INTERNATIONAL IDEA INSTITUTE FOR DEMOCRACY AND ELECTORAL ASSISTANCE

Policy Brief

December 2019

About International IDEA

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with the mission to advance democracy worldwide, as a universal human aspiration and enabler of sustainable development. We do this by supporting the building, strengthening and safeguarding of democratic political institutions and processes at all levels. Our vision is a world in which democratic processes, actors and institutions are inclusive and accountable and deliver sustainable development to all.

What does International IDEA do?

In our work we focus on three main impact areas: electoral processes; constitution-building processes; and political participation and representation. The themes of gender and inclusion, conflict sensitivity and sustainable development are mainstreamed across all our areas of work. International IDEA provides analyses of global and regional democratic trends; produces comparative knowledge on good international democratic practices; offers technical assistance and capacity-building on democratic reform to actors engaged in democratic processes; and convenes dialogue on issues relevant to the public debate on democracy and democracy building.

Where does International IDEA work?

Our headquarters is located in Stockholm, and we have regional and country offices in Africa and West Asia, Asia and the Pacific, Europe, and Latin America and the Caribbean. International IDEA is a Permanent Observer to the United Nations and is accredited to European Union institutions.

The Integrity of Political Finance Systems in Central and Eastern Europe

Tackling Political Corruption

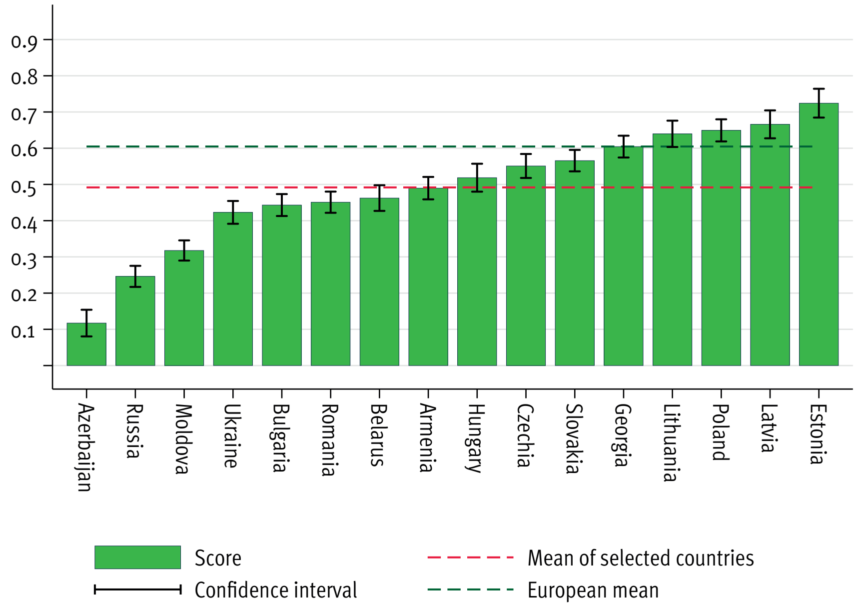
Overview of the region

Funding of political parties and candidates is a necessary component of political participation and representation. Yet, if such political finance systems are not effectively regulated, money could be used to undermine the integrity of political processes and institutions. In other words, comprehensive political finance systems are one of the key elements of successful anti-corruption efforts.

In order to support evidence-based political finance reforms, this policy brief draws on the 2018 data of International IDEA's Political Finance Database and provides a comparative overview of political finance regulations in 16 Central and Eastern European countries—Armenia, Azerbaijan, Belarus, Bulgaria, Czechia, Estonia, Georgia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia and Ukraine.

These 16 countries have taken very different paths since the collapse of the Soviet Union and communism in the early 1990s. While they all share a similar communist past, the maturity of their democracies varies. For example, eight of the surveyed countries are now members of the European Union. Yet, one of the enduring challenges across the region is political corruption. According to International IDEA's Global State of Democracy Indices, the regional average of absence of corruption is lower than the European average, although several countries such as Estonia, Latvia, Lithuania and Poland seem to perform relatively well in this regard (see Figure 1). One clear message is that continuous anti-corruption efforts should be made to safeguard the integrity of political participation and representation, underscoring the importance of effective political finance systems.

Figure 1. Absence of Corruption, Central and Eastern Europe, 2018



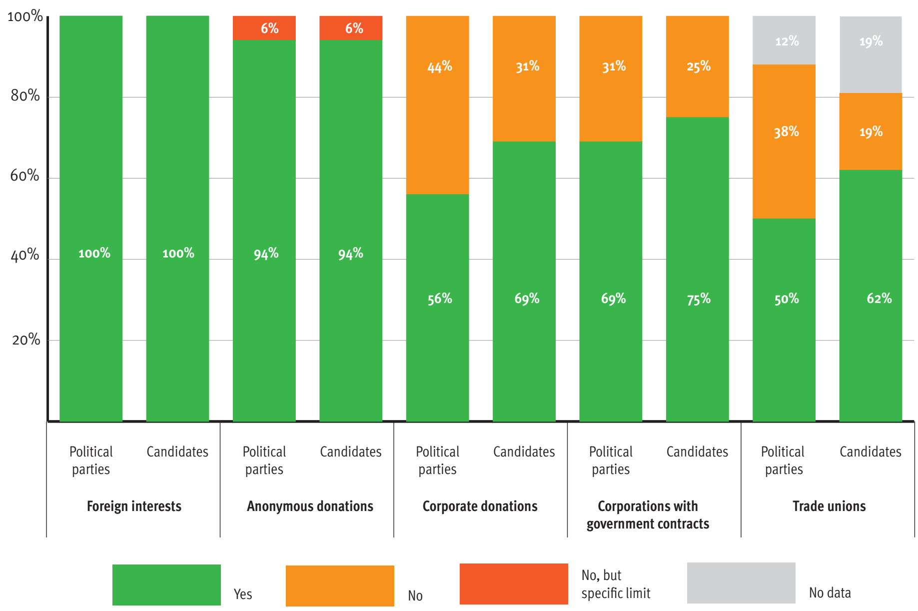
Source: International IDEA, The Global State of Democracy Indices, 1975–2018 (2019), <http://www.idea.int/gsod-indices>, accessed 10 December 2019.

All of the surveyed countries ban funding from foreign sources to political parties and candidates

This policy brief highlights current political finance regulatory trends in Central and Eastern European countries in the following aspects; (1) private donations; (2) public funding; (3) spending; and (4) reporting, oversight and sanctions, as well as provides a set of key policy recommendations.

Private donations

Figure 2. Types of banned contributions



Source: International IDEA, Political Finance Database, [n.d.], <https://www.idea.int/data-tools/data/political-finance-database>.

All of the surveyed countries ban funding from foreign sources to political parties and candidates—a fundamental element of political finance regulation (see Figure 2). Consistent with another basic tenet of campaign transparency, most countries ban anonymous donations while a few countries allow anonymous donations under a specific limit. In some settings, it is important to note that allowing very small anonymous donations could encourage small donor support to political parties and candidates if political donations are perceived to have the potential to result in retribution.

Nine countries have outlawed corporate donations to political parties—Azerbaijan, Bulgaria, Estonia, Georgia, Hungary, Latvia, Lithuania, Poland and the Russian Federation. These countries, with the exception of Azerbaijan, but including Armenia, Romania and Ukraine also ban corporate donations to candidates. Moldova and Slovakia only ban donations to both political parties and candidates from corporations that have government contracts.

Post-communist countries, with a history of close ties between the trade union movement and the communist party, have taken different approaches to banning donations from trade unions. For example, six countries do not ban donations from trade unions to political parties. Out of these six countries, Azerbaijan, Belarus and Czechia do not ban such donations to candidates either.

All of the surveyed countries ban donations from state-owned enterprises to political parties, while Belarus is the only country that does not prohibit state-owned enterprises from donating to candidates.

Three countries—Belarus, Hungary and Slovakia—do not impose limits on the amount an entity, either legal or natural, can donate to political parties in relation to elections as well as during non-campaign periods, while five countries—Czechia, Georgia, Moldova, Romania and the Russian Federation—apply limits to such donations for both campaign and non-campaign periods. Such limits apply to both legal and natural persons. Only Ukraine has a specific limit for campaign periods. Bulgaria, Estonia, Latvia, Lithuania and Poland have donation limits during both elections and non-campaign periods. However, these limits are only applied to natural persons and not legal entities. These limits vary between a fixed amount or a limit that is connected to other indicators and is therefore automatically adjustable. Of the surveyed countries, three set the limit as a number multiplied by the average/minimum salary (Armenia, Latvia and Poland), whereas others set it as a defined amount. An advantage of the former approach is that it prevents a situation where the criteria becomes quickly outdated, especially where inflation is high. Limits on contributions to candidates are less uniform: five countries do not limit such donations—Czechia, Hungary, Latvia, Romania and Slovakia.

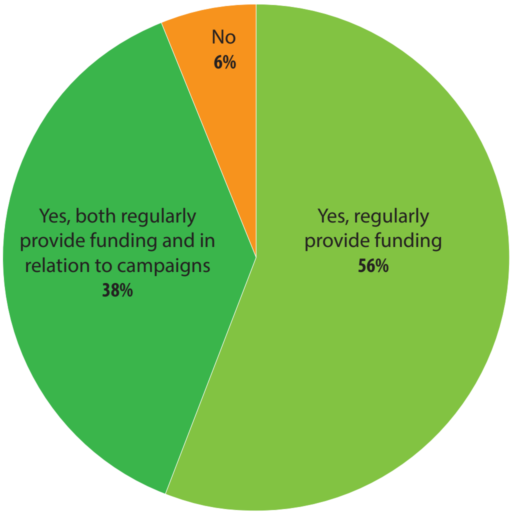
Only four of the surveyed countries do not regulate in-kind donations to political parties—Belarus, Moldova, Slovakia and Ukraine—while nine countries apply limits to in-kind donations to candidates. Only four countries limit the ability of parties to take out loans—Azerbaijan, Bulgaria, Estonia and Latvia—which is a good practice that diminishes dependence on economic interests once in office. Armenia, Belarus and Ukraine regulate candidates' loans.

The introduction of public funding to political parties is a measure designed to level the playing field among political contestants, promote fair electoral competition and minimize corruption

Public funding

The introduction of public funding to political parties is another basic measure designed to level the playing field among political contestants, promote fair electoral competition and minimize corruption (see Figure 3). Only one surveyed country does not provide public funding. In general, public funding has been disbursed either on a continuous basis or in connection to elections. Six countries—Czechia, Georgia, Hungary, Russian Federation, Slovakia and Ukraine—allocate public funding during both periods. Most countries disburse public funding to parties represented in electoral bodies and/or according to the share of votes received. Most countries have thresholds for a political party to be allocated such funding. However, where funding is granted to political parties that have received support but not qualified for representation in elected bodies, it tends to facilitate a more open political spectrum that encourages smaller participants. For example, in Latvia the electoral threshold is 5 per cent of votes but all parties that receive more than 2 per cent of votes are eligible for public funding.

Figure 3. Provisions for public funding in the surveyed countries



Source: International IDEA, Political Finance Database, [n.d.], <https://www.idea.int/data-tools/data/political-finance-database>.

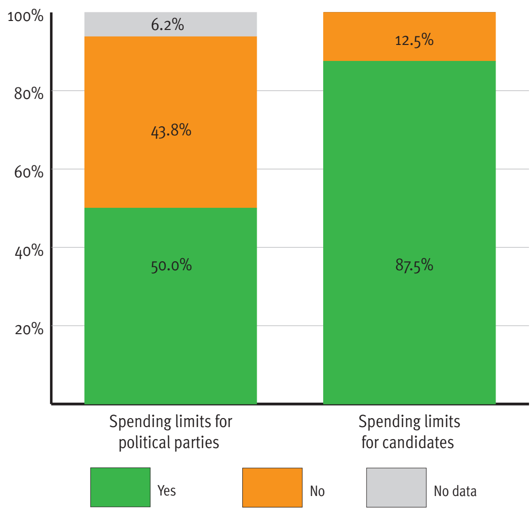
Another way to level the playing field is to create more publicity space for electoral contestants by providing free media access. Most of the surveyed countries do allocate free media space to political parties on an equal basis. Some countries provide meeting spaces free of charge—Armenia, Azerbaijan, Belarus, Georgia, Lithuania and Russian Federation—while others such as Estonia, Hungary, Latvia, Slovakia and Ukraine offer targeted tax relief. Three of the surveyed countries—Georgia, Moldova and Romania—use public funding to strengthen the political participation of women, as lack of funding is often identified as one of the major hurdles for increased women's representation in elected bodies.

Spending

Vote buying is banned in all surveyed countries. However, it tends to be harder to detect and enforce as it is a criminal activity that is conducted secretly and requires the cooperation of various law enforcement bodies in order for it to be detected. Another way to lessen the negative role of money in politics is to limit the amount that can be spent on campaigns (see Figure 4). Spending limits can reduce the incentives for corruption that stem from high expenditures.

Limits on the amount that can be spent on political campaigns may reduce the negative role of money in politics

Figure 4. Spending limits for political parties and candidates



Source: International IDEA, Political Finance Database, [n.d.], <https://www.idea.int/data-tools/data/political-finance-database>.

Seven of the surveyed countries do not limit campaign spending. However, alternative arrangements might serve a similar purpose. For example, Estonia bans billboard activity during campaigns, while Latvia bans paid TV advertising for a period of 30 days prior to elections. Countries that have an overall spending limit usually calculate it as a lump sum (Slovakia, Russia) or as a certain (small) amount that is multiplied by the number of voters (Latvia, Lithuania) or an automatically adjustable figure as a percentage of GDP (Georgia). Most countries impose spending limits on individual candidates' campaigns. In countries that have spending limits or other measures designed to decrease overall campaign spending, 'third-party spending' is often used to circumvent campaign finance regulations. With the exception of Belarus, Bulgaria and Hungary, all countries surveyed regulate this type of spending using two main approaches. The first bans third-party expenditures, a practice used in eight countries. The second is a more moderate approach of limiting how much third parties can spend. This approach is intended to strike a balance between the right of expression for other campaign participants and the prevention of undue influence. Five countries (Czechia, Latvia, Romania, Slovakia and Ukraine) use this approach.

With the growing importance of online media, including social networks, some countries such as Hungary, Poland and Romania have provisions to regulate online campaign spending.

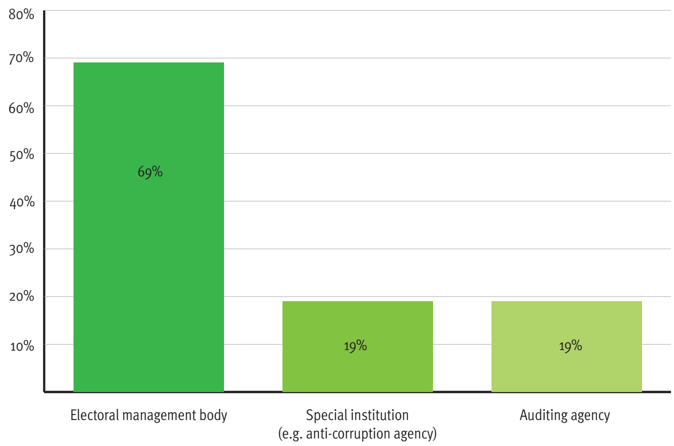
Reporting, oversight and sanctions

As an important measure of transparency, most surveyed countries have introduced reporting obligations for political parties and candidates, which must be made public. Czechia and Slovakia also have reporting obligations for third parties. Poland is the only country that requires money donated by lobbyists to be declared. Armenia does not require inclusion of donors' identities in reports on political party and candidate donations. In less democratic settings, revealing identities of donors can potentially be a disincentive to prospective donors as they may be subjected to political pressure.

Although 20 years ago political parties in many of the surveyed countries submitted financial reports that only included statements of lump sums, most surveyed countries now require itemized reporting that serves as a practical tool for civil society and media monitoring.

A new trend in oversight is emerging where some countries opt for specialized agencies, such as anti-corruption agencies, with broad powers including investigative authority

Figure 5. Institution(s) receiving financial reports



Note: In some countries, more than one institution receives financial reports.
Source: International IDEA, Political Finance Database, [n.d.], <https://www.idea.int/data-tools/data/political-finance-database>.

The practice of political finance control enforcement has also evolved over time with all surveyed counties having an institution tasked with such oversight (see Figure 5). Oftentimes, it is the electoral management bodies that are tasked with the political finance oversight in surveyed countries. However, in four countries—Bulgaria, Georgia, Hungary and Lithuania—this function is performed by the State Audit Office. A new trend is also emerging where some countries opt for specialized agencies such as anti-corruption agencies with broad powers including investigative authority. The Czechia and Latvia have such specialized bodies. In general, in all countries it is specified in the law that oversight bodies have to examine the disclosure reports of political parties; in some countries, they even have the mandate to conduct investigations. In practice, in eight countries oversight institutions only have a right to refer to other institutions to conduct investigation, while in two countries (Azerbaijan and Latvia) the investigation is conducted by the oversight agencies themselves. It is also important to note that such oversight bodies require sufficient resources to fully perform their tasks.

Recommendations

- Public funding has the potential to level the playing field among election contestants. It should be maintained, regularly reviewed and adjusted to political context. Public funding also could be used to promote gender equality in political participation and representation.
- Consider a ban or a restriction on corporate donations in order to increase political finance transparency and accountability.
- Foster more transparent and fair political competition by setting realistic overall spending limits, regulating excessive spending on certain campaign activities, and enforcing bans on the abuse of state resources.
- If regulations state that campaign finance flows should be regularly disclosed, they must be implemented. Where no disclosure provisions exist, they should be considered, as this is an important source of public trust and accountability.
- Ensure that political finance oversight agencies have a clear mandate and power. They should be equipped with sufficient human and financial resources in order to promote the effective implementation of the political finance regulations. A lack of resources often prevents them from conducting more meaningful controls.

References and further reading

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