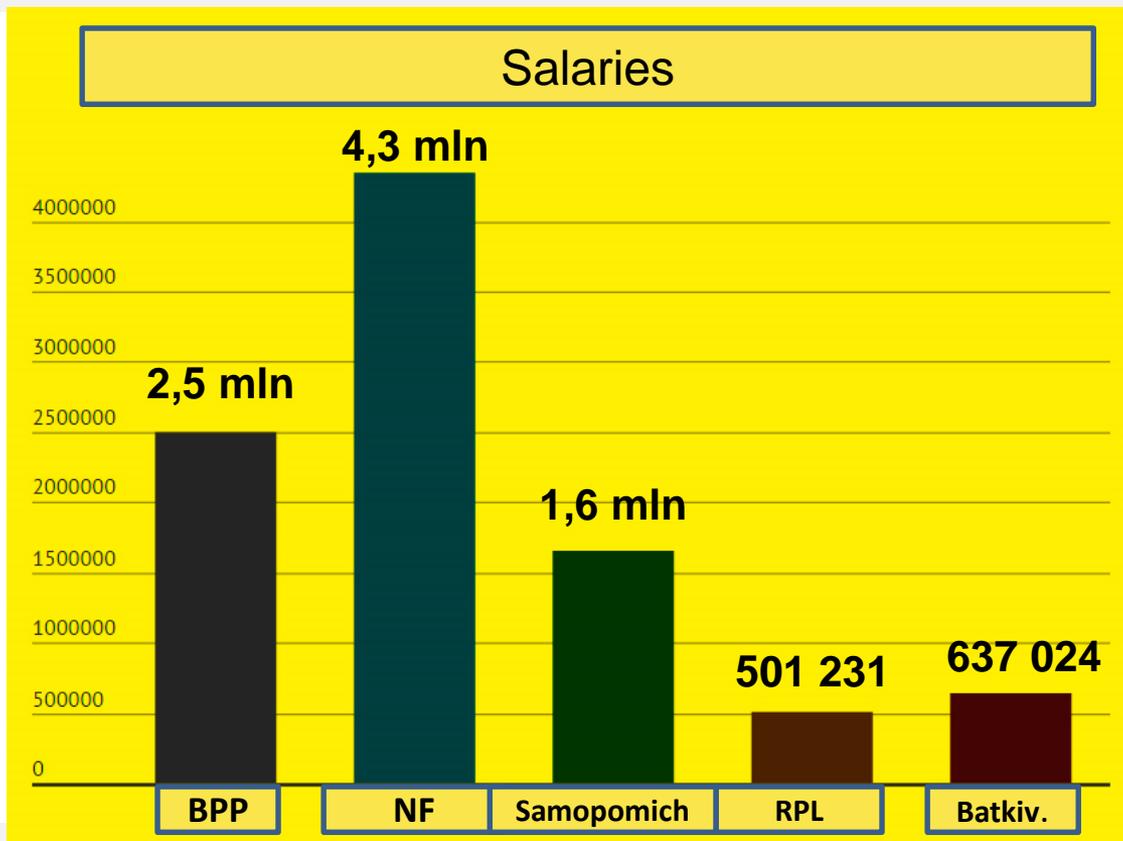
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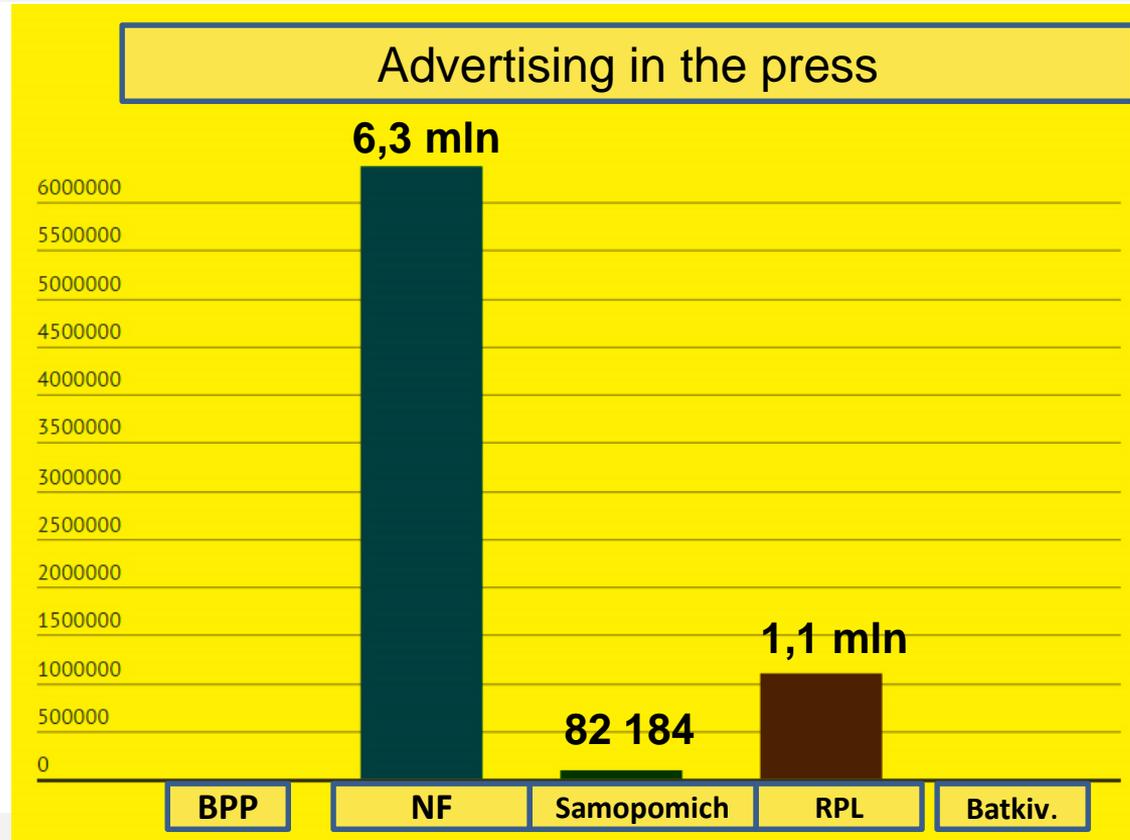
The pattern of spending funds received by political parties from the state budget



The pattern of spending funds received by political parties from the state budget



The pattern of spending funds received by political parties from the state budget



Practice of public analysis of parties' financial statements



TYPICAL VIOLATIONS IN THE FINANCIAL STATEMENTS OF POLITICAL PARTIES OF UKRAINE



Contributions from anonymous persons



Discrepancies in the data of different sections of the party's financial statement



Contributions from foreigners or legal entities owned by foreigners



Concealment of membership fees



Failure to publish or late publication of the statements on party websites



Concealment of received "sponsor aid"



Concealment of real party costs and salaries of administrative staff



Concealment of information about the owners of rented property (premises, vehicles)



Concealment of the book value of property



No open bank accounts of the party and its units



Concealment of the book value of property



Inaccurate names of legal entities contracted by the party



Under-declaration of costs for renting party offices



Exceeding the maximum contribution amount per person

Did parliamentary parties evolve financially?

General party trends

1. Increased number of employees in party secretariats and regional units

Збільшилася кількість працівників в секретаріатах партій та регіональних осередках:



2. Increased number of offices of parliamentary political parties

Збільшилася кількість офісів парламентських політичних партій:



Did parliamentary parties evolve financially?

General party trends

3. Party acquired software for PC



4. Increased advertising costs



Did parliamentary parties evolve financially?

General party trends

5. Increased amount of paid taxes



6. Increased official salary of the employees of party secretariats

Fundamental qualitative differences in the reports of non-parliamentary parties

- Demonstrate secretariat employees up to the level of regional units
- Qualitatively higher salaries for Secretariat employees
- Membership fees are collected, accounted for and reported on
- Availability and declaration of official programs, such as 1C, regardless of the receipt of public funding
- A large number of small contributions made by individuals, i.e. citizens
- Presence of declared contributions that were returned and transferred to the budget since they were made in violations of the law

Common recommendations for Parties

1. Appoint a responsible person at the central secretariat of the party and responsible persons in the regional cells to communicate with the public about the content of the party's financial statements.
2. Demonstrate transparency and democratic processes in the life of the party (the opportunity for citizens to be present at the election of the governing bodies of the party and its cells, decision-making within the party, etc).
3. Be accountable to the public, timely and appropriately respond to written and oral appeals, complaints and suggestions, and provide free access to party offices (so that people could enter the premises and talk with representatives of the party).
4. Party websites should be improved, providing content in accordance with the Law.

Public involvement

1. Center Eidos founded the initiative Parties' Money under Control, which includes more than 50 organizations
2. Checked reports of 250 Parties for 2016 (quarters 1-4 + annual reports). 950 reports in total, of which 66 are general and 884 are regional.
3. Found 550 violations, information of which has been transferred to NACP.
4. Conducted an internal survey of political parties in order to identify "problem areas" of the law implementation.
5. Carried out a number of training events and published educational and methodological materials for parties and social activists.
6. Created the portal "Party Cash-Box" www.partkasa.org

Thank you for
attention!