



Introduce a Single, Designated Campaign Account!

Our main proposals:

- The ceiling for campaign spending should be increased tenfold
- There must be a single, designated bank account, kept at SAO from which all campaign spending must be conducted by the parties
- Transactions should receive an identification number, and handled by a designated person, while parties must also keep a record of advertisements and events
- The details of the account must be accessible by the public on the SAO homepage
- The system of accountability must apply to all the party supporting associations, foundations and even private individuals
- Only the organizations that previously register at the Hungarian Election Committee Political should be allowed to place and broadcast political advertisements, and must conduct all their campaign spending from a single account overseen by the SAO
- A strict system of sanctions must be enacted for the cases of violation of the rules and regulations on the campaign account

One of the major shortcomings of the campaign financing system in use is that the public has even less information on the canvassing expenditures than on the rest of the parties' financial management. The figures published by the political actors in the Official Gazette are misleading, the faulty figures, however, do not entail any sanctions. It has consequently become a common practice for the political parties to adjust their financial balance sheets to the overall reference amount for campaign financing retroactively. The spending limit of HUF 1 million per candidate and HUF 386 million per party, introduced in 1997, is simply pointless. The current legislation is also deficient in that it covers neither the campaign for local government offices nor the one for the EU parliamentary seats.

Declared Campaign Expenditures
(in HUF million)*

Party		1998	2002	2006
MSZP		352	399	401
Fidesz		304	399	401
SZDSZ		368	268	364
MDF*		90	-	306
KDNP**		77	20	-

*Was running jointly with Fidesz in 2002 ** Was running jointly with Fidesz in 2006

Source: pártmérlegek [party balances]

The credibility of these figures is entirely undermined by the fact that in 1994 already, years prior to the introduction of the reference amount, the bigger parties declared campaign expenditures between HUF 300 and 500 million. Years of experience shows that parties' self-restraint, based on a code of conduct for example, is utterly inefficient. The problem could be solved by the introduction of a single, designated "campaign account", along with the increase of the ceiling for campaign spending. The campaign account would ensure that all transactions affecting revenue and income are up-to-date, and fully available for public scrutiny. Parties could finance their campaigns solely from this account, kept at the State Audit Office of Hungary (SAO), with each transaction identified, and all payments permitted by a designated person. Parties would be obliged to keep a record of advertisements and events. The detailed account would be accessible to the public on the homepage of SAO.

At the same time, the new regulation should not apply to the political parties alone. One of the major drawbacks of the accountability system is that it only applies to political nominating organizations, while especially since 2002, a wide array of various entities have been actively involved in the election campaigns. These include party supporting organizations, foundations, as well as private individuals and corporations. In an ideal regulatory environment, aside from the political forces running for office that are already

obliged by law to register at the Hungarian Election Committee, only those organizations could post and broadcast political advertisements in the future that are previously registered at the Hungarian Election Committee. That means they assume the same level of financial transparency related to campaign funding as the parties, so they are also only allowed to have one campaign account, with the SAO having full oversight thereof. It is of utmost importance to set up a system of sanctions for enforcing the regulations related to the campaign account. The parties and the supporting organizations should be obliged to report the opening and closing of the account to the Election Committee by the. Serious wrongdoings by parties would be sanctioned by exclusion of public benefits and subsidies, or in extreme cases it could lead to an exclusion of participating in the elections, whereas registered supporting organizations could be banned from canvassing in case of wrongdoings.

In parallel to a heightened level of transparency, the ceiling for campaign spending should be increased. The current limit, hardly more than HUF 400 million, could be increased tenfold, reflecting the rise in advertisement costs, for that, however, it is crucial that spending is truly transparent and comes from verifiable sources. The banning of corporate money donated to parties, in parallel with an increase of campaign subsidy (currently around HUF 100 million) would be necessary to achieve that. State funds that are proportionately and retroactively allocated (through the campaign account) would also be an ideal solution, as they would give an incentive to parties to declare valid expenditures. The increase of the ceiling for spending could be also justified if parties were more heavily reliant on members' donations. As today's regulatory environment does not force political parties to fall back on membership fees, these play an infinitesimal role (the amount is approximately HUF 100 million annually in the case of the two biggest parties) in their budget management. It would be a great incentive for taxpayer citizens to raise more funds if they were offered an alternative to donate 1 percent of their income tax to parties as well, and if such private donations would entitle the parties to extra state benefits.