

Bill on campaign financing – Much ado about nothing

The [bill](#) proposed by MPs about campaign financing does not put campaign financing corruption to an end. Previously, Transparency International Hungary drafted a bill (you can read about it [here](#) and [here](#), in Hungarian) aimed at curbing corruption of campaign financing. Following the initiative of TI, parliamentary parties signed a declaration in April 2012 laying down the principles of a new, accountable campaign regulation (the declaration is available [here](#) in Hungarian). However, the currently proposed bill does not have much in common with this declaration. In light of the discrepancy, we encourage parliamentary parties to create the set of conditions necessary for fair political campaigns, as undertaken in the declaration.

In principle, the bill maximizes the sum that parties can spend in the campaign period of parliamentary elections. The new ceiling for campaign expenses will be five times as much as the current one million: five million forints per candidate. In the case of a 200 members-parliament this predicts a one billion campaign budget per party. Until here, this is just fine. One million goes to the candidate him/herself, paid by the State Treasury on a treasury card. This is all right. The candidate cannot withdraw cash from the treasury card, only transfers are allowed. Invoices are required to give account on each and every forint. And again, this is great. If the candidate does not manage to get at least 2% of the votes, he/she is bound to pay back the whole sum of one million forints to the State Treasury. Congrats. The candidate has 15 days following the elections to report on the expenses, and the report is audited by the Treasury as well as the State Audit Office. If it turns out that the candidate has spent the money transacted by the Treasury illicitly, for instance without providing an invoice for an expense occurred, he/she is even going to be fined. The fine can amount to double the support sum itself, that is, two million forints. This is Olympic.

Let's examine where the remaining four million forints per candidate comes from. A substantial extent of it is going to be provided by taxpayers, as parties are entitled to sumptuous allocations from the state budget, on top of the one million forints directly given to candidates by the Treasury. The proportion of this allocation depends on the number of voting districts where the given party nominates a candidate. If the party manages to nominate in at least 27 voting districts, it will be entitled to 150 million forints, while if it has nominees in all 106 voting districts, it will be eligible to 600 million. Even this is fine, as government accountability in covering the costs of the campaign results in a more transparent campaign. But here comes the punch line: parties get this sum at once, in cash, right in the middle of the campaign period. No mention of treasury cards, cash bans, serious financial reporting. The Ministry of Finance or the bank appointed by the minister simply transfers an amount of up to 600 million forints in cash and the parties do almost whatever they please with it. This is more or less like the reimbursement of MPs was: a sum to share with whomever necessary: nobody is going to check.

And this is by far not the end. Even the biggest parties are only entitled to a maximum of 706 million forints of state allowance, given that they nominate a candidate in all voting districts. Thus, they still have to collect 294 million forints to reach the one billion spendable on

campaigning. When it comes to their smaller adversaries, the non-state secured proportion of campaign funds can be up to 823 million.

To avoid misunderstandings: the problem is not that parties will now openly spend more on their campaigns. Quite the contrary, this is a positive change, since until now the sum spent on campaigning was also more than one million per candidate. The amount of five million per candidate is at least somewhat closer to the real campaign expenses. It is anyway forbidden to advertise on commercial TV channels, while in the state media political advertisements are going to be free of charge. As a consequence this sum might even be enough to cover campaign costs. The problem lies more in the fact that out of the five million per candidate only the one million allocated by the Treasury on a treasury card can really be tracked down. The spending of the remaining campaign costs (let's remember: for parties this is between additional 150 to 600 million forints) remains in obscurity. As for non-state secured campaign funds (inversely proportional to the state-covered ratio; between 294 and 823 million) not even the source is revealed.

Campaign funds that do not arrive directly to the candidate through the State Treasury are still controlled only by the State Audit Office, based on the parties' financial statements. The SAO audit has never, since the transition been able to shed light on actual campaign spending. In vain did TI's kepmutatas.hu website point to the fact that parties spend many times more on their campaign than the sum they account for, the SAO has never strived to cause embarrassing moments to any of them after examining their campaign expenses. Why would we actually believe that what was so bad until now would actually fix itself? Especially if legislation does not make any effort to fix it.

The bitterest pill though, is yet to be swallowed. The bill obliges exclusively nominating organizations, meaning in practice parties, and refers only to the campaign period (we are talking about the fifty days preceding elections). Moreover, it does not pertain to municipality- or European Parliament elections' campaign expenses, as if campaign corruption could not occur in these. The bill, instead of making campaign spending more accountable, it makes it even less transparent. In reality, the only thing that we will get a concise picture on is what candidates spend the one million forints that they get from the Treasury on, in the 50 days prior to the parliamentary elections. As for the further four million per candidate we will only know which party got what proportion of the money from the state budget and what the amount to be raised otherwise was.

However, the bill does not even consider some of the most serious corruption threats. It will continue not to be a violation of the law if a party gets an NGO-friend to campaign in its favor, even much before the official campaign period. Neither will it be a breach of the law if ministries, municipalities or state owned enterprises issue pro-government advertisements. Tariffs of billboards are not touched upon by the new bill either, so they can still be kept a secret. Any of the parties can easily comply with this bill, without having to give up fishing in troubled waters. Backroom deals can go on; green light is given also to illegal campaign funds coming from firms or lobbyists, which will wait for their share of the benefits given in exchange, once parties they supported come to power. Accordingly, parties will honor their services by distributing public money to them, even if such use of public funds benefits more the power than tax payers' interests. The bill proposed just now will not break the vicious circle. In order for that to stop, there is much more to be done than what the bill is willing to achieve.

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As a reminder, let us recapitulate how fair political campaign regulations would look like according to TI. On the one hand, the possibility for legal entities as well as private persons to support nominating organizations and candidates needs to be left open. On the other hand, support and expenses need to be made completely transparent. To this end, campaign accounts need to be introduced and advertising surfaces' prices need to be made fully public. With regard to the currently introduced bill, the State Treasury should be running all campaign accounts. These accounts should serve as an obligatory means to store both public and private campaign funds, from which payments are issued solely through transfers, as this is the only truly trackable way. Rules pertaining to the shortened length-campaign period of 50 days should not be circumventable. To this aim, political campaigns outside of the campaign period should also be regulated. Financial affairs of civil society organizations that campaign in favor of political parties should be made strictly transparent. The State Audit Office and the State Treasury should carry out the audit with reinforced control, and strict sanctions ought to be inflicted upon offenders. For instance, after every campaign forint spent illicitly, two should be paid back by the party caught in action.

According to TI, ideal campaign regulations should rely on the below principles:

1.Campaign account

- a.Parties should pay their campaign expenses from an account managed at the SAO or the Treasury.
- b.The account data should be made public on the website of the SAO/Treasury.
- c.The requirement of accountability should be expanded to the civil society organizations who help party campaigning (associations, foundations), and to private entities and firms as well.
- d.Strict sanctions have to be introduced against those who infringe spending and accounting rules.

2.Transparent campaigns in the media

- a.Benefits given by media entities to political figures have to be regulated uniformly, or benefits have to be completely forbidden.
- b.Media giving place for political advertising have to make their income from this source public no later than 30 days following the elections.

3.Real control over political parties

- a.The control functions of the SAO have to be extended to parties' business enterprises, foundations, youth organizations and NGOs supporting political parties.
- b.SAO has to be reinforced both in terms of manpower and preparedness.
- c.Biennial audit of parties benefitting of state support has to be changed to an annual control and room has to be made for extraordinary inspections as well.

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d. The practice of informing parties a month ahead of such inspections has to be abolished.

4. De facto shorter campaign period

Rules pertaining to the 50 days-long campaign period should not be circumventable: all advertisements connected to political parties should be unanimously banned outside of the official campaign period.

5. More transparent incomes

a. Private and legal entities can offer support to candidates and nominating organisations.

b. Firms can support with a maximum amount of five million, while private entities with a maximum of two million forints per campaign.

6. Activities of civil society organizations

Publicity rules pertaining to political parties and nominating organizations should be binding also for monetary affairs of institutions doing political campaigning.