



Party and Campaign Funding in Eastern Europe: A Study of 18 Member Countries of the ACEEEO

Jānis Ikstens (Latvia)
Vidzeme University College

Daniel Smilov (Bulgaria)
Central European University

Marcin Walecki (Poland)
University of Oxford

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Please send your comments and suggestions to Janis Ikstens at the following e-mail
address: ikstens@latnet.lv

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Introduction

Free and fair elections are regarded as a crucial, defining characteristic of a democratic regime. The uninhibited contest of ideas and between the political parties representing them has become a warrant of basic human rights in a liberal society. Peaceful competition for voter support and acceptance of democratic election outcomes characterize advanced, consolidated democracies.

The campaign for election is a crucial component of the election process. It is during the campaign that voters are familiarized with a number of policy options and given the most opportunities to communicate with contending parties or individual candidates. The importance of election campaigns is even higher in countries where democracy has been introduced or reintroduced relatively recently. Electorates lack stable party attachments and identification, therefore, they are volatile and considerably more exposed to campaign efforts of contenders. Hence, the significance political parties and candidates attach to campaigning is reflected in investing multiple resources in the election campaigns.

However, the advent of televised election campaigns in the latter part of the 20th century seems to have increased the cost of democracy dramatically and to have changed the nature of political competition in the Western world. The availability of financial resources to contest well-financed election campaigns on an ever-larger scale has become a key to success in competition for elected political power. This trend has raised important concerns about the future of competitive politics and democracy.

Yet, it would be a mistake to assume that these trends are characteristic of the most advanced democracies exclusively. “Third wave” democracies of Eastern Europe and the former Soviet Union are quickly adopting the capital-intensive style of campaigning employed in notably wealthier societies. Moreover, they appear to lack a number of important institutional or behavioral instruments restraining the excessive influence of money on politics. These deficiencies breed cynicism about competitive politics among the general public, increase the gap between the rulers and the ruled, and ultimately contribute to a weakening legitimacy of democratic regimes.

This paper explores institutional arrangements in the crucial area of party and campaign finance in the 18 member countries of the Association of Central and Eastern European Election Officials: Albania, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Turkey, and Ukraine. For each country, the following information is provided: (1) institutional background, (2) summary of laws and regulations, (3) a brief discussion of some current problems and issues. This study attempts to diagram the most common patterns of campaign finance regulations and to identify a number of shortcomings of the existing regimes of campaign funding.

The paper draws on a number of sources: (1) acts of legislation regulating party and/or campaign finance in the respective countries; (2) information provided by representatives of Central Election Commissions; (3) interviews with in-country experts on party finance; (4) reports prepared by the Organization for the Security and Cooperation in Europe; (5) media publications. Information in this paper is accurate as of October 1, 2001.

Knowledge about campaign finance in most European countries remains rudimentary despite legislative attempts to make it more transparent. The available, incomplete information has led the authors to a number of observations and preliminary conclusions.

- **Growing sophistication of regulations.** After the collapse of communist regimes, ACEEEO member countries moved quickly to adopt institutional frameworks characteristic of advanced democracies. These included the area of campaign finance where no prior regulations existed. However, democratic experience prompted most members to revise and further detail their regulatory frameworks of campaign finance.
- **No single pattern.** Despite shared historical experiences and rather similar institutional arrangements in the past, ACEEEO member countries have a wide variety of regulatory ordinances governing campaign finance. Some countries have chosen notably liberal regulation (Croatia) and little state interference with campaign funding (Latvia), while others prefer much more detailed regulations (Poland) or severe restrictions on the role of non-state donors (Belarus). Regulations concerning political financing not only differ between the countries of Central and Eastern Europe, they change frequently. It is too early to speak of stable campaign funding rules in the region as many countries are in the process of revising and overhauling their legislation on political finance.
- **Similar (not uniform) income sources.** Income sources for political purposes appear to be rather similar across ACEEEO member countries, with most typical being donations, party membership fees, and party contributions to special election funds. However, some countries restrict the entrepreneurial activities of political parties or even prohibit corporate donations to parties.
- **Ban on foreign money.** As far as regulations are concerned, one of the most common is a ban, either partial or complete, on contributions from foreign sources (foreign citizens, foreign governments, international companies and organizations).
- **Direct public subsidies.** While most countries in the region provide direct state financial subsidies to parties and/or candidates, this is by no means a universal approach. Four out of 18 ACEEEO member countries refrain from giving direct state support to contenders. Besides, in some of the countries with direct public funding (such as Russia), the amounts given are very small.

- **Free broadcasting.** In all 18 countries, the Law offers free air-time on national radio and TV. In addition, some countries have gone even further by granting contenders free advertising space in state-owned newspapers.
- **Contribution limits, spending limits, and bans on paid political broadcasts.** There are contribution limits in 56 % of the ACEEEO countries for which information has been obtained, spending limits in 67 %, and a complete ban on paid political advertising on TV and radio in 11 %.
- **Disclosure and enforcement.** The Central Election Commissions of most ACEEEO countries are entrusted with the task of enforcing campaign finance regulations and disclosing financial records of electoral competitors. However, the degree and timing of disclosure varies, as does the effectiveness of enforcement. Political parties are required to disclose their financial accounts in 83 % of the ACEEEO countries for which information has been obtained, but only some of these require disclosure of lists of donors. Some countries have ventured into the Internet to make financial records of parties and individual candidates available to wider public.

The Summary Table outlines the main patterns of law and regulation in the 18 member countries of the ACEEEO. Spaces have been left where information is still to be added. The Table refers to broad categories, whereas more detailed information is included in the entries on individual countries. For example, 'YES' for 'Any spending limits' means that such limits apply to at least one kind election in the country concerned. The notation 'Partly' for 'Ban on Foreign Donations' means that some but not all types of foreign donations are banned.

Summary Table

Country	SUBSIDIES				REGULATIONS				
	Any Public Funding	Any Tax Relief	Any Free Broadcast	Any subsidies in-kind	Any Public Disclosure	Any Contribution Limits	Any Spending Limits	Ban on Foreign Donations	Ban on Paid Political Advertising
Albania	YES	NO	YES	YES	NO	NO	NO	PARTLY	NO
Armenia	YES	NO	YES	YES	YES	YES	YES	YES	NO
Belarus*	NO	NO	YES	YES	NO	NO	YES	YES	NO
Bosnia/H	YES	YES	YES	YES	YES	YES	YES	NO	YES
Bulgaria	YES	NO	YES	YES	YES	YES	YES	YES	NO
Croatia	YES	NO	YES	YES	YES	NO	NO	NO	NO
Georgia	YES	NO	YES	YES	YES	NO	NO	PARTLY	NO
Hungary	YES	YES	YES	YES	YES	NO	YES	PARTLY	NO
Latvia	NO	NO	YES	YES	YES	YES	NO	YES	NO
Lithuania	YES	NO	YES	YES	YES	NO	YES	PARTLY	NO
Macedonia	YES	YES	YES	YES	YES	YES	YES	YES	NO
Moldova	NO	NO	YES	YES	YES	NO	NO	YES	NO
Poland	YES	NO	YES	YES	YES	YES	YES	YES	NO
Romania	YES	NO	YES	YES	YES	YES	NO	PARTLY	NO
Russia	YES	NO	YES	YES	YES	YES	YES	YES	NO
Slovakia	YES	NO	YES	NO	YES	NO	YES	YES	YES
Turkey	YES	NO	YES	NO	NO	YES	NO	YES	NO
Ukraine	NO	NO	YES	YES	YES	YES	YES	YES	NO
TOTAL	78% (N=18)	17% (N=18)	100% (N=18)	89% (N=18)	83% (N=18)	56% (N=18)	67% (N=18)	89% (N=18)	11% (N=18)

* Note: in Belarus, funds are given specifically for the publication of leaflets, posters, etc. This constricted funding is listed as 'YES' under 'Subsidies-in-kind' but 'No' under 'Any direct public funding'.

Albania

Institutional Background

Albania is a parliamentary republic. The Albanian Assembly consists of 140 Deputies: 40 mandates are allocated in a single national constituency and 100 in majoritarian, single mandate constituencies. Parties and coalitions should receive respectively 2.5% and 4% of the valid votes to participate in the allocation of the 40 mandates. Under the Constitution, the President is elected by the assembly with the support of at least three-fifths (60%) of its votes.

The June 2001, parliamentary elections in Albania were held under a new electoral code¹ adopted in May 2000 and amended in May 2001. This code, along with a 2000 law on political parties, lays out basic regulations of party and campaign finance in the country.

Income

According to the Law on Political Parties no donations are allowed from foreign states or public/private entities or from domestic entities, either public or incorporated into the state bodies. There are no contribution limits in Albania.

State Support

The state provides material assistance to political parties at the time of their registration. After successful registration party receives subsidy of ALL 300,000 (USD 2,150).

In addition to funds provided to political parties under the 2000 law on political parties, political parties that are registered with the CEC are entitled to funds from the budget of the state for the conduct of elections. The funds designated for the financing of the political parties participating in the election are set by the CEC within 30 days from their approval in the Assembly. The payments are made by the Ministry of Finance after official notification by the CEC outlining the manner of division of these funds.

The funds of the state budget for the financing of political parties in the elections are divided as follows:

- 10 per cent of the amount is distributed equally among the political parties registered as participants in the elections;
- 30 per cent of the amount is distributed in an equal manner among the parties that currently have deputies in the Assembly, or, as the case may be, members of the councils of the municipalities or communes;
- 60 per cent of the amount is distributed among the political parties in proportion to the number of votes won on the national scale in the last elections for the Assembly or in the local elections.

After the elections, parties that fail to win more than 2.5 per cent of the votes must return the amounts distributed in advance. All funds are re-distributed after the

¹ The Electoral Code of the Republic of Albania, adopted on May 8, 2000.

conclusion of the elections among the parties that won more than 2.5 per cent of the votes, in accordance with the percentage of votes won by each of them.

State subsidies are granted to political parties for every national or local electoral campaign.

In Albania, the parliamentary electoral campaign starts 30 days before election day and ends 24 hours before. During the electoral campaign, the Public Radio and Television provide free airtime for each registered political party and the Central Election Commission (CEC), which is allocated in accordance with the following rules:

- A total of two hours are set aside for the CEC and allocated in accordance with its time requests. At least two thirds of the total time is allocated between 6:00 PM and 10:00 PM.
- Each parliamentary party participating in the first round of elections is allocated equal free airtime by the CEC in an amount that is no less than fifteen minutes on public television and 15 minutes on public radio.
- Those parties not represented in the Assembly participating in the first round of elections are entitled to 10 minutes of airtime on public television and 10 minutes of airtime on public radio.

The total amount of free airtime allocated to all the political parties over the course of an electoral campaign is no more than ten hours. The Public Radio and Television may not prepare or broadcast paid political advertising.

In addition to the time provided to the political parties, the CEC is provided with a total of 60 minutes of free time on public radio and 60 minutes of free time on public television for voter education each calendar year.

Further, according to the Law on Political Parties, parliamentary parties are provided with office space for their central headquarters and regional offices. When this is impossible, the state should pay for the office rental. However, there is no tax relief on donations in Albania.

Expenditures

There are no spending limits in Albania and no ban on paid political advertising. However, private radio and television may not broadcast more than five minutes a day of advertisements for each political party or independent candidate, for any kind of elections. The broadcast of commercial advertisements during the broadcast of electoral programs by both public and private media is prohibited.

Disclosure and Enforcement

All the donations should be declared and registered by the party. At the end of the year, a copy of this register (entries only) should be forwarded to the State Audit Department and a copy to the People's Assembly. The register should record the type of aid, its quantity, and donor's details. The identity and signature of the donor are also recorded.

The State Audit Department is responsible for controlling received public funds and donations as well as other received aid.

A violation of the provided rules by public and private radio and television constitutes an administrative infraction and is punishable by a fine of between ALL 100,000 and 500,000 (USD 716 to USD 3,580). Other violations, where they do not

constitute a criminal offense, are punishable by a fine of between ALL 1,000 and 2,500 (USD 7 and USD 18).

Issues and Challenges

During the 2001 Parliamentary Elections there were reports of inappropriate use of State resources by the governing party for campaign purposes and isolated allegations of police harassment and State interference in the work of election commissions. However, according to international observers these actions did not appear to be significant enough to undermine the integrity of the elections.

Also, even though some private media granted a generally balanced allocation of time to the main election contestants, most supported one of the two main competitors. Free, equal, and fair access to the mass media should be guaranteed for future elections. Moreover, the changes in the campaign finance regulations should reduce the overwhelming advantage afforded to larger parties and ensure that smaller parties have sufficient funds to purchase minimum airtime for electoral broadcasts on private channels.²

Finally, the main problem with the Albanian campaign finance model is related to the lack of an independent enforcement agency and comprehensive disclosure. The CEC's role should be increased, and the introduction of separate election accounts could possibly be a mid-term goal to raise transparency. In Albania, inadequate sanctions are also a serious weakness that undermines the working of a successful electoral finance system.

Armenia

Institutional Background

The Constitution of the Republic of Armenia stipulates that the single-chamber parliament is chosen through a system of mixed vote. The president of the country is also directly elected by the people under a two-round majoritarian system.

The Universal Electoral Code adopted in 1999 and the Law on Public-Political Organizations regulate the area of political finance in Armenia.

Income

The Armenian Electoral Code requires that special pre-election funds be established in order to finance campaign activities. The means of the pre-election fund are managed by candidates and parties and must be accumulated in the Central Bank of the Republic of Armenia for party and Presidential candidates; funds for all other candidates can be kept (on a special account) in any bank operating on the territory of the Republic of Armenia. Based on the written application of the registered candidates and parties, banks open temporary special accounts. Revenues are not accumulated or paid on these accounts.

There are several sources to draw from for campaign funding

- personal means of the candidate;

² International Election Observation Mission, 2001 Election to the Assembly of the Republic of Albania, www.osce.org

- means allocated to the candidate by the party, which has nominated him/her;
- own means of the party;
- voluntary contributions by physical and legal persons.

The legislation sets a maximum amount of donations per legal or natural person. For presidential elections, a natural person cannot donate an amount exceeding 200 minimum salaries³. Contributions of legal persons are limited to 500 minimum salaries; those of parties, to 30,000 minimum salaries; those of candidates themselves, to 10,000 minimum salaries.

For parliamentary elections, the contribution limits are lower. A natural person cannot donate an amount exceeding 50 minimum salaries. Contributions of legal persons are limited to 150 minimum salaries; those of parties, to 2,000 minimum salaries; those of candidates themselves, 1,000 minimum salaries.

However, the following are strictly prohibited from contributing to the pre-election funds:

- state and municipal bodies;
- budgetary institutions (organizations);
- foreign natural and legal persons;
- persons without citizenship;
- companies, in the charter or share capital of which the Republic of Armenia or its municipalities own a share;
- organizations which have foreign means in the amount of more than 30 per cent in their share capital;
- charitable and religious organizations, international organizations, and international non-governmental movements.

If, however, any of the aforementioned have made a donation to a party or a candidate, the amount is to be transferred to the state budget.

State Support

While parties receive no direct annual subsidies from the state, they are entitled to equal amounts of free airtime on state radio and TV stations (both national and local). Correspondingly, state-owned newspapers must provide all contenders with free advertising space in equal portions. In addition, national and municipal authorities are obliged to provide parties and candidates with space to hold pre-election meetings and rallies.

However, from its means allocated for organization and conduct of elections, the Central Electoral Commission reimburses fifty per cent of the costs during the pre-election campaign to the presidential candidates who have received 25 and more per cent of the votes cast in the elections.

The state does not offer any tax relief to political parties or donors.

Expenditures

Means of the pre-election funds are spent through proxies of the candidate and the party. If the candidate or the party uses means other than those of the pre-election fund

³ A minimum salary is defined as the lowest wage allowed by the Law.

for the pre-election campaign, the Court, based upon the application of the Central Electoral Commission, recognizes the registration of the candidate or the party list as disqualified.

The Election Code sets overall spending limits. For presidential elections, each candidate cannot spend an amount exceeding 60,000 minimum salaries from their pre-election funds. For parliamentary elections, single candidates are prohibited to exceed the amount of 5,000 minimum salaries and party spending is limited to 60,000 minimum salaries.

Paid political advertisements are not prohibited by the 1999 Universal Electoral Code of Armenia.

Disclosure and Enforcement

The burden of disclosure is divided between parties and candidates, on the one hand, and banks holding pre-election fund accounts, on the other. Once in every three days, the banks submit a notice to the relevant electoral commission informing them of the contributions made to the pre-election funds of candidates and parties. These banks are also entrusted with returning the amounts exceeding the donation ceiling. No later than one month after the elections, candidates and parties submit a declaration to the electoral commissions that registered them disclosing the use of the available amounts in their pre-election funds. The Central Electoral Commission establishes the guidelines of the declaration and the procedure for its submission. These declarations are published and audited by a special service set up by the Chairman of the Central Electoral Commission. Further, parties have to submit annual financial declarations, which are also published.

Issues and Challenges

Armenia has chosen special election accounts as a way of increasing the transparency of campaign funding. While there are no overall income limits for campaigning, each natural or legal person can donate only a limited amount of money. These donations, along with transactions to/from the special accounts are reported to the CEC, which publishes this information.

Although the Armenian legislation requires a lot of reporting, it seems that a good deal of this information is not extensively circulated. The interim reports from banks are not published officially but they are made available to media. Therefore, citizens may not always have official information about who donates and how much. Unfortunately, it is exactly this information that would be very useful to voters before they make their choice in the elections.

Expert assessments indicate that, despite the prohibition on the use of financial resources other than those deposited in the special election accounts, larger parties tend to exploit some schemes of hidden financing of their campaigns. This emerges as rather characteristic of “cash economies” and calls for tighter control over the spending part of campaigns. A more extensive involvement of the civil society and NGOs in campaign monitoring may bring about some changes in campaign practices of major players.

The existing legislation seems to be somewhat unclear regarding sanctions for violating campaign finance regulations. While the election commissions are entrusted with overseeing the observance of campaign legislation and they may turn to the court to

request that the election registration of a particular candidate or party be canceled, the law does not spell out the exact violations for which one can be punished in this way. Therefore, a fuller list of sanctions for violations of each restriction seems to be appropriate. In addition to this problem, the Central Election Commission is a rather political body that may be less likely to enforce campaign legislation strictly.

Belarus

Institutional Background

The Republic of Belarus has a two-chamber parliament. However, only the lower house is elected under the majoritarian system. The upper house consists of 56 indirectly elected members and eight members appointed by the state president. The president is directly elected by the people.

The campaign finance issues are regulated by the Constitution of the Republic of Belarus, adopted in 1996, and the 2000 Election Code.

Income

Financial assistance to candidates is controlled by the state, which provides equal and limited funding for all contenders. In order to limit the impact of money on elections, the state also holds a special fund to which donations by political parties, NGOs, companies, and Belarussian citizens can be transferred. Other sources are prohibited. Resources of this fund are equally distributed among parliamentary and presidential candidates. The legislation does not set any limits on contributions to this account. These contributions are the only form of non-state financial assistance to candidates permitted by the Belarus legislation.

Direct or indirect financial assistance to candidates from foreign sources is strictly prohibited.

State Support

The state does not provide any financial support to parties per se. However, there exist a number of forms of indirect support to candidates.

Eight state-owned national newspapers are obliged to publish political platforms of presidential contenders and candidates to the parliament. The Central Election Commission arranges for free broadcasts on national TV and radio. However, the amount of the free airtime is not specified in the legislation. Instead, it emphasizes the need for equal access of all contenders to mass media.

The state also provides limited funding to cover printing costs of campaign materials (posters, leaflets, etc.). Presidential candidates are entitled to an amount equal to 2300 minimum monthly salaries; candidates running for the parliament are entitled to 50 minimum monthly salaries. These materials do not require a special printing permit from authorities. In addition to that, the Central Election Commission publishes posters containing general information about candidates to be placed in voting centers.

Local authorities are obliged to provide space for candidates' meetings with voters free of charge.

However, the state does not provide any tax relief to political parties, individual candidates, or donors.

Expenditures

Belarussian legislation does not set any spending limits. As individual campaigns can only be financed from a single state-operated fund into which all donations must be transferred and natural and legal persons have little incentive to contribute to this fund, the official spending is very low. Even the Central Election Commission of Belarus admits the existence of voluminous hidden financing of election campaigns affecting the overall spending patterns.

The Election Code does not prohibit paid political advertising on radio and TV.

Disclosure and Enforcement

The Election Code of Belarus does not set any disclosure requirements, as all donations to candidates must be channeled through a single state-operated election fund.

The Central Election Commission is entrusted with the task of enforcing campaign regulations. If information about potential violations is brought to the attention of the CEC or local election commissions, the respective commission may ask other state institutions to investigate these cases further. Upon receipt of the verification, the CEC may issue a warning or declare the registration of the violator null and void.

Issues and Challenges

The campaign finance in Belarus appears to be heavily regulated by the state. The extent of these regulations has prompted some international institutions to speak of limits on free speech and expression.

The existence of a single state fund, where donations can be transferred to, discourages private donations. Thus, it exists as a theoretical option because no transfers have ever been made to the fund. A more decentralized system of campaign funding would enliven private initiative in the field of campaign finance.

Even the Central Election Commission admits the existence of an indirect, hidden financial support to campaigns. However, no effective control mechanisms and institutions exist. A more decentralized campaign funding system would be likely to increase the transparency here. However, a new design campaign finance in Belarus would benefit from a careful analysis of problems and issues facing other post-Communist countries with less etatist campaign finance systems.

Bosnia and Herzegovina

Institutional Background

The Parliament of Republic of Bosnia and Herzegovina has two chambers. The House of Representatives has 42 members, elected for a two-year term by proportional representation in each of the two Bosnian entities; 28 members elected from the Federation of Bosnia and Herzegovina, and 14 members elected from the Republic of Srpska. The House of the People has 15 members, ten (10) elected by the Federation of Bosnia and Herzegovina Assembly and five (5) members by the Republic of Srpska parliament.

The Parliament passed an Election Law only in August 2001, after protracted negotiations among the political parties. This law substituted the previous legal arrangement - the Rules and Regulations of the OSCE Provisional Election Commission (PEC) – which, since 1996, had governed each election, despite the fact that these regulations were prepared to serve only one election.

Election campaign finance regulations were first prescribed in the PEC Rules and Regulations for the General Elections, which took place on 11 November 2000. In addition, the Law on Party Finance was passed in July 2000. The currently active rules on campaign finance were introduced by the Election Law of 2001.

Income

Generally, in Bosnia and Herzegovina, a party can obtain funds from the following sources:

- membership fees;
- contributions from legal entities and natural persons;
- income generated by property owned by the political party;
- budgets of Bosnia and Herzegovina for financing of the parliamentary groups or any subdivision thereof;
- profit from the income of the enterprise owned by the party (these include only enterprises involved in publishing and cultural activities). In addition, revenue from property and enterprises cannot exceed 20% of the total annual income of the party. The outstanding amounts are to be given to charities.

The maximum amount that can be donated to a party/candidate cannot exceed eight (8) average monthly salaries - for the November 2000 elections the limit stood at DEM 3,656 (USD 1,742) per year. Parties/candidates cannot accept donations from state-owned companies or private companies with more than 25% public capital. The above-mentioned limitations were introduced for General Elections 2000.

State Support

Direct public funding of overall campaign expenses totals, on average, fifty percent of the overall expenditure limit. Besides, political parties that are represented in the governments are financed through the respective budgets. Thirty percent of the subsidy is shared equally among the political parties; the rest is distributed among them in proportion to the seats they control in the chamber.

The state provides indirect support through a system of tax benefits: companies receive tax exemptions on moneys they donate to political parties.

Further, each political party is given equal time on public radio and television in order to present its platform free of charge. The precise formula of allocation of free time is decided by a ruling of the Election Commission before every election.

The OSCE is permitted to provide campaign support in the form of in-kind assistance. Political parties, coalitions, lists of independent candidates, and independent candidates that support multi-ethnicity have a priority on in-kind assistance. This provision was introduced in 1998.

Expenditures

A political party/candidate running for elections cannot spend more than 1 KM (USD 0.488) per voter in each electoral district for the purposes of election campaigning. The above-mentioned limit was introduced for the 2000 General Elections and was adopted in the new Election Law as well. The Election Commission must publish the Central Voter List, which is the authoritative basis for the setting of the expenditure limits.

All broadcast and print media shall abide by the Independent Media Commission Code on Media Rules for Elections. This code prohibits paid campaign ads in the public media.

Disclosure and Enforcement

The Election Law dictates that political parties must submit a financial report at the time of submission of Application for Certification (for participation in elections). In addition, within 30 days of the publishing of the electoral results, the parties must submit a supplementary financial report for the period from the day of certification to the verification of the election results. These reports should include the following information about all incomes and expenses before and after elections:

- cash-flow;
- all incomes and expenses in relation to membership fees, contributions from abroad, contributions from individuals and legal persons, goods and services, property and operational income, loans, donations, rebates, refunds, other expenses and other resources;
- proof of identification for persons or sources of all incomes and in-kind contributions, as well as identification of a person who received a payment if over 100 KM, with a date and amount for each transaction;
- total amount of all expenses including direct campaign costs, business expenses, costs related to entrepreneurial activity, and other costs;
- amount and type of outstanding debts and obligations owed by or owed to the person or organization submitting the report;

Individual candidates are required to submit a Financial Disclosure Form to the Election Commission. Personal property statements should include information for the candidate, as well as information about close family relatives – spouse, children, and dependents. This statement should include: current revenues and sources of revenues received in Bosnia and Herzegovina within the previous year; all assets including cash, bank accounts, shares, promissory notes, bonds, real estate, personal property, tenancy rights and other assets in excess of 5,000 KM; and any loans or debts. The property statements must be made public by the Election Commission.

For the elections carried out by the OSCE, the Provisional Election Commission (PEC) established the Election Appeals Sub-Commission (EASC) in May 1996; it officially ceased operations in April 2001. The EASC's mandate was to investigate and to adjudicate complaints involving violations of the PEC *Rules and Regulations* and other provisions.

Election Appeals Sub-Commission prescribed sanctions for failure to abide by the rules on disclosing campaign finance details. The EASC was entitled to impose disciplinary measures and/or fines on all individuals, candidates, political parties, coalitions, lists of independent candidates, or bodies for breaches of certain provisions. More specifically, the EASC was entitled to:

- ban a political party, coalition, list of independent candidates, or an independent candidate from running for election;
- annul certification of a political party, coalition, list of independent candidates, or an independent candidate already on the ballot paper;
- remove a name of a candidate from the list and not allow his/her replacement;

The EASC could also impose sanctions such as reprimands and other measures. The PEC defined the rules for disclosure of financial details and determined the content, form, method, and other reporting requirements. The PEC made all reports available for public scrutiny and undertook measures in order to make sure all citizens had equal access to information in reports.

Under the new legal arrangements, the Election Commission is responsible for the establishment of a financial auditing service, which will review and audit financial reports submitted by the political parties. If no irregularities are found, the auditor issues a certificate that will include information on which regional offices were audited. The auditor's certificate is attached to the financial report, which is published in the official gazette. However, if complaints are lodged, the auditor must refuse to officially confirm the audit or must alter it in accordance with the complaint. In the event that the financial auditing service believes that a more detailed audit is required, the auditing service will be granted access to the party premises. In cases of irregularities, the Election Commission is empowered to impose fines (for illegally received funds the fine cannot exceed three times the amount of the donation). A party which has failed to submit a certified report shall be denied the right to participate in elections.

Issues and Challenges

The Bosnian system of campaign finance is an interesting case in which there is an effective disclosure and reporting mechanism engineered and realized with the help of substantial foreign assistance. One of the major worries is whether the model is self-sustainable – in other words, whether it could be preserved in the absence of significant foreign funding and monitoring. From a theoretical point of view, the Bosnian case is interesting because it could help to calculate the costs of an efficient enforcement mechanism, in a country characterized by quite difficult political conditions.

These considerations are reinforced by the fact that the model requires a very expensive enforcement mechanism to make meaningful the various types of limits on donations and expenditure and to prevent the abuse of the tax-deductibility system.

For the General Elections in November 2000, nine political parties failed to submit their financial disclosure forms within the given deadline. For this breach of rules, the parties were reprimanded and warned that any additional campaign finance violations could affect their right to run for election. Twelve parties did not complete their forms properly, while others omitted the costs related to public announcements, debts, names of loan providers, rent of announcement venues, printing of posters, in-kind contributions, and costs of press advertisements. All parties were reprimanded for these violations. Some candidates were eventually removed from assemblies.

An objection to the model as a whole, which has been raised by some scholars, is the alleged bias in the enforcement of the rules in favor of particular political forces. In particular, the enforcement of the rules, it is argued, has been much stricter before the present government came to power, and was relaxed afterwards. Such claims need to be

verified before taken seriously, but still their very existence may indicate that careful attention needs to be paid to the enforcement mechanism and the role of the preferences of the international community in its operation.

Bulgaria

Institutional Background

The National Assembly of Bulgaria has 240 members, all of whom are elected by proportional representation in multi-seat constituencies. The President of Bulgaria is directly chosen by the people.

Campaign finance for Bulgarian presidential, parliamentary, and local elections is regulated by a number of laws. Nevertheless, the funding system has been unstable and experienced notable changes since 1990.

Income

Political parties and individual candidates are not obliged to set up special election accounts to finance their campaigns. They can use their own means, income from assets, membership fees, direct state subsidies, and donations to carry out campaigning. Foreign citizens are also allowed to make donations. There are limitations imposed on foreign donations, however: USD 500 per year for individuals, and USD 2,000 per year for groups of individuals.

The of donations has been turbulent; in a number of elections, there existed no limits, but, in a few others, the amount of a single contribution was limited. For the 2001 parliamentary elections, the following limits were effective: BGL 10,000 (USD 4,887) for individual contributors and BGL 30,000 (USD 14,661) for companies.

Donations from foreign governments and organizations, as well as anonymous donations are banned. The political parties are not allowed to receive financial support from public enterprises or other organizations. According to the new 2001 Law on Political Parties, limited anonymous donations are allowed (up to 25% of the state subsidy).

State Support

The 2001 Law on Political Parties provides for annual public subsidies for the political parties. The amount of the subsidy is not fixed by the law but is to be determined by the state budget law. Factors to be taken into account in the distribution of the funding are the number of votes won in previous elections and the number of seats in the National Assembly controlled by the parties. All parties that have received more than 1% of the vote are eligible for state subsidy. The system has not been enforced yet, and it is difficult to predict how it is going to operate; the currently ruling National Movement Simeon II has a negative attitude to public funding and may envisage a minimal state subsidy in the budget for 2002.

The major form of in-kind support during the campaigns is the provision of free or subsidized airtime for parties and candidates (for presidential candidates). As a rule, the amount of free airtime is dependent on the seats in parliament the parties control. Beginning with the first parliamentary elections (1990), the rules for which were

negotiated at the Round Table Talks, all parties had equal access to the media, and, more importantly, the right to make one presentation in the beginning and one at the end of the campaign. There were also opportunities for the purchase of additional airtime at preferential prices. In subsequent parliamentary elections, there have been more generous provisions of free airtime: in addition to the time for presentations, there were opportunities for so-called "thematic debates" in which the leading party, PRP had a quota that was separate and larger than for other parties. Thus, in 1991, the PRP participated in two thematic debates, 90 minutes each, in which the other parties had time in proportion to the seats they controlled in the chamber. Political broadcasts other than the free or subsidized ads on the National Radio and TV are banned. Similar patterns were followed in 1994, 1997, and 2001. In presidential elections, the candidates have the right to an opening and a closing address to the nation, as well as to several presentations during the campaign (every day three candidates make such presentations).

Expenditures

Varying spending limits have been effective since the 1990 elections. For the 2001 parliamentary elections, the following limits were introduced: for parties – BGL 1 million (USD 488,700); for coalitions – BGL 2 million (USD 977,400); for the initiative committees of individual candidates – BGL 200,000 (USD 97,740).

The Bulgarian legislation does not restrict political advertising as long as it complies with overall spending limits for political parties and candidates.

Disclosure and Enforcement

The Central Electoral Commission (CEC) is entrusted with the duty of supervising the implementation of the electoral legislation. Decisions for parliamentary elections are determined by a two-thirds majority. These decisions have binding character for the parties, contestants, and national media. Under the 1991 electoral law, (the principles of which were preserved in 1994, 1997, and 2001) the CEC was supposed to be appointed by the president, after "consultations with the representatives of the political parties." This provision essentially granted the big, parliamentary parties an opportunity to dominate the appointment of this body.

There are no special provisions on disclosure of expenditure and contributions in the electoral law. Depending on the seats they win in the legislature during the elections, the parties either return part of the public support or receive additional funds. As mentioned above, many parties failing to secure parliamentary representation did not return the public subsidy: there was no special enforcement mechanism against such a failure. Furthermore, there was no sanction envisaged by the electoral law for violation of the expenditure limits. Since there were no special disclosure rules, the electoral law relied on the reporting mechanism from the Law on Political Parties.

For the period 1991-2001, the only existing reporting provision was in the Law on Political Parties, according to which the parties had to report their income and expenditure within two months after general elections. The 2001 Electoral Law obliged the parties, the coalitions, and the committees to hand in their reports to the State Audit Office within one month after the elections.

The 2001 Law on Elections introduced fines for the violation of the electoral rules, which were different for citizens and officials but still relatively low – from BGL 50 to BGL 50,000 (USD 24 to USD 24,000).

Issues and Challenges

The Bulgarian model of campaign finance rules is in a period of transition. The major change is that direct public funding for elections is being replaced by annual subsidies for the major parties. In theory, this will strengthen the party system and will enhance the party-centered character of the electoral process. There is a serious probability, however, that the amount of the public subsidy envisaged by the budget law for 2002 would be inadequate and symbolic.

Since 1991, the campaign finance system in Bulgaria has relied almost exclusively on private donations – the public support has been of secondary, almost negligible importance in the period 1997-2001. There was willingness on behalf of the former government to increase public funding as both a party-strengthening and anti-corruption measure. In any event, if the new government does not increase public funding and does not strengthen the enforcement of restrictions on donations, contributions, and disclosure requirements, the model will remain highly susceptible to corrupt practices.

The involvement of the State Audit Office in the supervision and control of party reports is not a major step forward, as many believe. The practice in Hungary shows that, in the absence of strict rules on political finance, the State Auditors just rubber-stamp party reports and are only instrumental in accounting for where the state subsidy is spent. It seems that the involvement of the judicial system is a more effective means in controlling party finance.

Croatia

Institutional Background

Croatia has a two-chamber parliament. Citizens directly choose both houses. A proportional system is used for both houses of Sabor (Parliament). There is a 5% threshold for elections to both houses of the parliament. The people also directly elect the President of the Republic of Croatia.

A number of legislative acts are relevant for understanding arrangements of party and campaign finance of the country: the Law on the Elections of Representatives to the Croatian State Parliament; the Law on the Election of the President of the Republic of Croatia; the Law on Political Parties; and the Croatian Radio - Television Act.

Income

At least 100 adult Croatian citizens are necessary to establish a political party as a non-profit organization. The legislation foresees these financial sources of parties:

- membership fees
- donations
- income from publishing
- sale of propaganda materials

- state subsidies

Other sources of income appear to be fairly unregulated by the legislation. The laws do not set any limits on individual contributions or the total of donations to political parties. The sources of income are not required to be publicly disclosed. These regulations apply equally to parliamentary and presidential elections.

State Support

The annual state subsidy is divided among parties elected to the lower house of Sabor according to a somewhat complicated formula. One fifth of the total is divided equally among all factions. The remaining 80% are divided per deputy, so that parties with largest factions gain most of the subsidies.

In addition to subsidies, the state reimburses campaign expenses to parties whose slates have garnered at least 3% of the vote nationally and to candidates who received at least 6% of the vote in their single-mandate districts. The government sets the total amount for reimbursement at least 30 days prior to elections.

The election law stipulates that presidential candidates who receive at least 10% of votes shall be entitled to equal compensation for electoral expenses and reimbursed from the funds allocated for financing the cost of the election.

During the campaign, parties are entitled to equal access to state TV and radio in order to present their election platforms and debate campaign issues. This access is granted free of charge. On state TV and radio, additional political advertisements can be placed at market prices. Other mass media are obliged to provide access of political parties on equal conditions, yet not free of charge.

The Central election Commission also publishes all registered candidate slates in all daily newspapers in Croatia.

Expenditures

The spending by political parties and individual candidates is not regulated by the law. Expenditure limits are not set in the current Croatian legislation.

Disclosure and Enforcement

The law requires that parties declare their intended expenditures and sources of income before the elections, but does not require a full financial declaration after the elections. The law on political parties defines a number of financial sanctions against disclosure violations. However, it is not clear which state institution is responsible for enforcing these requirements.

Issues and Challenges

The area of campaign finance in Croatia appears to have few restrictions. The notably liberal approach may have contributed to election campaigns turning into a competition of party financial might.

There are no post-election financial declarations for political parties or candidates. Introduction of post-election or even annual declarations would contribute to the transparency of party finance in Croatia and reduce speculations in media and among the general public.

In addition, the law does not specify which institution should scrutinize any party financial reports and does not foresee any penalties for violations of regulations of financial activities. This makes any effective control over campaign finance impossible despite the existence of several financial sanctions against violations of financial regulations.

Georgia

Institutional Background

The Parliament of Georgia has a single chamber. Its members are elected under a mixed system. The people directly elect the president of the country.

The Unified Election Code of Georgia adopted in August 2001 regulates campaign finance issues. All the legislation regulating campaign finance applies equally to parliamentary and presidential elections.

Income

The Georgian legislation defines political parties as non-profit organizations. Their income base consists of: (1) membership dues; (2) donations of natural and legal citizens; (3) state allocations; (4) party charter-related (restricted) enterprises. The law explicitly prohibits other business activities.

Political parties, however, cannot directly contribute finances to election campaigns. Each candidate or party has to establish a special election fund having an account with a Georgian bank to cover campaign expenses. Only one fund per election subject is allowed. The funds draw money from:

- state subsidies;
- candidate's own means;
- donations from private companies registered in Georgia;
- donations by Georgian citizens and political organizations.

Administrators of the election funds are responsible for proper use of the funding. The existing Election Code does not refer to limits of contributions.

It is inadmissible to accept the following contributions to the election campaign fund:

- from other countries;
- from persons or legal entities from other countries;
- from persons with no citizenship;
- from international organizations or movements;
- from non-entrepreneurial legal entities or religious organizations;
- from a Georgian entrepreneurial legal entity in which there is a State share.

State Support

There exist direct state subsidies to political parties in Georgia. However, only those parties represented in the parliament are eligible to receive them.

The state offers in-kind support in the form of printing and disseminating information about candidates and the main principles of their political platform. State-

owned radio and TV stations are obliged to provide 3 hours of air-time (1 hour for presidential elections) free of charge, equally divided among parties and election blocs.

Local newspapers are obliged to publish political platforms of parties and candidates as submitted by them. The CEC determines which newspapers and magazines will have to publish election documents at no charge.

The state offers no tax relief to donors of political parties.

Expenditures

The overall spending by political parties or candidates used to be limited. The expenditure ceiling was set by the CEC. However, the new Election Code does not foresee any spending limits.

Election funds cease to exist no later than 20 days after the consolidation of the final results of the elections. Remaining funds in the account are returned to the contributing persons and legal entities, in proportion to the funds contributed.

Political advertising is not restricted. Paid-for political advertisements on state-owned radio and TV channels are not prohibited. Private media are allowed to sell their airtime for political advertising, but the price for TV or radio broadcasting has to be the same for every party. Media companies must provide election commissions with the information on allocation and distribution of airtime.

Disclosure and Enforcement

The Central Election Commission is the central enforcing agency of regulations pertaining to campaign finance. For example, it is the responsibility of the CEC to control the observance of airtime provision regulations.

Victor parties and candidates are obliged to submit a preliminary financial report within eight (8) days of the election day. These reports are checked by the Chamber of Control of Georgia. However, this does not relieve them from submitting a full financial report to the Central Election Commission within 2 months of the day that the official election results are announced. These reports are also verified by the Chamber of Control and the CEC. While these reports are not published officially, the information is open to everybody who is interested in it.

Election subjects who do not submit a report on the election campaign fund are banned from taking part in elections, including any relevant upcoming elections.

Issues and Challenges

In a way, the Georgian regime of campaign finance resembles that of the neighboring Armenia. It foresees setting up special election accounts to finance campaigns and limiting individual contributions to those accounts. However, there are notable differences between the two countries.

The current legislation foresees no contribution or expenditure limits. It also stipulates that contestants have to submit two post-election financial reports indicating sources of income and spending. However, this provides for only partial disclosure as these reports are used by CEC for internal verification and they are not published. Parties themselves are not obliged to publish their financial reports, and only a few do it in reality. This means that average voters do not have sufficient information about

campaign finance issues before making their choice at the polls and the civil society has little chances of controlling fundraising and campaign spending by political parties.

The need for more transparency in this area is increasingly felt as many local observers point to tacit violators of campaign finance regulations using large amounts of cash, circumventing the special election accounts. It seems that stronger involvement of NGOs in campaign monitoring may somewhat remedy these ills.

While this resembles the situation in Armenia, political advertising in Georgia is restricted as political ads on state radio and TV are banned. More comprehensive restrictions on paid political advertising could further cut campaign expenses, but the issue of journalists' professional ethics would gain tremendous salience.

Georgian legislation demands equal distribution of paid advertising as well. Moreover, if some contestants fail to make use of their share, others are also deprived of proportional share of airtime. However, it is not clear whether this highly egalitarian norm is enforced. It also highlights a broader issue of enforcement.

Most regulations pertaining to campaign finance are enforced by the Central Election Commission. However, it is not clear whether this political body can retain impartiality vis-à-vis major political players.

Hungary

Institutional Background

Hungary is a parliamentary republic. The National Assembly has a single chamber, and its members are elected under a mixed system. A number of legislative acts are relevant for studying campaign finance of the country, including the 1989 Law on the Election of Members of Parliament (amended in 1994) and the 1990 Law on the Operation and Financial Functioning of Political Parties.

Income

According to the law on the operation and functioning of political parties⁴, substantial support is allocated from the national budget to any party that gains at least 1% of all the votes cast in the parliamentary elections. In addition, a party's funds and property may originate from:

- membership dues;
- support provided by the national budget;
- property or funds donated by individuals or independent corporations;
- property or funds left to the party in private individuals' last will and testaments;
- funds arising from economic activities; or the post-tax profits arising from corporations or personal companies established by the party serve as sources of income.

Parties are not obliged to set up any special election accounts for campaigning purposes.

⁴ See: Law no. XXXIII of 1989 on the operation and financial functioning of political parties and Law no. LXII of 1990 (Modification of Law no. XXXIII of 1989 on the operation and financial functioning of political parties).

No contribution limits apply to the donations of foreign nationals or non-profit organizations.

State-owned corporations and/or financial institutions cannot provide a party with support in the form of funds or property, and a party, for its part, may not accept any funds or property offered by national financial institutions or national corporations. A party cannot accept property or funds from the government of another country or any donations from anonymous sources.

State Support

Hungary provides significant direct funding to political parties. To qualify, a party must gain at least 1% of all votes cast in parliamentary elections. Twenty-five per cent of the total funds provided by the national budget for the support of political parties are distributed equally among parties that hold seats in the parliament. The remaining 75% of funds are distributed to parties based on the number of votes gained by the parties or their candidates in the first lawful round of parliamentary elections. The amount of funds to be used to support political parties is determined by the law on the national budget. Funds from the national budget are distributed on a quarterly basis.

In addition, each party putting forward candidates for election is entitled to receive support from the state budget in proportion to the number of candidates presented. Independent candidates are entitled to receive the same amount as party candidates. As in the case of party support, aggregate dispensable funds are determined by the budget.

The most important form of indirect funding is the access to free airtime on the public broadcast media. National broadcasting agencies are obliged to broadcast political advertisements free of charge at least once between the 18th and 3rd days before the elections. On the last day of the election campaign, the Hungarian Radio and the Hungarian Television transmits the electoral summary reports prepared by parties with national lists free of charge. Parties are also supported in their campaign efforts through the provision of public premises and necessary equipment under equal conditions.

Expenditures

The regulation of political expenditures concerns limits placed on the expenditures of political parties and individual parliamentary candidates. Limits on campaign expenditure of parties account for 1 million HUF (in addition to the subsidy accorded by the state for individual candidates).⁵ Thus, parties cannot spend more than the national limit and the individual expenditure ceiling multiplied by the number of contested mandates, that is HUF 386 million (USD 1,364,124).

Paid party political advertisements are not banned.

Disclosure and Enforcement

The Party Law calls on parties to prepare annual financial reports, which are to be made public in the Hungarian Gazette by March 31. Donations over HUF 500,000 (USD 1,767) as well as the contributions over HUF 100,000 (USD 353) from foreign sources must be displayed separately, along with the names of the contributors. Regulations stipulate that parties and independent candidates running in the national elections must

⁵ In 1998, this amount came to HUF 25,819 (approx. USD 88) per candidate.

disclose their campaign finance accounts, listing the amounts and breakdown of campaign expenses by category and, more significantly, naming their financial sources. These disclosures must be published in the Legal Gazette within 60 days of the second round of elections.

In terms of enforcement, the National Auditor's Office is entitled to check the legality of political parties' financial affairs. The National Auditor's Office carries out a yearly audit of those parties that enjoy support from the national budget in any given year. If the National Auditor's Office finds that a party has violated the law in its financial dealings, it provides directions to rectify affairs in accordance with the law. In the case of a serious breach of the law, or if a party does not adequately comply with the National Auditor's Office's directions, the Chair of the National Auditor's Office calls for legal proceedings in a court of law against the party. For instance, those parties found to have exceeded HUF 1 million (USD 3,534) campaign expenditure limit must pay twice the unlawful amount to the treasury.

Issues and Challenges

The state funding of political parties is an important factor in the operation of Hungarian democracy. Already in 1990 the proportion of state funding in the total party budgets accounted for 93% of the Independent Smallholders' Party budget, 88% of the Christian Democratic People's Party budget, and 24% in the case of the Hungarian Socialist Party. However, critics believe that Hungary should reform its state funding and introduce tax credits for donations to political parties as a way of galvanizing small and medium donations.

Further, in Hungary, the current limits on campaign expenditure of political parties needs to be increased as their level is unrealistic.

In terms of campaign finance disclosure the issue of donations in-kind is not sufficiently regulated by current legislation. Moreover, the National Auditor's Office (Állami Számvevőszék, ÁSZ) is not empowered to initiate investigation if it judges the books of a party to be suspicious. The suggestion made by ÁSZ in 1993 to introduce a penalty amounting to 15% of public subsidy received has, to date, not been accepted. Thus, a system of public financing without full disclosure and of enforcement backed by legal sanctions may encounter problems in a longer run. Such an enforcement agency in Hungary seems to be in need of a strong authority endowed with legal powers to supervise, verify, investigate, and, if necessary, institute legal proceedings.

Latvia

Institutional Background

Latvia is a parliamentary republic. Deputies to the single-chamber Saeima (Parliament) are chosen through the proportional system. The parliament also elects the president of the country.

The Law on Public Organizations adopted in late 1992 laid guidelines for organizational structure and stipulated the registration procedure of political organizations. However, it was vague on the subject of funding. The 1995 Law on Party

Financing and the 1995 Law on Parliamentary Pre-Election Campaigns laid out more detailed regulations.

Income

The 1995 Law on Party Financing introduced a number of important limitations on the previously almost unregulated field of political finance. Campaigning expenses are to be covered from party accounts. According to the law, the legal sources of income for a party are:

- membership dues;
- donations (by both natural and legal persons);
- profit from party enterprises;
- other income not prohibited by the current legislation.

A single benefactor (natural or legal person) is not allowed to donate more than LVL 25,000 (USD 41,700) per year per party.

Parties are prohibited from receiving donations, from stateless persons, foreign or anonymous sources, religious organizations, state or municipal institutions, or from enterprises where the state or a municipality holds 50% of shares or more. If an anonymous donation is received, it has to be transferred to a separate fund controlled by the Ministry of Justice, which subsequently redistributes those donations to all registered parties. The legislation specifically prohibits setting up foundations for the purpose of financing a political party.

State Support

It is important to note that the law does not foresee any direct state subsidies to political parties. Parties, as other non-profits in Latvia, do not pay income tax. However, they enjoy no other tax privileges; parties do pay VAT and other like taxes. Similarly, donations to political parties are not tax-exempt.

The Law on Pre-election Agitation before Saeima Elections lays out basic rules regulating the use of advertising in public media in parliamentary election campaigns. Most importantly, it foresees limited amount of free airtime on national TV (two 10-minute segments) and radio (two 10-minute segments) for all slates registered for the respective parliamentary elections. It also provides for adequate in-kind compensation to other slates if one or several slates have been given free airtime in addition to the amounts specified in the law.

Another form of indirect state support is publication of political platforms of parties running in the elections free of charge. The text of the programs cannot exceed 4.000 characters. These publications are freely available.

Expenditures

It has to be stressed that there are no limits on the total campaign spending or income as long as a party complies with limitations for individual donations. In addition, parties are not obliged to submit special pre- or post-campaign financial declarations.

Advertising is *de facto* unlimited, and the legislation does not require equal price policy for all contenders in either state or private media.

Disclosure and Enforcement

Since 1995, all registered political parties have had to submit annual financial declarations to the Ministry of Justice and the State Revenue Service; these declarations should contain detailed information about the amount and the sources of income as well as aggregate data on spending. They are also to be made freely accessible through publication in the official gazette “Latvijas Vēstnesis”. Failure to submit a declaration on time may result in disbanding the party following a court order.

The Ministry of Justice is the foremost institution entrusted with enforcing party financial regulations. The National Council of TV and Radio supervises allocation of free airtime on public radio and TV and observes the laws regulating pre-election campaign in the media.

The sanctions for violations are weak and primarily of administrative character.

Issues and Challenges

Latvia is one of the few East European countries where there are no direct state subsidies to political organizations. Parties themselves support introduction of the subsidies and a draft law is already in the legislative pipeline. However, future prospects of the draft are notably unclear as an absolute majority of voters opposes the move.

Instead, they favor more transparency and accountability in the area of campaign finance. While financial declarations are submitted annually, they are not sufficiently scrutinized and verified against other readily available sources of information. This contributes to the use of unaccounted-for funds to cover campaign expenses, which leads to distorted political interactions.

Another area of concern stemming from insufficient financial control is political advertising. While there are no limits on paid political advertising, the legislation requires it be clearly demarcated from other ads in broadcasts. This stipulation is not always observed. Moreover, hidden advertising is also a common practice on TV. Therefore, stricter and more effective regulations for political advertising are necessary.

Lithuania

Institutional Background

Lithuania has a semi-presidential political system. The single-chamber Seimas is chosen through a mixed election system and the state president is elected directly by the people.

In Lithuania, campaign finance is regulated by a number of legislative acts: the Law on Presidential Elections; the Law on Elections to the Seimas; the Law on Elections to Local Government Councils of the Republic of Lithuania; and the Law on the Control of the Funding of Political Campaigns of the Republic of Lithuania. The many laws lay out a rather strictly regulated regime of campaign finance.

Income

Pre-election campaigns are financed out of special accounts set up by respective parties or candidates. The legislation prohibits financing a campaign from other sources. If the State Tax Inspectorate establishes that payment for electoral campaign items or

services was made from funds other than the special election account, the amount paid shall be recovered without suit from the receiver and transferred to the State budget.

Money from the following sources accumulate in the special accounts:

- financial resources of political parties;
- personal funds of the candidate(s);
- state subsidies (via parties);
- donations by natural and legal persons.

No limit is set on the donations of financial supporters; however, the amounts transferred to the special election account shall not exceed a fixed limit. In a parliamentary election campaign, the maximum amount of money permitted for campaigning shall be in the amount of 50 average monthly wages (AMW) for an individual candidate in a single mandate district and 1000 AMWs for lists of candidates in a multi-member district⁶.

If the amount of money transferred to the election account exceeds the established limit, the surplus is to be transferred to the State budget. However, such a miscalculation on the part of political organizations has never been reported.

Parties and candidates are prohibited from accepting resources (gifts and donations in cash) from state or municipal institutions and organizations in which the state or a municipality owns more than 50 per cent of shares. They are also forbidden from receiving funds from foreign sources unless the donor is a citizen of the Republic of Lithuania, a person of Lithuanian origin, or a branch of a party or political organization of the Republic of Lithuania founded in an area populated by Lithuanians. Anonymous donations exceeding USD 25 are also banned.

State Support

Direct state subsidies to political parties were first introduced in 2000. Parties that have amassed at least 3% of votes in parliamentary and municipal elections are eligible for the subsidy. The total of state allocations to all parties cannot exceed 0.1% of the state budget. The actual amount of the subsidy to each party depends on the number of votes garnered. Presidential contenders receive a subsidy of USD 2,500 each.

Funds from the state shall be used to pay for the time on state radio and TV, for the printing of campaign posters of candidates in one-candidate electoral areas, and for publishing election programs and lists of candidates in newspapers. For example, in the 2000 elections to the Seimas, this amounted to 9 per cent of the total state resources allocated for the elections to the Seimas.

Both parties and candidates running for the Seimas as well as presidential contenders are given limited free airtime on national TV and radio to present their political platforms.

The Lithuanian legislation provides for no tax discounts for legal or natural persons donating money to political parties or special election accounts.

⁶ In 2000, the average monthly salary equaled LTL 1,100 or USD 275. Hence, the spending limit in single-mandate districts was USD 13,750, in multi-mandate districts USD 275,000.

Expenditures

The expenditure limits are not set in legislation but they exist de facto. As the campaign efforts can be financed from special election accounts only and as there exists an overall limit for each such account, the spending cannot exceed this limit.

Disclosure and Enforcement

All resources (gifts and donations in cash) shall be registered in gift lists indicating the name and address of the supporter. Ten days before the election, political parties and candidates are required to file a report with the Central Electoral Committee concerning the funds received and their utilization. They also have to submit the list of all financial supporters.

Twenty-five days after the announcement of final election results, final reports concerning sources of funds and their utilization is to be filed. Relevant documents justifying all income and spending shall be attached. If a party fails to file the report about the latest election it will be required to pay a double deposit to submit candidates for registration in the next election.

The reports are supposed to be reviewed by the State Tax Inspectorate, which issues its conclusions. Then the Central Electoral Committee publishes the final reports, lists of sponsors, and conclusions of the Tax Inspectorate in press and on the Internet.

The legislation, however, does not provide for serious sanctions against violators of campaign finance regulations. Only forgery of financial declarations is a criminal offence.

Issues and Challenges

The Lithuanian system of campaign finance has recently been changed by introducing direct state subsidies to political parties. It remains to be seen what effects this move will have on the overall patterns of funding the political activities.

After the Law on the Control of the Funding of Political Campaigns came in to force, voters and public authorities were enabled to control the funding of political campaigns. Presently, voters have a better understanding of who provides financial support to political parties and candidates. However, a problem is created by the lack of the universal declaration of income, which makes it impossible to check whether the funds of the supporter of a political campaign have been gained in a legal way.

However, one has to keep in mind that the introduction of separate election accounts does not guarantee transparency in campaign funding, *per se*. This appears to be particularly true for cash-based economies where many financial transactions go unrecorded. On the other hand, the use of hidden funding seems to be rather low due to high spending limits.

In early 2001, the Lithuanian State Tax Inspectorate released its analysis of the party electoral campaign financial reports for the parliamentary elections of 2000. It appeared that some parties and candidates had not opened the special election account and had financed their electoral campaigns with cash. Another common problem was that some donations were not registered in the special donation collection sheets⁷.

⁷ Nerijus Prekevicius. Lithuanian Political Parties after Introducing State Subsidies. Paper presented at the conference "Party Finance and Corruption" held in November 2000 in Riga, Latvia.

Another issue is anonymous donations. The legislation allows parties to receive small anonymous donations of up to USD 25. In fact, this creates excellent loophole to funnel unidentified resources into party coffers and avoid adequate transparency of campaign funding.

Finally, the lack of noteworthy sanctions for violating campaign finance rules hinders the emergence of a fully transparent regime of political funding. However, the Lithuanian media do pay close attention to financial aspects of political campaigns, partly compensating for the absence of legal instruments.

Macedonia

Institutional Background

The parliament of Macedonia has a single chamber. Its members are elected under a mixed electoral formula. The Macedonian president is elected directly by the people.

The general rules on campaign finance in Macedonia are laid down in the 1994 Law on Political Parties, and they apply to both parliamentary and presidential elections. The 1998 law on parliamentary elections introduced a number of modifications for parliamentary campaigns.

Income

During election campaigns, all contributions are to be channeled through designated bank accounts – electoral funds. According to the 1994 Law on Political Parties, the lawful sources of funding of political parties in Macedonia are:

- membership dues;
- private contributions and bequests;
- income from personal or party assets;
- the state budget.

According to the law on political parties, there are limits on contributions from both individuals and organizations. During electoral campaigns, a contribution could not exceed 200 times the average monthly salary in the country as determined by the Republican Institute of Statistics. Inter-election contributions cannot exceed the average salary 100 times. Currently, the average salary stands at around USD 147.

Donations from foreign organizations and individuals, state and local authorities, and enterprises owned by the state are prohibited. In 2001, the Constitutional Court of Macedonia invalidated part of the party law, which stipulated that the parties could own firms. Currently, the political parties are prohibited from owning companies.

Apart from the general restrictions in the party law, the parliamentary election law of 1998 introduced another restriction – campaigns cannot be financed by citizen associations or ethnic/religious foundations.

State Support

All parties not represented in the parliament who have obtained more than 3% of the vote in national elections are entitled to an equal share of 30% of the total state subsidy for political parties. The parliamentary-represented parties divide the remaining

70% among them in proportion to the seats they control in the legislature; they also have the right to receive reimbursement of electoral costs, and, thus, they may receive 15 Denars (USD 0.23) for every vote they have received in the elections. The same principle was introduced for the 1999 presidential elections. In addition, presidential candidates who go to the second round of elections receive another 15 Denars (USD 0.23) for every vote they get in the second round.

According to the parliamentary electoral law, two-thirds (2/3) of all budget funds appropriated for elections go for the administration and organization of the election, and only one-third (1/3) is for the reimbursement of the electoral costs of the contestants.

Limited indirect state funding is also available. Local authorities provide space for posters for parties and candidates. The parliament may also introduce a scheme for providing free access to the public media before every election.

Expenditures

In 1998, an overall expenditure limit for both candidates and parties was introduced. Spending was limited to 15 Denars (USD 0.23) for every registered voter in the electoral district for candidates, and to 15 Denars (USD 0.23) for every registered voter in the single national electoral district for parties. The same rules were included in the presidential election law of 1999. However, there are no general restrictions on political advertising in either the party law or the parliamentary election law.

Disclosure and Enforcement

The law on political parties requires that the political parties keep records of their income and expenditures, and rules that the sources of funding of the parties must be made public. Parties must disclose the type, the amount, and the source of funding. As envisaged by the party law, control over the reporting procedure is exercised by the state financial control organs.

The only meaningful sanction envisaged by the Law on Political Parties is a fine amounting to two average monthly salaries, which is levied on the financially responsible person of a political party who fails to produce evidence relating to donations received by public enterprises and organizations.

The law on parliamentary elections introduces a number of enforceable sanctions. Firstly, there are fines for the parties that violate the designated electoral account principle - 200,000 –300,000 Denars (USD 3,000 to USD 4,500). Similar fines for parties apply if they fail to produce the necessary reports of their finances, as well as in cases of violation of the overall expenditure limits. The financially responsible persons in the parties are also to be fined in cases of the above-mentioned violations. In addition, if contestants use funds that are proven by a court verdict to have been acquired by criminal means, their election could be nullified – this applies to both parties and candidates.

Issues and Challenges

The problems with the Macedonian model are primarily with its enforcement. In past elections, both the presidential and the parliamentary elections in the country were marred by various instances of fraud and manipulation of the electoral results. Usually, electoral fraud is a much more difficult to perpetuate than campaign finance violations.

The widespread incidence of electoral fraud would suggest that campaign finance violations may go unpunished even more often. If this is true, the focus should be on the improvement of the enforcement agencies (CEC and its branches).

Also, the amount of the sanctions and the restrictions on expenditure and contributions should be adjusted. In general, limits on expenditure and contributions should not be unnecessarily restrictive and damaging to the right of freedom of expression. They should also not be too exorbitant, which would make them meaningless.

It seems that the prohibition of paid electoral advertising in the mass media is more efficient than overall expenditure limits in the countries of transition. This is so because its enforcement and monitoring are much easier. Therefore, if there are problems with the implementation of the laws, a move towards the introduction of restrictions on the purchase of airtime and space in the printed media might be more efficient. This should be balanced against the right to freedom of expression, however.

Moldova

Institutional Background

The rules on campaign financing in Moldova are part of the general Electoral Code, adopted on November 21, 1997. The Code, however, mainly deals with the financing of the Central Electoral Commission (CEC) by the state and has no detailed rules on campaign financing *per se*. The law on political parties provides additional regulations of campaign finance, however.

Income

The Moldovan legislation provides for creating special electoral accounts to finance election campaigns of political parties and candidates. The electoral accounts accept contributions from Moldovan corporations and individuals and the personal funds of the candidates.

The Law on Parties and Other Public-Political Organizations provides that the funds of the parties come from:

- membership fees;
- income from publishing activities;
- donations from corporations and individuals;
- income from sales of books.

As a rule, limits on contributions exist, and they are set by the Central Election Commission before every election.

However, a number of financial sources are prohibited. Electoral accounts cannot accept contributions from foreign states, citizens, organizations or agencies; stateless persons; charities or religious organizations; or Moldavian citizens who are less than 18 year old. Anonymous donations and contributions from organizations financed by the Moldovan state budget are also banned.

State Support

There are no forms of direct public funding for political parties in Moldova but the state offers interest-free loans to parties and candidates. The amount of the loans is to be determined by the CEC. Candidates who gather less than 6% of the vote are required to repay the loan within two months after the elections. Others must repay them within four months after the elections.

Another form of indirect state funding is the free access to the media. The state-financed media (both electronic and print) provides free airtime or copy space to the candidates and parties for the announcement of their programmes and other election-related materials. The media must also provide free time for political discussions among the candidates. The production costs of the media spots are to be covered by the electoral contestants.

Candidates have the entitled to paid leave during the campaign and compensation for travel costs incurred in the territory of their district (except for taxi fares).

The local authorities are obliged to provide electoral contestants with facilities for meetings with the voters. The local authorities also provide the contestants with free space for electoral posters.

Expenditures

Campaign spending is also limited. For parties and electoral blocks the limit is set at 1million Lei (approx. USD 78,700); for independent candidates it is 30,000 Lei (approx. USD 2,360). However, political advertising is not restricted within the overall spending limits.

Disclosure and Enforcement

The burden of reporting is placed largely on commercial banks that have opened election accounts. It is the banks that inform CEC about contributions to the electoral accounts of candidates and parties within 24 hours. According to this procedure, it is not the parties or contestants, but the banks that are responsible to provide information for the financial standing of the contestants in the election. The contestants, however, could be asked by the banks about the sources of their income if they are somehow not evident or clear from the wire-transfer.

The candidates present financial reports to the CEC every week. Reports include income and expenditure. The CEC announces the reports 'periodically'.

Within one month after the elections, the financial reports of the candidates and parties must be published in the press. Other sources of funding not declared in the 'electoral account' are prohibited.

The Supreme Judicial Chamber (Supreme Court) is empowered to cancel the registration of a candidate in cases where the rules relating to the use of non-declared funds or contributions from foreign donors have been violated. The SC should decide on the case within five days, but no later than the day of elections.

Issues and Challenges

The Moldovan legislation pertaining to campaign finance frequently changes, and the current version has been recently adopted. This makes the formulation of proposals somewhat complicated.

The Moldovan system is not clearly party-centered or candidate-centered, and it is not evident which are the major actors in the electoral process: are they the political parties or ad hoc electoral alliances and individual candidates? If there is a need to strengthen the party system in Moldova, it could curb some of the benefits for individual candidates and ad hoc alliances and create more institutional benefits for political parties in terms of allocation of free airtime, use of interest-free credits, and other forms of in-kind state support.

Secondly, it seems that the rules are more capable of ensuring transparency of the individual candidates' campaign finances, rather than those of parties and electoral blocs. This is so because of the structure of sanctions: an individual candidate may lose his parliamentary seat in certain cases of violations, while there are no similar sanctions for political parties. This is a general problem, which is very difficult to tackle. The most reasonable answer to this problem is the introduction of severe fines for the political parties. However, fines will only be effective against established parties; ad hoc electoral alliances may well go bankrupt after the elections, at no cost to their individual members, many of whom could be in parliament enjoying special immunities. This is yet another argument in favor of making the established political parties major players in the electoral process.

Thirdly, the system of the 'electoral fund' is very difficult to enforce in societies where cash payments are predominant and most of the financial transactions do not use electronic wire-transfer. The electoral fund may be just a fragment of the party and candidate financing – a lot more goes on in the form of cash transactions. Therefore, it seems that the focus in such societies should not be so much on limits of contributions and overall expenditure, but on restrictions of certain forms of commercial advertising in the press and the electronic media.

In order for these restrictions to avoid infringing on the freedom of speech, however, some forms of indirect state funding should be provided, such as more free airtime and media space.

Finally, when designing campaign finance regulation for Moldova, one should have in mind the widespread and government-acknowledged problem of corruption (both in terms of 'state capture' and 'administrative corruption').⁸ In view of this problem, it seems reasonable to strengthen the 'autonomy' of political actors vis-à-vis donors from the civil society: public funding of political parties, either directly or indirectly, may be beneficial for this purpose. This could be combined with restrictions on types of expenditure (especially the expensive advertising in the press and the electronic media).

Poland

Institutional Background

The Polish parliamentary-presidential system provides for a two-chamber Parliament. The lower chamber (Sejm) is elected under a PR system, and the upper chamber (Senat) is elected under an FPTP system (from 2 to 4 senators in each constituency), both for a four-year term. The President of Poland is directly elected by

⁸ See the 2000 report of the World Bank *Anticorruption in Transition*.

the people for a five-year term. The political culture of Poland is party oriented, and the term political finance applies to the funding of inter-election routine activities as well as campaigns.

Due to the recent, comprehensive campaign finance reform Poland has completely new regulations concerning political funding. The Presidential Election Law⁹ and Law on Political Parties¹⁰ were largely revised. The new Parliamentary Election Law was introduced in May 2001.

Income

In the case of Presidential Elections, legal entities and other organizational units can contribute to candidates' campaigns. The financial resources of a candidate's committee should be deposited in a bank account; however, funds obtained in public collections from legal entities (excluding political parties) or anonymous donors have to be deposited in separate sub-accounts.

A different arrangement is used for parliamentary elections. The funds of an election committee of a political party may be derived only from the Election Fund. Financial resources collected for the Election Fund may be derived from transfers of political party own sources, donations (from natural persons only), legacies, and bank loans.

Poland has set limits on all private contributions. In the case of Presidential Elections, the total amount of money contributed by an individual for one committee cannot exceed the equivalent of 15 minimum monthly wages on the day preceding the beginning of the election campaign. The total amount of money contributed by another subject, with exclusion of political parties, may not exceed, for one committee, more than 100 times of the minimum monthly wage. Moreover, contributions that exceed two (2) minimum monthly wages (excluding funds gained in public collections) must be paid in full by a cheque, bank draft, or bankcard.

In Poland, the regulatory frameworks have attempted, with varying degrees of success, to prohibit certain sources and limit the amount of allowable contributions. The two most common prohibitions on sources concern legal entities and foreign donors. Poland has prohibited all legal entities from making political contributions to political parties or parliamentary candidates. In the case of Presidential Elections, contributions from legal entities, excluding political parties, shall not exceed 60% of the spending limit. Financial resources of legal entities contributed for election campaigning may be derived from their profits only. In addition, political donations cannot be accepted from any foreign sources.

In addition, Presidential Election campaign expenditures cannot be met with the funds derived from:

- state and municipal institutions;
- state-owned enterprises or other economic subjects associated with the State Treasury, units of local administration, municipal unions, and other municipal legal persons, as well as associations and other corporations of units of local administration – excluding public companies;

⁹ The Act of 27th September 1990 on Election of the President of the Republic of Poland.

¹⁰ The Act of 27 June 1990 on Political Parties (Journal of Laws of the Republic of Poland No. 98, item 604; No. 106, item 668 of 1998, and No.46, item 499 of 2001).

- legal entities, excluding political parties, which have used public funds within the two years of the proclamation of election;
- subjects dependent, according to the meaning of the Act on Public Trading in Securities, on subjects listed in sub-paragraphs 2 to 5;
- individuals, excluding Polish citizens residing abroad, who do not permanently reside on the territory of the Republic of Poland;
- foreign nationals residing in Poland;
- legal entities who are not located in the territory of the Republic of Poland;
- other subjects who are not located in the territory of the Republic of Poland but have legal capacity to enter into commitments and acquisition of rights on their own behalf;
- legal entities with participation of foreign nationals, excluding public companies;
- foreign diplomatic missions, consular offices, special missions, or other foreign and international organizations which exercise the rights to immunity and diplomatic or consular privileges, coming from agreements, acts of law, or internationally ascertained customs.

State Support

According to the new 2001 Election Law, political parties receive reimbursement of campaign expenses and direct annual subsidies. A political party whose election committee participated in elections or who was a member of a coalition as well as the election committee of electors all have the right to a subsidy (called *subject allocation*) from the State budget for each mandate of a deputy or senator gained. The amount of the *subject allocation* is established taking the amount of expenditure shown in the election reports of committees which have received at least one seat (mandate) and dividing it by the number 560.¹¹ The expenditures shown in election reports shall continue the calculation above to the amount not exceeding expenditure limits.

In addition, political parties that:

- formed their own election committee in the elections to the Sejm and have gained in those election at least 3% valid votes given for its constituency lists of candidates for deputies; or
- are members of an election committee in the elections to the Sejm and such committee has gained in that elections at least 6% valid votes given for its constituency lists of candidates -

receive, during the term of office of the Sejm, a subvention for its statutory activities paid by the State budget.

Indirect state subsidies have contributed significantly to party financing in Poland. There are various kinds of indirect subsidies but two are of particular importance:

- free broadcasting;
- subsidies for parliamentary groups.

The free access to state radio and television is equally distributed among all presidential candidates. During a general election, parties have the right to broadcast

¹¹ The number 560 is obtained by adding the nominal number of members of the Sejm [460] and of the Senate [100]

their election programs at no cost on both state television and radio. In addition to that, each election committee may broadcast limited, paid election programs on public and non-public radio and television. Rates charged for the broadcast time cannot exceed 50% of those charged for commercials.

Secondly, an important source of money for Polish political parties consists of specific grants paid to parliamentary caucuses and individual parliamentarians (excluding salaries). The demarcation of different kinds of public funding is a controversial matter; however, these funds should be classified as a source of indirect subsidies for political parties from the state's budget. Political parties would not be able to operate effectively without access to these parliamentary resources¹². For countries with low direct subsidies to political parties, these indirect subsidies play an important role for non-parliamentary activities.

Expenditures

The regulation of political expenditures generally concerns limits placed on the expenditure of political parties or individual candidates (both parliamentary and presidential). Limits on the allowable amounts of party expenditure are a common feature; such limits are applied either through a determined ceiling or through a formula (multiplication of average monthly wage). Moreover, the expenditures incurred by an election committee and devoted for election campaigning, realized in the character and methods proper for advertising, including press advertising, shall not exceed 80% of the central limit.

For parliamentary elections, the election committees cannot exceed following spending limits:

- a constituency limit – established for an election committee which, in the elections to the Sejm or to the Senate, has registered a candidate or candidates in one election constituency only; or
- a multi-constituency limit - established for an election committee, which, in the elections to the Sejm or to the Senate, has registered candidates in more than one constituency.

The expenditure limit is calculated as the sum of 1 (one) PLZ for each elector of the country included in the register of voters. According to this formula, the national limit for the 2001 elections is approximately PLZ 29 million (USD 7.01million). In addition, only 80% of the national limit can be used for advertisement, including press publications. The remaining 20% is to be used for other administrative costs.

The expenditures of a committee in presidential elections cannot exceed the total of PLZ 12 million (USD 2.9million).

Disclosure and Enforcement

In the first stage of democratic transition, Poland adopted a more *laissez-faire* stance towards the control of political finance. Regulations were rather symbolic, and

¹² Political parties with parliamentary representation receive money through their MPs' and Senators' offices for running their local offices, as well as the necessary equipment for operating these offices, and a certain number of postage-free envelopes for parliamentary correspondence.

parties had little restriction in seeking financial sources, the laws often failing to provide an independent controlling agency.

Current regulations require that party, independent parliamentary candidates, and presidential candidates' accounts be reported (in the case of political parties on an annual basis). After the Parliamentary Elections, within 3 months following the polling day, a committee submits to the National Electoral Commission report, later called "election report", on receipts, disbursements, and financial liabilities of the committee (including bank loans and specifying conditions set forth by the lending institution) along with the written opinion of a competent auditor concerning the report. Then, the National Electoral Commission appoints an auditor. The cost of preparing a report is covered by the State Budget. The National Electoral Commission also publishes election reports of election committees in the Official Gazette within a month following the submission of the report.

The regulations concerning the disclosure of private contributions are a common feature to parliamentary and presidential elections in Poland. The National Election Commission facilitates access to the list of contributions made by individuals for the benefit of an election committee of a coalition or to the election committee of the voters. However, in Poland no disclosure is required for political donors.

Issues and Challenges

The Polish case proves that, in countries undergoing political transformation, there should be a clear set of rules and strict control over political funds. Since political parties are not private businesses, but, instead, perform a public function, their financing is a matter of public interest. Unfortunately, in Poland the issue of legal regulations on the activity of political parties and its finance-related aspects did not receive proper attention in the first years of transformation.

In general, the Polish example of the 2000 Presidential Elections showed that spending limits have proven in practice to be a fiction, having been introduced at an unrealistically low level. Not only have they failed to curb a political finance 'arms race', but their failure has also undermined confidence in the system of political finance regulations.

An additional problem of controlling expenditure is connected with the issue of independent political campaign spending. Before 2000, Poland did not directly apply limits on independent groups' expenditure on behalf of a political party or presidential candidate during a campaign.

Another issue is related to candidates' individual campaigns. There are severe sanctions applied to election committees in case one of their 1020 candidates (the total number of candidates to Sejm and Senate) break campaign finance regulations. Although these provisions seem to have been based on good intentions, the concern remains that they are vulnerable to arbitrary and harsh application.

As a result of the recent political finance reform, a system of considerable public financing was introduced. However, this should be supported by full disclosure and a strong enforcing agency capable of supervising, verifying, and investigating. Poland has introduced considerable public funding; now it is time to introduce strong public control.

Romania

Institutional Background

The Romanian Parliament has two chambers. Members of both are elected by proportional representation. The president of Romania is chosen directly by the people.

The general model of funding of political parties in Romania is laid down in the 1996 Law on Political Parties. However, the law on parliamentary elections describes the model of campaign finance. All campaign finance rules set out in the law on parliamentary elections apply to presidential elections as well, unless special regulations apply.

Income

According to the current legislation, the lawful sources of political financing are:

- membership dues;
- donations and bequests;
- income from private activities of the party;
- annual subventions from the budget according to the budget law.

The 1996 law imposes restrictions for non-budgetary resources (donations).

These restrictions vary with the character of the year - electoral or non-electoral – and with the source of the donation - individual or corporate. For electoral years it can amount up to 0.01 % of the GDP, while it is reduced to half for non-electoral years, 0.005%. In one year a private person cannot donate more than 100 times the minimum wage - approximately USD 3,600- while companies are limited from donating any more than 500 times - approximately USD 18,000.

The legislation defines a number of prohibited financial sources:

- state institutions;
- state-owned companies and joint ventures with majority participation by the state;
- foreign sources except for foreign organizations with which local parties are affiliated - particularly the European and American party foundations and institutes.

State Support

Annual budgetary funds¹³ are voted for the political parties by the Parliament and given to them through the General Secretary of the Government. The total amount cannot exceed 0.04 % of the GDP. Subsidies are indeed a significant source of income for Romanian parties. For 2000 this sum represented ROL 48 billion, or approximately USD 2.4 million. To be eligible, subsidy recipients must have either a parliamentary party (with at least one parliamentary faction in either house of the parliament) or (for non-parliamentary parties) they must have 2 % of the votes. Three types of subventions are set according to these criteria:

¹³ <http://domino2.kappa.ro/mj/superlex.nsf/Emitent/C861457C667C104BC12564FB003A6E1A?OpenDocument> text of the law in Romanian only.

- *base subvention*: (1/3 of the total subsidies) given to parties which have *parliamentary factions* (at least ten deputies) in one of the two Chambers after convening the newly elected legislature;
- *proportional subvention*: a lump sum proportional to the number of MPs.

However, the

- *total subvention* given from the budget to a party after all these allocations cannot be more than *five times the base subvention*. Therefore, any leftover subsidies are to be given to parties that have collected over 2% of the votes nationwide.

Indirect state support takes various forms. Free airtime is granted to political parties represented in the parliament in proportion to their Parliamentary representation. Other political organizations pay subsidized prices for advertising on state radio and TV. The local authorities provide special places for posters for parties, coalitions, and independent candidates.

Expenditures

The law formally forbids political corruption through donations in political campaigns. It stipulates that all donations consisting of goods and money made with the evident goal of obtaining an economic or political advantage are forbidden.

The spending in a campaign is not limited but paid political advertising in print, radio, and television during the electoral campaign is prohibited.

Disclosure and Enforcement

The list of persons who have donated sums amounting to more than 10 minimum wages has to be published in the Official Gazette no later than March 31 of the following year. But this important regulation has proven to be insufficient, as there is no specific control of this norm. Examples are quite notorious. PDSR has failed to publish such a list ever since the law was passed in 1996. Though there were quite numerous scandals in the papers about illegal contributions going to this party, it did not publish the list for 1999 on March 2000. The National Liberal Party also has not complied with this regulation. Even parties that did comply with the law seemed to offer incomplete information. In addition, a party does not have to report contributions as long as the total amount of contributions (from all sources) does not exceed 20% of the state subsidy in a year.

A system of authorized financial agents, registered with the Ministry of Economy and Finance was introduced in 1992. Both parties and independent candidates should have their financial agents. The receipt of funding that is not authorized by the agent is a “petty offence,” according to the law, bringing a sanction between ROL 15,000 and ROL 45,000 (USD 1 and USD 3).

Issues and Challenges

The general weakness of the Romanian model seems to be the lack of transparency and the ineffectiveness of the enforcement mechanisms relating to disclosure and the limits on contributions. Several huge political scandals have overshadowed Romanian politics, and party funding was an important element in each of them. Especially problematic is the disclosure of the major donors of the political

parties: major parties, such as the PDSR and the National Liberal Party, have failed to produce the required reports, while the reports of the rest of the parties are, in the view of most of the observers, unreliable.

The lack of sanctions against such types of violations seems to be the greatest problem of Romanian campaign finance, which provides a major catalyst for corrupt practices. It is obvious that the system of electoral agents is inefficient in preventing the violations of political parties. Sanctions like suspension of state subsidy, return of state subsidies, and financial fines seem to be much more effective, if set at a proper level.

Other problems, which are not dependent solely on campaign finance regulation, have proven the alleged interference of the government in the workings of the public media during elections. Special sanctions for such types of violations should be provided, but, most importantly, there should be a reliable and authoritative system of monitoring campaigns, whose verdict may be used as a basis for the imposition of sanctions.

Russia

Institutional Background

The Parliament of the Russian Federation, the Federal Assembly, is divided into two chambers: the upper Federation Council and the lower State Duma. The Federation Council was created to represent Russia's regions and has 178 deputies, two from each of Russia's 89 Subjects. One of the members is the locally elected executive head. The other is the head of the regional legislature, elected by regional deputies.

The State Duma consists of 450 members, elected through two types of mandates: a party-list vote, whereby 225 seats are divided among those parties that clear a 5 percent vote barrier; and 225 seats distributed through single-member constituencies on a first-past-the-post basis. The Russian president is chosen directly by the people.

The area of campaign finance is regulated by the 1999 law on the State Duma elections and the 1999 law on presidential elections.

Income

The Russian legislation requires special election funds be set up to finance campaign efforts of respective candidates or political organizations. Electoral funds of single parliamentary candidates may be formed only from the following sources:

- the personal money of a registered candidate, which shall not exceed one thousand times the minimum wage;
- amounts allocated to a candidate, a registered candidate of the electoral association which nominated him/her (from sources other than the electoral fund of the electoral association), electoral associations of the electoral bloc that nominated him/her (from sources other than the electoral fund of the electoral bloc), which shall not exceed five-thousand times the minimum wage established by federal law as of the date on which the decision to hold the election was officially published;
- money equally allocated by a district election commission to each registered candidate in that district;

- voluntary donations of individuals and legal entities in the amount not exceeding 100 times (for each natural person) and two thousand times (for each legal entity) the minimum wage.

During parliamentary elections, electoral funds of electoral associations, electoral blocs may be formed only from the following sources:

- the monetary resources owned by an electoral association or electoral bloc, not exceeding 100 thousand times the minimum wage;
- the funds allocated by the Central Election Commission of the Russian Federation to electoral associations;
- voluntary donations of individuals and legal entities not exceeding more than 150 times (for each citizen) and 20 thousand times (for each legal entity) the minimum wage.

Electoral funds of presidential candidates may be formed only by the use of the following financial resources:

- a candidate's own money in the amount not exceeding the minimum monthly wage by more than two thousand times and for a candidate for whom the repeat voting was declared by more than three thousand times;
- amounts allocated to a candidate by the electoral association which nominated him/her, electoral associations of the electoral bloc which nominated him/her, the total sum not exceeding by more than 200 thousand times the minimum monthly wage.
- voluntary donations of individuals and legal entities to an amount not exceeding by more than 400 times the minimum monthly wage for each individual and 40 thousand times the minimum monthly wage for each legal entity.
- money allocated to a registered candidate by the Central Election Commission.

Regulations also prohibit certain sources. No donations to electoral funds of presidential candidates, parliamentary candidates, registered candidates, electoral associations, or electoral blocs are allowed from:

- foreign states, citizens, legal entities, or international organizations;
- stateless persons;
- citizens of the Russian Federation under 18 years of age;
- Russian legal entities (?) with foreign participation if the share of foreign capital exceeds 30 per cent of their (authorized) charter capital
- bodies of state power and local self-government;
- state-owned and municipal enterprises, institutions and organizations;
- legal entities (?) with a state or municipal share in their charter (authorized) capital exceeding 30 per cent:
- charity organizations or religious associations as well as organizations established by them;
- anonymous donors
- legal entities registered less than a year before voting day.

State Support

The Russian legislation provides for direct state subsidies to various subjects. In the Duma elections of 1999 direct state subsidies to all political parties rose from USD 1 million in the 1995 elections to USD 4.6 million. Even individual candidates received direct state subsidies – a grand total of USD 38.91 each. This accounted for 0.06% of their total spending allowance. The introduction of direct state subsidies for individual candidates did little to change the dominant practice of private funding of candidates and parties.

According to the 1999 Federal Law on the Election of the President of the Russian Federation, applying to the 2000 presidential elections, money should be allocated to all presidential candidates registered by the Central Election Commission of the Russian Federation not later than 40 days before voting day.

Free airtime is equally distributed among all presidential candidates in Russia. In Russian presidential elections, the election law gives each candidate 80 minutes of free airtime on workdays on TV channels and radio stations. The free airtime saves each candidate approximately RUR 10 million (USD 352,000) from campaign funds. A registered candidate can choose the form of the election campaign, but half of the free airtime must be given to televised debates of contenders. The campaign is also broadcast by regional television. Candidates can also buy time on both private and state-owned TV channels.

In Russia, grants for party representation in Parliament are an important supplement to the party's central and local offices and can also be used for campaign activities.

Expenditure

In Russia, the regulation of political expenditures generally concerns limits placed on political parties, electoral associations, or individual candidates' (both parliamentary and presidential) expenditures. The total amount of expenditures from the electoral fund of a parliamentary candidate must not exceed ten thousand times the minimum wage established by federal law as of the date on which the decision to hold the election was officially published. The total amount of all expenditures from the electoral fund of an electoral association or electoral bloc should not exceed 250 thousand times the minimum wage.

In the case of presidential candidates in Russia, the total amount of expenditures of a candidate from his/her electoral fund cannot exceed more than 300 thousand times the minimum monthly wage (for repeat voting the limit is 400 thousand times the minimum monthly wage).

Paid party political broadcasts are not banned.

Disclosure and Enforcement

There are two ways of controlling political finance: (1) disclosure and (2) legal enforcement; these are not mutually exclusive. Legal enforcement involves creating a system that directly controls the cash flow in politics. Systems such as these generally operate in a restrictive and negative way, i.e. they limit political donations in both quantitative and qualitative ways. On the other hand, disclosure of political donors and

reporting on political funds provides the necessary information to allow public opinion to control political money.

Presidential candidates, parliamentary candidates, electoral associations, and electoral blocs are required to open special electoral accounts with branches of the Savings Bank of the Russian Federation. Presidential candidates, parliamentary candidates, electoral associations, and electoral blocs have to keep all records of the money contributed to and spent from their electoral funds. Moreover, presidential candidates, parliamentary candidates, electoral associations, and electoral blocs should file financial reports with appropriate election commissions within the following periods:

- the first financial report – when the documents required for registration are submitted to the appropriate election commission;
- the second financial report - not earlier than 20 days and not later than 10 days before voting day;
- the final financial report – not later than 30 days after the official publication of election results. The final financial report shall be submitted together with the primary financial documents confirming contribution of money to and expenditure of sums from an electoral fund.

The copies of financial reports of registered candidates, electoral associations, and electoral blocs that registered federal lists of candidates shall be handed over to the mass media by the appropriate election commission within five days of their receipt. There is no disclosure required on political donors in Russia.

Issues and Challenges

The situation in Russia well illustrates that the cost of political campaigns has risen considerably, particularly in respect to the mass media. However, the artificial level of the threshold makes the reporting of political party expenditure irrelevant. In the 1999 Duma Elections, individual candidates were allowed to spend USD 65,000 and electoral blocs USD 1.7 million. In addition, some candidates paid an electoral deposit of 2,000 times the minimum wage (approximately \$7,000) for a single mandate candidate and 50,000 times the minimum wage (approximately \$170,000) for a party list. These amounts represented about 10% of the allowable campaign spending limits and had to be paid from the electoral fund.

Not surprisingly, the press has reported that unofficially national blocs spent considerably more. Later interviews with Russian senior politicians from the Right Forces Alliance (SPS) confirmed that the Bloc spent over USD 30 million on its campaign. In general, the Russian example shows that spending limits have proven, in practice, to be a fiction, having been introduced at an unrealistically low level. Not only have they failed to curb a political finance ‘arms race,’ but their failure has also undermined confidence in the whole system of political finance regulations.

An additional problem of controlling expenditure was connected with the issue of independent political campaign spending. The Central Election Commission determined that the book *In the First Person: Conversations with Vladimir Putin* should be considered as campaigning material for the presidential candidate. As a result, the candidate’s electoral fund had to pay for its publication and distribution.

Further, under the current law, sanctions for any financial irregularity or infraction involved no less than rejection or annulment of registration, or removal of a

mandate. These provisions raise the concern that they are vulnerable to arbitrary and inconsistent application.

Finally, in Russia, informal political actors financial groups and political “oligarchs” – dominate the political spectrum. Political parties are incorporated into the structure of an “oligarchy” to act as its legitimate vehicle of engagement in public policy and lobbying. They are supported by the key industries and the mass media they control. A situation where political power is the sole avenue to wealth has inflicted enormous damage to Post-Soviet countries. Thus, Russia should consider changing the structure of campaign sources, increasing the level of public funding both for parliamentary and presidential elections.

Slovakia

Institutional Background

The Slovakian parliament - National Council of the Slovak Republic - has a single chamber. Its 150 members are chosen by proportional representation. The president of Slovakia is directly elected by the people.

The following acts of legislation regulate campaign finance of the country: the 1998 parliamentary election law, the 1999 presidential election law, and the 1994 law on limitation of expenditures of the political parties.

Income

Only donations from the individuals with permanent residence within the territory of the Slovak Republic, from legal entities based within the territory of the Slovak Republic, or from political parties or movements registered in the Slovak Republic are allowed. The Candidate for the Presidency or political parties cannot receive donations from the State, organs of state administration, or organs of municipal government.

State Support

The state offers direct subsidies to political parties provided they have gained certain support in parliamentary elections. After the verification of parliamentary elections, the chairman of the National Council of the Slovak Republic informs the Ministry of Finance about the number of valid votes cast for every political party. A political party which received more than three percent of the total number of valid votes cast in the Slovak Republic in the elections is paid SKK 60 (USD 1.28) from the state budget for each such vote.

Indirect state support is also provided in a number of ways. During the presidential campaign, each Candidate has equal access to mass media. Slovak Radio and Slovak Television allocate not more than one hour of their broadcasting time per Candidate, 10 hours of broadcasting time in total. The claim for the broadcasting time must be filed at least five days before the start of the campaign, or it shall lapse. Slovak Radio and Slovak Television shall provide for distinct identification and separation of this broadcasting from other programs.

During the period of parliamentary election campaigning every running party is ensured equal access to the mass media. Political parties can conduct election campaigns

through radio or television broadcasting, but only on Slovak Radio and Slovak Television. Election campaigning through the radio or television broadcasting of private license holders is prohibited. The use of local public loudspeakers for election campaigning is not permitted, except for announcements concerning the holding of election meetings. Slovak Radio and Slovak Television reserve 21 hours of broadcasting time for the election campaign, which is divided evenly among running political parties.

Expenditures

According to the Law on limitation of expenditure of the political parties, the spending limit for a political party during the parliamentary elections is SKK 12 million (USD 256,960). This sum covers the expenses the party paid off or is to pay off, including expenses third persons paid off or committed to pay off for the party. However, the law does not restrict the size of contributions to political parties or candidates.

The candidate for the President can use no more than SKK 4 million (USD 85,653; VAT incl.) for his/her pre-election campaign. This sum covers the expenses the candidate paid off or is to pay off, including expenses third persons paid off or committed to pay off for the presidential candidate. If candidates exceed the campaign expenditure limit, the Ministry of Finance shall impose a penalty amounting to ten times the amount by which the limit was exceeded.

Disclosure and Enforcement

Presidential candidates are obliged to keep a register of all donations (as well as the donors of the gifts) received by their campaigns and announce, in writing, to the Ministry of Finance of the Slovak Republic, the total sum of the funds received for his/her campaign and the total expenditures for his/her campaign. The presidential candidate discloses donations from natural persons if the value exceeds SKK 10,000 (USD 214) and from legal entities if the value exceeds SKK 100,000 (USD 2,140).

Moreover, any individual or legal entity who produced an advertising program, poster, leaflet, or other advertising material (be they the publisher of periodicals, operator of radio and/or TV broadcasting, designer or supervisor of advertisements posted in public places) for the presidential candidate is obliged to declare, in writing, to the Ministry of Finance of the Slovak Republic, the funds they received from individual Presidential candidates for these campaign services. The Candidate for the President and/or the natural person or legal entity responsible for publicity shall submit the statement no later than 30 days after the presidential election day. In the statement, the publicist shall also compare the usual prices for advertising, sponsored programs, commercials, and other advertising material with that of items that they published, broadcast, or produced in favor of individual candidates for the President free of charge or for a lower price.

The Ministry of Finance shall impose a penalty of up to SKK 2,000,000 (USD 42,800) on a presidential candidate or legal entity that does not fulfill their reporting duty.

Issues and Challenges

The Slovak system of political finance has changed its libertarian character. However, the disclosure rules are rather weak, and their implementation hard to enforce.

Thus, the role of the CEC should be strengthened. Following the OSCE recommendations, consideration should be given to the creation of a permanent CEC, which would be a stronger enforcement agency.

Second, spending limits are very low and difficult to implement, limiting their ability to mount an active campaign.

Finally, the election-related legislation is fragmented across a number of legislative acts and one possible option would be to integrate the various election laws and procedures in a single election code.

Turkey

Institutional Background

Turkey has a parliamentary regime. The Great National Assembly of Turkey has a single chamber with 550 members elected by proportional representation with a barrier of 10 %.

The Law on Political Parties (No. 2820) and the Law on the Main Rules of Election (No. 298) along with Article 68 of the Turkish Constitution set the basic rules of campaign finance in Turkey.

Income

The Turkish legislation does not separate campaign finance from general party finance. It foresees a number of income sources for political organizations:

- membership and enrollment fees;
- assessment of parliamentary representatives;
- income from assets and sale of party-related materials;
- donations;
- state subsidies (for parties that garnered at least 7% of the vote in last parliamentary elections).

It must be added that a party may demand a certain fee from the candidates to be included on the party's list.

Official institutions, organizations and foundations related to official institutions are prohibited from donating to a political party. All other persons and organizations can donate up to TRL 2 billion (approximately USD 2,000) within one year. A receipt, which has to be given to the representative of the donor, must clearly indicate the donor and the amount of the donation. In addition, parties cannot accept money, property, or donations from foreign states; international organizations; citizens of another country; or associations, groups, or institutions located in another country.

State Support

The state provides limited campaign support to political parties. Apart from the direct state expenditure for the administration of elections, the state incurs electoral expenses through a system of tax benefits for candidates and parties. Thus, during the electoral period the state does not tax or collect duties on the production of documents, posters, brochures, and any kind of printed material to be used for electoral purposes.

Besides, the state provides the parties and candidates with in-kind support: paper and other materials to be used for campaigning purposes are supplied by the state. Also covered are the price of the ballot papers, extra personnel expenses, and expenses concerning fuel and transportation. Only independent candidates must pay for the printing of their ballots; they are responsible for the preparation of their own ballots.

The state also provides free airtime on public radio and television. Airtime is distributed according to a complex formula, favoring major parties represented in the parliament.

Expenditures

Both political parties and individual candidates are allowed to spend unlimited amounts of money for election campaigns provided they comply with limits on donations. However, they cannot distribute any gifts or bribe voters to win the elections.

Paid political advertising is prohibited in Turkey.

Disclosure and Enforcement

The use of state resources for campaigning is controlled by the Higher Council of Elections (HCE). All expenditures incurred by the departments and institutions are documented and submitted to the HCE. These expenditures are checked at the HCE by a senior officer of the Department of Finance - the Chief Officer and Director of Finances, who is the Department Head of Administration and Finance and a member of the HCE. Finally, the Deputy Director of HCE approves all expenditures.

All incomes and expenditures of the political parties are controlled by the system of justice. All accounts are listed in balance sheets. These balance sheets are checked periodically by a judge who is the head of the County Council of Elections. The headquarters of the political parties are obliged to collect the balance sheets of the regional parties and local organizations. The headquarters prepare the general financial report including information for their regional branches. The general financial report (joint account) is submitted to the Supreme Court by the end of June each year, as well as to the Chief District Attorney of the Supreme Court of Appeals for Information. The Supreme Court can demand the accounts from the political parties at any time.

The Supreme Court inspects the documents, and, should the need arise, the Supreme Audit Office can be called for help or the local judges and courts can be commissioned to do local inspections. All illegal incomes are to be confiscated by the state. The Supreme Court must decide on the legality of the incomes and expenditures, as well as ascertain the correctness of the reports; it could also decide whether to confiscate incorrectly reported incomes.

Issues and Challenges

The major advantage of the Turkish legal framework of campaign finance is the involvement of the judicial system, and the Supreme/Constitutional Court in particular, in the control of the finances of the political parties. The possibility for the Court to order local inspections and double-check the information from the reports is especially important because it prevents this body from just rubber-stamping information submitted by the politicians. The sanction – mainly the confiscation of illegal incomes – seems insufficient on its own, however. Forfeiture of the right to state subsidy, return of state

subsidies, or the imposition of substantial fines should also be considered as effective deterrents for financial irregularities.

An acknowledged drawback of the system is the relaxed control over the accounts of individual candidates. Since there is no elaborate system of control over these accounts, the HCE is forced to rely mainly on information submitted by the candidates themselves. Such systems of candidate's reports are almost universally inefficient if not combined with mechanisms of control, double-checking, and investigation. The most effective sanction for candidates' financial irregularities is the possibility for a candidate to lose his/her mandate in parliament. Such a procedure is administered by either a court or the parliament itself after it is convened following the elections.

A further drawback of the system is the lack of publicity of the finances of parties and candidates. Disclosure is not envisaged by the Turkish rules of campaign finance – only control by state bodies is provided for. The lack of disclosure prevents civil society from playing a role in monitoring and controlling political funds.

The rules of campaign finance appear to be designed to strengthen major parties and to prevent the participation of anti-system parties in the electoral process. This goal explains the enhanced role of the judiciary in the enforcement of the rules in relation to the political parties and the general neglect of the system in relation to the incomes and expenditure of the individual candidates. From a democratic point of view, the system should be developed towards greater possibilities for civil society participation: the threshold for state support eligibility should be lowered, disclosure rules should be envisaged, and forms of monitoring by civil society organizations should be created. The Turkish system of 'militant democracy' has sufficient resources for discouraging anti-system parties and even ensuring their ultimate dissolution by the Constitutional Court. Therefore, the system of party funding and campaign finance should not, in my opinion, further discourage smaller parties – on the contrary, it should be more pluralistic and open for newcomers.

Ukraine

Institutional Background

The Ukrainian parliament – the Supreme Council – has 450 members who are chosen under a mixed electoral system. The president of Ukraine is directly elected by the people.

A number of legal acts regulate the issues of financing of political parties and election campaigns in Ukraine, with the law on political parties, the presidential election law, and the parliamentary election law among them.

Income

The law on presidential elections provides for the forming of a personal election fund to finance the activities of a candidate's pre-election campaign. Contributions might come from the candidate him/herself, political parties, Ukrainian citizens, and/or corporations registered in Ukraine. Donations from state-owned companies, governmental structures, foundations, and organizations, local self-regulation establishments, foreigners, persons without citizenship, foreign corporate bodies,

corporations with foreign investments, charities and religious unions, and corporations, organizations, and establishments with debts to the budget at any level are not allowed.

Similar funds operate for campaigning for parliamentary elections. They can be supplied by donations from private persons (citizens of Ukraine) and corporations. State organizations and corporations, local self-regulation bodies, foreign persons and corporate bodies, anonymous persons, and international organizations and unions are forbidden from contributing to these funds.

State Support

Ukraine is among those countries providing no direct public funding. In addition, indirect state subsidies have not contributed significantly to campaign finance. Aside of free access to mass media, the Central Election Committee is responsible for printing election posters for political parties and electoral party blocs which register lists of candidates, amounting to 5 copies for each polling station and publishing pre-election platforms in two Ukrainian newspapers.

In addition, the district electoral committee should print a minimum of 2,000 copies per candidate of the election posters for candidates registered in the respective constituency and should hand over to each candidate no less than three-quarters of that amount.

In addition, an important source of money for Ukrainian political parties and candidates consists of specific grants paid to parliamentary caucuses, individual parliamentarians (excluding salaries), and even deputies of the Kiev City Council. Generally, grants to parliamentary groups and individual legislators are a useful supplement to campaign budgets.

Free broadcasting is the most important kind of indirect subsidy in Ukraine. According to the existing legislation, airtime is distributed in a manner that ensures that principles of equality are maintained among presidential candidates and political parties. It is forbidden to include propaganda for political parties, electoral party blocs, or individual candidates in informational TV programs. Political advertising must be detached and indicated as such.

In addition, political parties, electoral party blocs, or lists of candidates that are registered in a multi-member constituency are entitled to publish, free of charge, their election programs (up to 7,800 characters) in state-owned periodicals. Candidates in single member constituencies have a similar entitlement, but their programs should be half that length.

The existing legislature of Ukraine does not provide for benefits to citizens or corporations that contribute financially to parties or candidates during the preparation and conduct of election campaigns.

Expenditures

The regulation of campaign expenditures generally concerns limits placed on political parties or individual candidates' (both parliamentary and presidential) expenditure.

For the 1999 presidential elections, the size of an election fund for a presidential candidate could not exceed 10,000 untaxed minimums of citizens' income, and a donation of one private person or company could not exceed 100 untaxed minimums (one

minimum equals UAH 17 or USD 3.12). During the 1998 parliamentary elections, there were no limits on the spending by parliamentary candidates, political parties, or campaign blocks. As to amounts in the personal electoral funds of individual candidates in the single-mandate districts, in some cases they had up to UAH 70, 000 (USD 18 to USD 128,818). An additional problem of controlling campaign expenditure is connected with the issue of independent political expenditure. Ukraine does not directly apply limits on independent groups' spending money on behalf of a political party or presidential candidate during a campaign. In fact, presidential candidates, political parties, and parliamentary candidates use foundations, associations, and different non-governmental organizations to indirectly run their election campaign.

Currently there are no advertising restrictions. The 1996 Law on advertising does not regulate the process of distribution of political advertising. However, the parliament passed the law "On political advertising and political campaigning" during the first reading in June 2001.

Disclosure and Enforcement

The Ukrainian legislation has entrusted the Central Election Commission (CEC) with the oversight of and control over observance of campaign finance regulations. The CEC enforces the regulations on publishing information about the sources of the election campaigns funds for financing. It also inspects the receipt and use of personal election funds of presidential candidates, engaging employees of the bodies of State Tax Administration of Ukraine as well as the banking institutions holding appropriate accounts for the conduct of auditing.

Information on the size and sources of contributions to the fund of a candidate, as well as financial statements on the use of these funds are published by the Central Election Commission in *Holos Ukrainy* and *Uriadovyi Kuryer* newspapers within seven days of the day of elections.

The objective of disclosure of political finances is to make candidates' accounts a subject of public knowledge and political debate. Indeed, the Ukraine needs public control of political money as, according to the experts, the percentage of undeclared funds used in Ukrainian elections amounts to 60-70% of the total.¹⁴ Nevertheless, disclosure is not always neutral between opposing candidates. In some cases, extensive disclosure procedures created additional delays of three to four days, often leading to the disruption of election campaigns of opposition candidates due to the lack of funds. This, indeed, encouraged the use of sources of money not subject to disclosure.

Issues and Challenges

As Ukraine stands at the crossroads between democracy and repression, there are many questions concerning its political transition and the issue of political finance. The Ukrainian experience confirms a few general points.

In countries like Ukraine, the institutional imperfection of the political market, restricted access to the media even for those with capital, and discrimination in the allocation of free media coverage limit the electoral efficacy of money. The distinctive feature of post-Soviet countries is that money alone is not a sufficient condition for

¹⁴ There are many reasons for using undeclared money and certainly one of them is fear of harassment. See survey of 26 experts conducted by Agency 'Centre for Forecasting of Social, Economic and Political Process', January 1999.

proper political communication. It has to be combined with “administrative capital,” that is, control over the administrative and regulatory apparatus. So-called “administrative resources” are based on special treatment by local administration, state-owned media, and directors of state-owned enterprises and state-funded organizations. A favored party or presidential candidate receives undocumented and “free” services, uses state facilities, and attends organized meetings with “working collectives”.

The lack of an independent enforcement agency is yet another serious weakness that undermines the functioning of a successful election finance system. Strong enforcement mechanisms can be used by the regime to deprive the opposition of the right to participate effectively in the electoral process. When there is selective, partisan enforcement of campaign finance regulations, it serves to reduce electoral competition and can lead to long periods of one-party/individual regime. However, total disclosure should not be an essential component for all election finance systems. Under certain conditions, strong control of political funding and certain administrative restrictions might suppress opposition. The delicate process of democratization, although it faces a struggle with political corruption, requires a certain degree of privacy and freedom from harassment. The creation of an oppressive political finance system that is not controlled by a non-partisan enforcement agency might undermine the whole idea of free and fair elections, as harassment is an inherent feature of such political conditions. It is true that during the transition period a party in power tends to use the state apparatus to its advantage. Thus, party finance enforcement with a strong authority might not be an ideal formula for all countries in transition.

Finally, the problem with political finance in Ukraine is less one of the total amount of money being spent than of how the money is raised. The lack of diverse sources of funding raises questions about the undesirable influence of donors. Ukrainian parties, pressurised by the dynamic and high cost of the electoral struggle, have had reason to be keen on accepting large contributions from wealthy individuals and corporations. In Ukraine, informal political agents - financial groups and ‘oligarchs’ - appear to dominate the political spectrum. Most of the Ukrainian political parties are included in the structure of an ‘oligarchy’ to act as its vehicle of engagement in public policy and lobbying. A situation where political power is the sole avenue to wealth has inflicted enormous damage to the country. The fragmented and non-institutionalized Ukrainian party system encouraged and still encourages big business to form client circles and run their own parties to directly control the decision-making process.

Current Legislation Regulating Campaign Finance in ACEEEO Member Countries

Albania

1. The Electoral Code of the Republic of Albania (2000)
2. The Law on Political Parties (2000)

Armenia

1. Universal Electoral Code (1999)

Belarus

1. Constitution of the Republic of Belarus (1996)
2. Electoral Code of the Republic of Belarus (2000)

Bosnia and Herzegovina

1. Law on Party Finance (2000)
2. Election Law (2001)

Bulgaria

1. Law on Political Parties (2001)
2. Law on Parliamentary Elections (2001)
3. Law on the Election of the President and the Vice-President of the Republic of Bulgaria (1991)

Croatia

1. Law on the Election of the President of the Republic of Croatia (1992)
2. Law on the Election of Representatives to the Croatian National Parliament (1999)
3. Law on Political Parties (1993)
4. Croatian Radio - Television Act (1992)

Georgia

1. Unified Election Code of Georgia (2001)

Hungary

1. The Act on the Election of Members of Parliament (1989)
2. The Act on the Operation and Financial Functioning of Political Parties (1989)
3. The Act on Radio and Television Services (1996)

Latvia

1. Law on Election of Saeima (1993)
2. Law on Public Organizations and Their Associations (1992)
3. Law on Financing of Political Organizations (Parties) (1995)
4. Law on Election Agitation before Saeima Elections (1995)

Lithuania

1. Law on Presidential Elections (1992)
2. Law on Elections to the Saeima (1997)
3. Law on Elections to Local Government Councils of the Republic of Lithuania (1994)
4. Law on Political Parties and Political Organizations (1994)
5. Law on Financing of Political Parties and Political Organizations (1999)
6. Law on the Control of the Funding of Political Campaigns in the Republic of Lithuania (1997)

Macedonia

1. Law on Political Parties (1994)
2. Law on the Election of Representatives to the Assembly of the Republic of Macedonia (1998)
3. Law on the Election of President of the Republic of Macedonia (1994)

Moldova

1. Electoral Code of Moldova (1997)
2. Law on Parties and Other Political Organizations (1991)

Poland

1. The Act on Elections to the Sejm of the Republic of Poland and to the Senate of the Republic of Poland (2001)
2. The Act on Political Parties (1997)

3. The Act on Election of the President of the Republic of Poland (1990)
4. The Act on Elections to Commune Councils, district Councils and Voivodeship Councils (1998)

Romania

1. Law on Political Parties (1996)
2. Law on Parliamentary Elections (1992)
3. Law on Presidential Elections (1992)

Russia

1. Federal Election Law on the Election of the President of the Russian Federation (1999)
2. Federal Election Law on the Election of Deputies of the State Duma (1999)
3. Law on Basic Guarantees of Electoral Rights and the Rights of Citizens of the Russian Federation To Participate in a Referendum (1999)
4. Law on Mass Media (1991)

Slovakia

1. Law on Limitation of Expenditures of Political Parties (1994)
2. Law on Parliamentary Elections (1998)
3. Law on the Procedure of the Election of the President of the Slovak Republic (1999)

Turkey

1. Law on the Main Rules of Election (General Election Law) (1983)
2. Law on Political Parties (1983)

Ukraine

1. Law on the Elections of People's Deputies of Ukraine (1997)
2. Law on the Elections of the President of Ukraine (1999)
3. Law on Political Parties (2001)
4. Law on the Central Election Commission of Ukraine (1997)

About the authors

Dr Jānis Ikstens is an Assistant Professor in Political Science at the Vidzeme University College in Latvia. His main research interests are related to political parties and party systems in the Baltic countries. *Inter alia*, Dr. Ikstens has conducted a study of Baltic party financing and prepared a policy paper on party finance reform in Latvia. E-mail: ikstens@latnet.lv

Dr Daniel Smilov teaches at the Central European University and is finishing his Ph.D. dissertation at Jesus College, University of Oxford. He has conducted a study of party finance regulations in a number of post-Communist countries. Dr. Smilov also heads a comparative research project on political finance in 15 countries in Eastern Europe organised by the Open Society Institute/COLPI, Budapest. E-mail: daniel.smilov@wolfson.oxford.ac.uk; smilov@www.policy.hu

Marcin Walecki was Senior Program Officer for the National Democratic Institute in Ukraine in 2000-2001. He is the editor of *Funding Politics* (Finansowanie polityki), *Warsaw 2000*, and co-author of number of publications on political finance in Poland and other post-Communist countries. He is a doctoral student at St Antony's College, University of Oxford. E-mail: walecki@hotmail.com

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