

Regulation and Oversight of Political Party and Campaign Financing in the EU – Eastern Partnership and Russian Federation

EPDE Working Paper #2 – September 2020

# Money and politics – need for new rules of the game



*This dossier was prepared by EPDE to inform relevant stakeholders and decision makers in the European Union, the Eastern Partnership, and globally in the field of electoral legislation and administration. Please feel free to forward and share our analysis.*

[www.epde.org](http://www.epde.org)

**Edition:**

European Platform for Democratic Elections  
[www.epde.org](http://www.epde.org)

**Responsible for the content:**

Europäischer Austausch gGmbH  
Erkelenzdammer 59  
10999 Berlin, Germany

**Represented through:**

Stefanie Schiffer

EPDE is financially supported by the European Union, the Federal Foreign Office of Germany as well as with German Federal Foreign Office's funds by ifa (Institut für Auslandsbeziehungen), Funding programme zivik.



Auswärtiges Amt

**ifa** Institut für  
Auslandsbeziehungen

## TABLE OF CONTENTS

FOREWORD	4
SUMMARY	4
ABOUT THIS REPORT	5
POLITICAL PARTY AND CAMPAIGN FINANCING PROVISIONS	5
PUBLIC FUNDING	6
PRIVATE FUNDING	7
PROVISIONS ON DONATIONS AND SPENDING	8
SPECIAL CAMPAIGN ACCOUNTS	9
THIRD-PARTY FINANCING	9
DISCLOSURE REQUIREMENTS AND TRANSPARENCY	10
REPORTING ON POLITICAL PARTY FINANCES	10
TRANSPARENCY OF CAMPAIGN FINANCING	11
OVERSIGHT AND ENFORCEMENT	12
MONITORING AND OVERSIGHT	13
Oversight Authority	13
Effectiveness of Oversight	14
Enforcement and Sanctions	14
RECOMMENDATIONS	15
Five key take-aways and considerations for all the countries:	15
PER-COUNTRY RECOMMENDATIONS	16
Armenia:	16
Azerbaijan:	16
Belarus:	16
Georgia:	16
Moldova:	16
Russia:	17
Ukraine:	17
EPDE AND ITS MEMBERS	17

*Author - Tatyana Hilscher-Bogussevich    Foreword - Stefanie Schiffer    Editor - Adam Busuleanu*

## GLOSSARY

BHC	Belarusian Helsinki Committee	ISFED	International Society for Fair Elections and Democracy
CEC	Central Election Commission	NAPC	National Agency for the Prevention of Corruption
CIS	Commonwealth of Independent States	OAS	Oversight and Audit Service
CoE	Council of Europe	ODIHR	Office for Democratic Institutions and Human Rights
CVU	Committee of Voters of Ukraine	OSCE	Organization for Security and Co-operation in Europe
DEC	District Election Commission	PACE	Parliamentary Assembly of the Council of Europe
EMB	Election Management Body	SAO	State Audit Office
EMDS	Election Monitoring and Democracy Studies Center	TI	Transparency International
EU	European Union	TIAC	Transparency International Anticorruption Center
GRECO	Group of States Against Corruption of the Council of Europe	UN	United Nations
HCAV	Helsinki Citizens' Assembly - Vanadzor	UNCAC	United Nations Convention Against Corruption
IFES	International Foundation for Electoral Systems	VC	Venice Commission of the Council of Europe
ICCPR	International Covenant on Civil and Political Rights		

## FOREWORD

In recent years, election experts observed significant increase of spending on election campaigns. The transparency of party and campaign financing became one of the key requirements to ensure the integrity of today's election processes. Along with elections in Austria, Italy, Israel and Japan, election campaign expenditures are rising particularly sharply in the USA: the total costs of congressional and presidential elections in the United States have more than doubled since 2000: From US\$ 4.6 billion to US\$ 7.0 billion in 2012, whereas in 2020 they are expected to reach US\$ 10.8 billion.<sup>1</sup>

In the EU's Eastern Neighborhood, spending on election campaigns has also risen dramatically over the past twenty years, with Ukraine and Moldova being at the top of the list. In Ukraine, independent research has shown that campaign expenditures for a seat in the Verkhovna Rada have risen to US\$ 5 million by 2012.<sup>2</sup> While the Euromaidan revolution in Ukraine has led to the introduction of stricter legal regulations and control measures that can contain such extreme cases, the oversight of election campaign spending in other countries in the region is still underregulated. In the Russian Federation, there are currently neither sufficient transparency rules nor consistent criminal prosecution in cases of political corruption.

Covert campaign financing is a key challenge to the fairness and transparency of democratic elections and must consistently and unequivocally be stopped. While the overwhelming majority of countries prohibits foreign financial aid to political parties, external influence on election processes has increased dramatically in recent years. According to independent researchers, the main sources of external influence are the Russian Federation and the People's Republic of China. Over the past ten years, Russia, China and other authoritarian states have smuggled more than US\$ 300 million into 33 countries,

thus exerting influence on democratic processes more than 100 times.<sup>3</sup> The consequences of this foreign influence on election processes are devastating for the integrity of elections. Legal loopholes that can be used for these manipulations must consistently be closed. The perpetrators and beneficiaries of this kind of influence must be identified and held accountable.

Clear rules are urgently needed to ensure equal opportunities among political competitors. Voters must have an understanding of the resources invested in election campaigns in order to expose and ward off illegal interference in election processes. Media and civil society should play a key role in controlling election campaign expenditures. Governments, electoral authorities, and the judiciary should promptly react to the findings and recommendations of a critical civil society and implement appropriate election campaign regulations.

With this study, we want to raise awareness among national decision makers and international stakeholders about the urgent need to increase transparency in financing political parties and election campaigns in the EU's Eastern Neighborhood. The study draws from the recently published database ([www.electoral-integrity.org](http://www.electoral-integrity.org)), which contains recommendations from civil society election observation organizations in the Eastern Partnership region and the Russian Federation for upcoming electoral law reforms. This database offers a structured overview of the necessary steps to ensure the integrity of elections in the EPDE focus region.

This study is the second in a series of analytical reviews of election-related recommendations elaborated by citizen election observers in EU's Eastern Neighborhood. The previous publication, presented in May 2020, focused on the [work conditions of citizen election observers in the region](#). Further overviews are already being planned.

## SUMMARY

Effective political party and campaign finance regulation needs to reconcile two seemingly conflicting objectives. On the one hand, it needs to ensure that parties and candidates have sufficient resources to carry out effective campaigns and to reach out to voters. On the other, it is imperative to establish a framework of controls and safeguards that protect the equality of opportunities, yield accountability and transparency of finances, and ensure compliance with legal norms.

Political party and campaign finance systems in the countries of the European Union's (EU) Eastern Neighborhood have seen a steep development over the last

two decades. Having started with limited and generic provisions, most of the countries have introduced in the meantime relatively extensive regulatory frameworks. Laws in Armenia, Georgia, Moldova, Ukraine, and Russia provide a particularly detailed and encompassing range of regulations on donations, spending, disclosure, and reporting, catering to overall control and transparency. Regulations in Azerbaijan and Belarus are distinctly less comprehensive, including more loose requirements and practice regarding the publication of parties' and contestants' original finance reports and scrutiny over them. In addition, Belarus remains the only of the focus countries

1 <https://www.opensecrets.org/elections-overview/cost-of-election?cycle=2020&display=T&infl=Y>

2 <https://www.wfd.org/wp-content/uploads/2017/09/Cost-of-Politics-Ukraine.pdf>

3 <https://securingdemocracy.gmfus.org/covert-foreign-money/>

with no direct public funding of parties and electoral contestants.

While party and campaign finance regulations in the focus countries have undergone review and seen some further improvement over the recent years, EPDE member organizations have assessed that over half of its past recommendations on the subject are still pending consideration and implementation. In particular, proactive and thorough oversight of parties' and candidates' spending, and establishment of a functioning and effective sanctioning system, constitute notable common challenges in all of the focus countries. In addition, citizen observers express concerns that widespread shadow financing; insufficient control over sponsoring activities by third parties, including in-kind donations; and the absence of regulations on campaigning through social media continue to detract from accountability and transparency. Citizen observers also continue to emphasize the importance of effective safeguards to prevent

parties' excessive reliance on and the undue influence of big donors on party and campaign finance – an issue of particular concern in Ukraine – including by setting appropriate donation limits. In addition, oversight and public scrutiny in a number of focus countries are hampered by insufficient disclosure of information on donors, making it difficult or impossible to establish the true origins of funds.

This report provides analysis and conclusions on the effectiveness of regulations and practice regarding political party and campaign financing in seven countries of the Eastern Neighborhood of the EU, namely Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine, and Russia. Based on reports and recommendations by citizen and international observers, as well as the EPDE open-source multi-country online Catalogue of Recommendations on Electoral Reform, the report identifies trends and common challenges and offers recommendations for improvements.

## ABOUT THIS REPORT

This report analyzes to what extent international obligations, standards, and good practice related to political parties' and campaign financing are reflected in the legal frameworks of the focus countries, and assesses the level of their implementation. Through this publication, EPDE seeks to sensitize governments, parliaments, party and campaign finance oversight authorities, as well as political parties to the importance of effective regulation in this area and to draw their attention to the remaining challenges and shortcomings. The report and recommendations offered may also serve as a roadmap for EPDE member organizations and other citizen observer groups in follow-up and further electoral reform efforts.

Recent reports published by EPDE member organizations and other citizen and international observer organizations in the focus countries, as well as recommendations included in the EPDE online Catalogue of Recommendations on Electoral Reform, provided the basis for this publication. The analysis on party

and campaign financing in Russia is based exclusively on open-source information, including information published by election management bodies (EMBs), state institutions, domestic and international observer groups, civil society organizations, political parties, and journalists.<sup>4</sup>

In providing comparative analysis and an overview of regulation and practice in the field of political party and campaign finance, the report is structured around three main areas: (1) political party and campaign finance provisions, including regulations on income and spending; (2) disclosure requirements and transparency; and (3) oversight and enforcement. Each section starts by outlining applicable international obligations, standards, and good practice in the respective areas. Examples from the focus countries included in this report reference the names of organizations that reported on the respective issue, and the year of the respective report's publication or of the election to which the comment relates.

## POLITICAL PARTY AND CAMPAIGN FINANCING PROVISIONS

### Applicable International Standards and Good Practice

The **2003 United Nations (UN) Convention against Corruption (UNCAC)**, Article 7.3, stipulates that “each State Party shall consider taking appropriate legislative and administrative measures [...] to enhance transparency in the funding of candidatures for elected public office and [...] of political parties.”

Paragraphs 7.6 and 7.7 of the **1990 Organization for Security and Co-operation in Europe (OSCE) Copenhagen Document** require participating states to “permit political campaigning to be conducted in a free and fair atmosphere,” with “legal guarantees that allow

4 Following the listing of EPDE in March 2018 as an “undesirable foreign organization” in Russia, any collaboration of EPDE with civil society partner organizations in Russia puts them at risk of administrative and criminal sanctions.

[candidates and parties] to compete on a basis of equal treatment before the law and by the authorities.”

The **2002 Convention on the Standards of Democratic Elections, Electoral Rights and Freedoms in the Member States of the Commonwealth of Independent States** (CIS; CIS Convention), Article 10, provides for “fair and open financing of elections, and election campaigns of candidates, political parties.”

The **1996 UN Human Rights Committee General Comment No. 25** to Article 25 of the International Covenant on Civil and Political Rights (ICCPR), Paragraph 19, provides for reasonable limitations on campaign expenditures “where this is necessary to ensure that the free choice of voters is not undermined or the democratic process distorted by disproportionate expenditure on behalf of any candidate or party.”

**Recommendation (2003)4 of the Council of Europe’s (CoE) Committee of Ministers** on common rules against corruption in the funding of political parties and electoral campaigns recommends that “the governments of member states adopt, in their national legal systems, rules against corruption in the funding of political parties and electoral campaigns [...]” It further stipulates that “states should consider adopting measures to prevent excessive funding needs of political parties,

such as, establishing limits on expenditure on electoral campaigns.”

**CoE Parliamentary Assembly (PACE) Recommendation 1516(2001)** provides that “in order to maintain and increase the confidence of citizens in their political systems, member states must adopt rules governing the financing of political parties and electoral campaigns.” It further stipulates that “states should impose limits on the maximum expenditure permitted during election campaigns, given that in the absence of an upper threshold on expenditure there are no limits to the escalation of costs, which is an incentive for parties to intensify their search for funds.” The Recommendation also emphasizes with regard to third party financing that “the legislation [...] should also apply to entities related to political parties, such as political foundations.”

The **2002 CoE Venice Commission (VC) Code of Good Practice in Electoral Matters** provides that “the principle of equality of opportunity can, in certain cases, lead to a limitation of political party spending [...]”

The **2010 OSCE Office for Democratic Institutions and Human Rights (ODIHR) and VC Guidelines on Political Party Regulation** point out that “to ensure a transparent and fair financing system, both routine party funding and campaign finance must be considered in legislation.”

Regulations pertaining to political party and campaign financing in the focus countries have seen a steep development over the last 20 years. Having started with limited and generic provisions, most of the countries have introduced in the meantime relatively extensive and comprehensive regulatory frameworks aimed at ensuring

necessary control over money in politics, including detailed rules related to the sources of party and campaign financing, and on expenditure.<sup>5</sup> Applicable regulations are typically outlined in election laws, laws on political parties, as well as in EMB regulations.

## PUBLIC FUNDING

With the exception of Belarus,<sup>6</sup> the remaining six of the focus countries – Armenia, Azerbaijan, Georgia, Moldova, Russia, and Ukraine – provide public funding to political parties.

Public financing of political parties is generally seen as a way of ensuring a level playing field, promoting political pluralism, and avoiding reliance on big private donors, and is therefore generally encouraged.<sup>7</sup> For these reasons, [Helsinki Citizens’ Assembly - Vanadzor \(HCAV\)](#) in Armenia made proposals in 2019 to increase

the level of public funding and to allocate it based on the votes received by parties not only in national elections but also local ones. Draft amendments to the Law on Political Parties that were pending adoption at the time of writing envisage an increase in overall funding to parties, an allocation formula favoring smaller parties, and a reduction in the qualifying threshold for public funding from 3% to 2% of votes cast in the most recent parliamentary elections.<sup>8</sup> The draft amendments also made public funding conditional on compliance with

5 [Political parties and election campaign financing in the EaP countries. Comparative assessment of the potential of the legal framework to fight political corruption in the EaP countries](#), Eastern Partnership Civil Society Forum, January 2017, p. 3.

6 Draft amendments to the Law on Political Parties of Belarus considered the option of permitting the state to provide political parties with “information, methodical and other support.” While these amendments were not adopted as of the time of writing and their scope was not yet clear, they were seen by [some actors](#) as potentially opening up additional possibilities for state support to political parties.

7 [Handbook for the Observation of Campaign Finance](#), OSCE/ODIHR, 2015, p. 32.

8 OSCE/ODIHR and VC welcomed these draft changes as being in line with the Guidelines on Political Party Regulation and for promoting political pluralism.



financial reporting obligations and on a new 40% gender quota in party leadership. Financial incentives encouraging greater representation of women among candidates already exist in Georgia, Moldova, and Ukraine.

Among other recent positive changes, public funds in Moldova are also now allocated based on the results of presidential elections ([Promo-LEX; 2019](#)). However, [Promo-LEX](#) (2019) expressed concern with the reduction in the amount of funding allocated to parties – from up to 0.2% to 0.1% of state budget revenues – as potentially resulting in greater reliance of parties on private donors.

In Georgia, [ISFED](#) (2020) has welcomed a reduction, as part of broader constitutional and electoral reforms, of the threshold for the allocation of state funding to political parties from 3% to 1% of votes, and the application of the so-called “regressive rule” to ensure a more proportional distribution of funds.

In Ukraine, the rules for the allocation of public funding to political parties have also been recently revised ([Chesno 2019](#)). As of January 2020, public funding is provided to parties that overcome a 5% threshold (previously 2%), and the amount of overall funding available to parties has decreased due to the reduction of an applicable calculation unit.<sup>9</sup> Citizen and international organizations ([2020](#)) have called on the authorities to reconsider the removal of funding to non-parliamentary parties and to clarify what expenses may be covered with public funding.

With regard to the financing of electoral campaigns, Georgia and Ukraine provide electoral contestants with additional public funding in the form of post-electoral reimbursements of expenses incurred.

Laws in Armenia, Azerbaijan, Belarus, and Moldova do not envisage direct public funding of electoral campaigns, and contestants are allowed to use their own and/or their respective party’s resources. In Moldova, contestants may apply for interest-free loans from the Ministry of Finance, which may subsequently be written-off in proportion to the share of votes received. In Azerbaijan and Belarus, reports by the [Election Monitoring and Democracy Studies Center \(EMDS\)](#) and the [Belarusian Helsinki Committee \(BHC\) and Viasna](#) point out that the absence of public funding for electoral campaigns, combined with the reluctance of private donors and legal entities to make donations (see sub-section Private Funding), restricts the ability of contestants to organize and carry out effective campaigns. In echoing recommendations by the OSCE/ODIHR ([2016, 2020](#)) and the Group of States Against Corruption (GRECO) of the Council of Europe, the three organizations reiterated previous recommendations for public funding to be introduced, including for electoral campaigns.

Indirect public funding of electoral contestants is provided in all focus countries, including through the allocation of free airtime and print space, publication of campaign programs and voter information materials on contestants, and access to campaign meeting premises. However, the scope of such indirect support varies across the focus countries. The extent to which these measures genuinely serve to advance the campaigns of all contestants in an equitable manner has been particularly questioned by citizen observers in Azerbaijan and Belarus.

## PRIVATE FUNDING

The [OSCE/ODIHR and VC Guidelines on Political Party Regulation](#) point out that “funding political parties through private contributions is also a form of political participation. Thus, legislation should attempt to achieve a balance between encouraging moderate contributions and limiting unduly large contributions.” While donations are permitted by law in all of the focus countries, various concerns have been raised in the following countries in relation to the observed low levels of donations from private and legal entities and grass-root support of campaigns:

- **Reluctance to donate out of fear of retribution:** In Azerbaijan and Belarus, [EMDS](#) (2017) and [BHC and Viasna](#) (2019) reported that private donors and enterprises are reluctant to contribute to oppositional parties and campaigns out of fear of retribution.
- **Restrictions or complex procedures for making donations:** In Azerbaijan, [EMDS](#) (2017) and [OSCE/](#)

[ODIHR](#) (2013) pointed out that the procedures for making donations, as well as an extensive range of restrictions on who cannot contribute to campaigns, have a restraining effect on the level of private contributions to campaigns. Of a similarly discouraging effect are the protracted bank procedures for potential donors in Belarus ([OSCE/ODIHR 2019](#)). Concerns related to unnecessarily complicated procedures for making donations, including the requirements to visit a bank in person and to fill out special statements, were also raised in Ukraine ([International Foundation for Electoral Systems \(IFES\) 2019 parliamentary](#)). On the positive side, the December 2019 amendments to the rules on party financing in Ukraine simplified these requirements, including by introducing the possibility for donations during parliamentary and presidential elections to be made through online payment systems.

<sup>9</sup> According to Article 17<sup>2</sup> of the amended [Law on Political Parties of Ukraine](#), the amount of funding available to qualifying political parties is established by multiplying the calculation unit of 1% (previously 2%) of the minimum wage by the number of voters that participated in the last parliamentary elections.

- **Predominance of recipients of state contracts among governing party donors and suspicion of links and deals between donor-businesses and governing parties:** In Georgia, [ISFED](#) (2017) reported that the observed disbalance in the number of donations made to the governing party – 90% of all donations – raised concerns over possible corrupt deals, undue cooperation, and reciprocation between the authorities and the business sector. The fact that legal entities that had donated to the ruling party won state procurement tenders and received other benefits is of concern. Similarly, in Russia, [Golos](#) (2018) has drawn attention to a concerning dominance of

businesses that receive state contracts for the delivery of services among donors to the governing party, pointing to the likely links and funding deals.

- **Impact of public funding on the level of grassroots fundraising:** In Russia, [Golos](#) (2018) has noted that the current funding system, under which over 80% of the parties' finances come from the state, discourages grassroots work and disincentivizes parties to reach out to donors. A recommendation was made to replace the current funding model with an optional tax, which can be used by citizens to channel support to parties of their preference.

## PROVISIONS ON DONATIONS AND SPENDING

A range of provisions is in place in the focus countries pertaining to the permissible levels and types of donations and expenditure. [Citizen observer groups](#) (2017) in the EU's Eastern neighborhood note a general inclination in laws in the focus countries to limit contributions and expenditure and point out that the aggregate amount of all the bans and limitations in place makes campaign finance in these countries considerably more regulated than in other regions. Typical common elements of regulatory frameworks include:

- Prohibitions on foreign funding of political parties and campaigns;
- Prohibitions on donations from state and public institutions and charitable and religious organizations;
- Prohibitions on anonymous donations;
- Prohibitions or limitations on cash donations;
- Caps on the amounts of total donations and/or on donations by private and legal entities;
- Caps on total campaign expenditure and/or on specific types of expenditure.

Despite the regulations in place, citizen observer and international observer organizations have pointed out several shortcomings and proposed a number of improvements to existing regulations and practice:

- **Inconsistent approach to spending caps in different types of elections:** In Ukraine, the [Committee of Voters of Ukraine \(CVU\)](#) and [Opora](#) pointed out that the regulations on presidential elections, in contrast to parliamentary elections, do not cap campaign expenditure by presidential candidates, raising questions of consistency of intent in regulating campaign spending. Echoing respective [OSCE/ODIHR and VC recommendations](#), both organizations recommended the introduction of spending caps, as well as limitations on the amount of political advertising that can be purchased.

- **Transfers from parties'/candidates' own accounts above general donation limits:** In Ukraine, [IFES](#) (2019 parliamentary) raised concerns with the legal provision that allows parties and candidates to transfer money to their own election funds in amounts exceeding the general donation limits. This loophole, which was also criticized by [GRECO](#) (2017) and [VC and OSCE/ODIHR \(2015\)](#), effectively undermines the ceiling on donations and favors more affluent candidates.

- **Payments for services instead of donations to campaign accounts:** In Russia, [Golos](#) (2019) reported on a practice whereby parties contribute to their candidates' campaigns not directly, by transferring funds to their designated campaign accounts, but by making payments for services delivered by businesses owned or affiliated with these candidates. Such practice effectively results in circumvention of established donation limits.

- **Circumvention of prohibitions on foreign funding:** In Russia, [Golos](#) (2019) also reported on cases of financing of political parties by legal entities based in the country, whose owners reside abroad, often in off-shore zones. While the number of such cases is reportedly going down, this practice effectively circumvents the prohibition on foreign funding. In contrast to the rigorous enforcement of "foreign agent" provisions,<sup>10</sup> the loophole in the law leaving space for such illicit foreign funding of parties has not yet become an object of attention by the relevant authorities.

- **Inappropriate donation limits:** In Ukraine, [citizen and international organizations](#) (2020) continue to point to excessively high donation limits, which also do not correlate with donors' income levels. In Moldova, [Promo-LEX](#) (2019) welcomed the recent reduction of donation ceilings and, in following past recommendations, the setting of differentiated ceilings on donations from nationals abroad, citizens

10 See [EPDE Working Paper No. 1 Legal Framework for Citizen Election Observation in the EU – Eastern Partnership and Russian Federation](#), p. 5.



holding high-ranking positions, and civil servants, including those with a special status, or from employees of public institutions, thus excluding the risk of coercion of donors.

- **Expenditure ceilings fail to guarantee a level playing field:** In Georgia, [OSCE/ODIHR](#) has pointed out in connection with the 2018 presidential election that the existing expenditure ceilings are too high

to control possible undue financial advantages and effectively guarantee a level playing field for all contestants.

- **Donations from non-citizen residents in local elections:** In Armenia, [HCAV](#) (2019) recommended allowing non-citizen residents to make donations during local elections to encourage their participation and to facilitate their involvement in public affairs.

## SPECIAL CAMPAIGN ACCOUNTS

On the plus side, six of the focus countries – Armenia, Azerbaijan, Georgia, Moldova, Russia, and Ukraine – require contestants to open special campaign accounts and disburse all the funds for campaign purposes exclusively from these accounts. This requirement is conducive to a more effective oversight of campaign financing. While compliance with this requirement varies from country to country and some delays are common, compliance tends to be higher during national than during local elections. In addition, the level of discipline appears to be higher among political parties than among individual candidates – independents or in majoritarian races.

In contrast to other countries, the law in Belarus allows but does not make it mandatory for contestants to open such accounts. To ensure better oversight over campaign funding and expenditure, [BHC and Viasna](#) (2019) recommended making the opening of campaign accounts obligatory. This echoes the respective [GRECO](#) (2017) recommendation.

Several other shortcomings in relation to the use of campaign accounts were noted:

- **Expenses incurred before the opening of campaign accounts:** Citizen observer groups in Armenia ([Transparency International Anticorruption Center \(TIAC; 2018\)](#)), Russia ([Transparency International \(TI; 2019\)](#)), and Ukraine ([Opora 2019 parliamentary](#); [CVU 2019 presidential](#)) pointed out that the effectiveness of provisions on special campaign accounts is often undermined by the widespread practice of campaign activities for which costs are incurred ahead of the start of regulated campaign periods and hence prior to the opening of campaign accounts. Such expenses are most commonly not reported and escape oversight.
- **Some expenses not covered by regulations:** In Armenia, [TIAC](#) and [HCAV](#) have pointed out in

connection with the 2018 parliamentary elections that the list of expenses that can be incurred only from campaign accounts is not exhaustive, leaving the possibility for organizational expenditures – including for office space, transport, communications, and campaign staff – to be covered from other sources. This leaves such costs outside regulation, reducing accountability and transparency.

- **Lack of obligations for individual candidates:** In Armenia, [TIAC](#) (2019) and [OSCE/ODIHR](#) (2018) also expressed concern that there is no requirement for individual candidates to open campaign accounts despite them often carrying out large-scale campaigns in bypassing the campaign funds of parties they are affiliated with.
- **Expenses supporting signature collection not covered from campaign funds:** In Belarus, [BHC and Viasna](#) (2019) recommended that campaign accounts should be opened from the date of registration of nomination groups to cover the costs of collecting signatures in support of nominations, as is the case in presidential elections.<sup>11</sup>
- **Transferred parties’/ candidates’ own funds do not reveal actual donors:** In Armenia ([TIAC 2019](#)), Moldova ([Promo-LEX 2019](#)), and Ukraine ([OSCE/ODIHR 2019 parliamentary](#)), observers pointed out that the practice of parties transferring considerable amounts of money from their regular party accounts to campaign accounts, without an indication of *de facto* donors, undermines accountability and reduces transparency. Even when the information about donors is included in a party’s annual report, there is insufficient transparency of original sources of funds at the time of elections.

## THIRD-PARTY FINANCING

Regulation of activities and spending by third parties during electoral campaigns constitutes a major challenge in all of the focus countries. Citizen observers continue to

note with concern the widespread involvement in electoral campaigns of various actors and entities not covered by the rules and restrictions of electoral laws. Particular

<sup>11</sup> In Moldova, for instance, the legislation envisages the establishment of separate accounts to cover the costs related to signature collection. Separate reporting is required in connection with these accounts. See [Promo-LEX Final Report on the 2019 parliamentary elections](#), p. 58.

concerns are related to often evidently politically affiliated public associations, foundations, movements, and non-commercial organizations, which carry out activities in support of parties and candidates or contribute financially to campaign funds but are not bound by disclosure and transparency requirements applicable to election contestants. The practice of weaving commercial enterprises, including in off-shore zones, into intricate financial transaction schemes benefiting political actors has also been reported. Concerns over such “shadow” financing in elections have been raised in Armenia ([TIAC 2018](#)),

Belarus ([GRECO 2017](#)), Georgia ([ISFED 2018](#), [TI 2018](#)), Moldova ([Promo-LEX 2019](#); [OSCE/ODIHR 2019](#)), Russia ([GRECO 2019](#), [TI 2019](#), [Golos 2019](#)), and Ukraine ([IFES 2019 parliamentary](#), [Opora and CVU 2019 presidential](#), [OSCE/ODIHR 2019 parliamentary](#) and [presidential](#), [IFES 2020](#)). All these organizations issued and reiterated past recommendations to create an appropriate regulatory framework for third-party spending during elections. In a positive development, recent changes to political party legislation in Georgia introduced further regulations on third-party spending, including sanctions ([ISFED 2020](#)).

## DISCLOSURE REQUIREMENTS AND TRANSPARENCY

### Applicable Standards and Good Practice

**Recommendation (2003)4 of the CoE Committee of Ministers** on common rules against corruption in the funding of political parties and electoral campaigns stipulates that “States should require particular records to be kept of all expenditure, direct and indirect, on electoral campaigns in respect of each political party, each list of candidates and each candidate.”

The **2002 CIS Convention** requires that “the candidates, political parties (coalitions) participating in elections should, with periodicity stipulated by the laws, submit to the electoral bodies and/or other bodies, mentioned in the law, information and reports on receipt of all donations to their election financial funds, on their donors as well as on all their disbursements from those funds on financing of their election campaign. The electoral bodies shall provide for publication of the said information and reports in mass media and means of telecommunications mentioned in the laws.”

**CoE PACE Recommendation 1516(2001)** stipulates that the “financing of political parties must be fully transparent, which requires political parties, in particular:

- i. to keep strict accounts of all income and expenditure, which must be submitted, at least once a year, to an independent auditing authority and be made public;
- ii. to declare the identity of donors who give financial support exceeding a certain limit.”

The **2002 VC Code of Good Practice in Electoral Matters** states that “political party, candidates and election campaign funding must be transparent.”

The **2010 OSCE/ODIHR and VC Guidelines on Political Party Regulation** recommend that “political parties should be required to submit disclosure reports to the appropriate regulatory authority on at least an annual basis in the non-campaign period. These reports should require the disclosure of incoming contributions and an explanation of all expenditures.” They further suggest that “transparency in reporting requires the timely publication of parties’ financial reports. The fulfilment of this requirement necessitates that reports contain enough details in order to be useful and understandable for the general public.”

## REPORTING ON POLITICAL PARTY FINANCES

International standards and good practice require that the principle of transparency should apply both to regular political party and to campaign financing. With regard to party financing, it is encouraging to note that six of the focus countries – Armenia, Azerbaijan, Georgia, Moldova, Ukraine, and Russia – envisage regular comprehensive reporting by political parties and audits of financial reports. The scope of applicability of reporting and auditing requirements varies from country to country, ranging from applying to all registered parties, parties that received public funding, or parties that participated in last national or local elections, to parties that exceed a set amount of assets or annual turnover limits.

In contrast to the other countries, in Belarus, the legislation contains virtually no regulations and requirements pertaining to general party activities and financing. In its [2017 Summary of the Evaluation Report](#) pertaining to the transparency of party financing, GRECO recommended to Belarus ensuring that i) political parties keep proper books and accounts, following a uniform format and accompanied by adequate primary documents; and that ii) party accounts or summaries be disclosed in a way that provides for easy and timely access by the public. The lack of implementation of this and other past recommendations has led to a [declaration](#) by GRECO in March 2019 of Belarus as non-compliant with anti-corruption standards.

## TRANSPARENCY OF CAMPAIGN FINANCING

In line with international good practice, all seven focus countries require reporting by electoral contestants on campaign income and expenditure prior to election day. Such a requirement constitutes an important accountability and transparency measure, enabling oversight bodies to keep track of contestants' financing to ensure compliance with legal requirements and to guarantee a level playing field. The countries' regulations typically require contestants to submit one to three pre-electoral financial reports, depending on the duration of the campaign, with the first report due shortly after the announcement of elections or in conjunction with the submission of candidacy documents.<sup>12</sup> Most frequent reporting is required in Moldova ([Promo-LEX 2019, 2020](#)), where contestants submit pre-electoral financial reports on a weekly basis. In Georgia, where interim reporting is required only every three weeks from the announcement of elections, contestants are nevertheless obliged to report individual donations within 5 days of receipt.

Publication of electoral contestants' financial reports is another important transparency measure. It is to be commended that laws in all of the focus countries generally pursue the objective of making information about parties' and contestants' financing public; however, there are significant variations in scope and level of detail disclosed, as the countries practice different approaches to the release of original reports, periodicity, and timeframes.

- In Armenia, Georgia, Moldova, and Ukraine,<sup>13</sup> oversight bodies are required to and do publish contestants' financial reports, generally within established timeframes.
- In Belarus, the law does not require contestants' interim reports to be published or audited; however, DEC is required to publish summaries of contestants' income and expenditures, which, according to [OSCE/ODIHR](#), they did irregularly during the 2019 parliamentary elections. [GRECO](#) (2017) has recommended that the practice of publishing only summaries should be reconsidered, and a more meaningful level of detail be ensured.
- In Azerbaijan, the law requires copies of contestants' interim reports to be published within 5 days of receipt, and for the CEC to publish periodic reports on campaign financing. However, [EMDS](#) (2017) pointed out that the latter reports are not produced in practice and [reported](#) (2018) that the CEC did not publish the preliminary information about contestants' income and expenditure during the latest presidential election. The [OSCE/ODIHR](#) has noted in connection with the 2020 parliamentary elections

that contestants' interim reports were for the most part posted on the responsible mid-level commissions' noticeboards; however, fields for donations and expenditures were often left blank. Information about expenditures was also not systematically included in the CEC's summaries.

- In Russia, [OSCE/ODIHR](#) (2018) reported that, in line with legal requirements, the CEC published the information on the total income and expenses reported by candidates and generally updated it on a weekly basis; however, because detailed listings of expenditures are not required by the law, transparency is not entirely achieved. In addition, [Golos](#) (2017) and [TI](#) (2019) pointed out that the requirements of transparency at the federal level are not replicated at the regional and local levels.

Citizen observer organizations identified several additional shortcomings that detract from transparency, yielded by the reporting arrangements in place. These include:

- **Non-disclosure or insufficient disclosure of donor information:** [Promo-LEX](#) (2019, 2020) in Moldova pointed out that the concealment of donors' workplace in published reports reduces possibilities for independent verification. In Russia ([Golos 2017](#)), donor disclosure requirements depend on the size of donations and the election type; because the tax identification number for legal entities often remains unpublished, identification of actual donor companies is not always possible. In Armenia, [TIAC](#) (2019) pointed out that although the CEC asset declaration forms contained a field for donor information, the law does not contain any clear requirements for the disclosure of donor data. In Belarus, [BHC and Viasna](#) (2019) stated that the contestants are not compelled either by law or in practice to report comprehensively on income and expenditure, including revealing the identity of donors.
- **Campaign activities and spending not reflected in reports:** In Moldova, [Promo-LEX's](#) (2019) analysis of financial reports indicates that contestants often omit reporting on expenses for travelling, office rentals, and utilities, as well as expenses for delegating/posting staff members, observers, and volunteers. Similarly, in Ukraine, [OSCE/ODIHR](#) (2019 presidential) has noted that expenses related to the printing of campaign materials, fuel costs, rental of offices, giveaways, and cash payments to individuals were often not accounted for and not reflected in reports. [IFES](#) (2020) pointed out that payments to staff, campaigners, PR agencies, and members of election commissions are also often not reflected.

12 In Armenia, political parties and candidates are required to submit to the oversight body shortly after the registration deadline their declarations on assets and income. [TIAC](#) welcomed the publication by the oversight body of not only parties' but also candidates' declarations during the 2018 parliamentary elections; however, TIAC recommended making this a legal requirement rather than leaving it in the domain of good practice.

13 With the CEC and mid-level election commissions being required in Ukraine to publish their conclusions on contestants' interim financial reports not later than two days before elections, [IFES](#) (2019 parliamentary) has expressed concerns that such short deadlines are not conducive to thorough scrutiny, both by commissions and by voters.

The practice of reporting expenditures under overly generalized categories, as noted in Moldova ([Promo-LEX 2018](#)) and Armenia ([TIAC 2019](#)), detracts from transparency and renders comprehensive oversight and independent verification difficult.

- **Lack of regulation and accountability for campaigning through social media:** The lack of regulation and transparency related to political advertising and campaigning through social media platforms has been raised as a serious concern in a number of countries. In particular, citizen observers in Armenia ([TIAC \(2019\)](#)), Georgia ([ISFED 2018](#)) and Ukraine ([Opora 2019 parliamentary](#)) have called for development of appropriate regulations and oversight mechanisms over campaign-related spending online to cater to greater transparency and accountability.
- **Absence or insufficient accountability for in-kind donations:** In Armenia, [TIAC \(2019\)](#) identified a loophole in legislation stipulating that political parties are obliged to include in their annual reports information about funding sources, expenditures, and property; however, there are no requirements to declare in-kind contributions, for instance in the form of services performed. In the 2020 joint opinion on then-draft amendments to the Law on Political Parties, [OSCE/ODIHR and VC](#) also noted

as problematic the envisaged exclusion of expenses related to volunteering from the definition of donation, as this creates a loophole for circumventing regulations on donations. In Ukraine, IFES ([2019, citizen and international observers 2020](#)) categorized cases of unregulated third-party spending as a form of in-kind donation and called on NAPC to update its methodology to include rules on valuation of in-kind donations so that they could be attributed to respective parties' and candidates' campaign funds.

- **Format of publication not conducive to independent verification:** In Ukraine, the publication by the CEC of financial reports by parties and candidates during the 2019 presidential and parliamentary elections in an accessible format was welcomed ([IFES 2019 parliamentary](#)) as simplifying data analysis and its transfer into an open data format. The shift to electronic reporting by parties, introduced as part of 2019 amendments, is expected to further contribute to greater accessibility of data ([IFES 2020](#)). In contrast, in Armenia ([TIAC 2019](#)) and Moldova ([Promo-LEX 2019](#)), citizen observers regretted the continued publication of information on parties' and contestants' finances in inaccessible formats, not conducive to independent verification.

## OVERSIGHT AND ENFORCEMENT

### Applicable Standards and Good Practice

**Recommendation (2003)4 of the CoE Committee of Ministers** on common rules against corruption in the funding of political parties and electoral campaigns stipulates that "(a) states should provide for independent monitoring in respect of the funding of political parties and electoral campaigns. (b.) The independent monitoring should include supervision over the accounts of political parties and the expenses involved in election campaigns as well as their presentation and publication." It also calls on states to "promote the specialization of the judiciary, police or other personnel in the fight against illegal funding of political parties and electoral campaigns." It also adds that parties should be subject to "effective, proportionate and dissuasive sanctions" for violations of political financing laws.

The **2002 CIS Convention** in Article 12 provides that **oversight** duties over political party and campaign finance may be vested with a special body or bodies, officials, or electoral bodies. It also requires that the "list of violations of conditions for and manner of making donations, as well as financing of activities of candidates, political parties (coalitions) and the list of measures for warning of, prevention of violations of regulations on financing of elections and election campaign of candidates, political parties (coalitions) should be stipulated by the laws, other normative legal acts."

**CoE PACE Recommendation 1516(2001)** stipulates that "states should establish **independent auditing bodies** endowed with **sufficient powers** to supervise the accounts of political parties and the expenses linked to electoral campaigns." It also provides with regard to sanctions that "parties should be subject to **meaningful sanctions**, including the partial or total loss or mandatory reimbursement of state contributions and the imposition of fines. When individual responsibility is established, sanctions should include the annulment of the elected mandate or a period of ineligibility."

The **2002 VC Code of Good Practice in Electoral Matters** points out that party and campaign finance transparency measures should include "monitoring [of] the financial status of elected representatives before and after their term in office. A commission in charge of financial transparency takes formal note of the elected representatives' statements as to their finances."

The **2010 OSCE/ODIHR and VC Guidelines on Political Party Regulation** recommend that "whichever body is tasked to review the party's financial reports, effective measures should be taken in legislation and in state practice to ensure that body's independence from political pressure and commitment to impartiality." The Guidelines also stipulate that "legislation should grant



regulatory agencies the ability to investigate and pursue potential violations. Without such investigative powers, agencies are unlikely to have the ability to effectively

implement their mandate. Adequate financing to ensure the proper functioning and operation of the regulatory body are also necessary.”

Effective oversight and enforcement mechanisms are essential for a functioning political party and campaign finance framework. They are ultimately decisive of how the entire system performs in yielding the necessary accountability and transparency of finances in a political and electoral process. **Past recommendations by citizen and international observers on the topic of political party and campaign financing have**

**predominantly related to oversight and enforcement of existing regulations. Of 75 recommendations on the topic by EPDE member organizations between 2012 and 2018, some 45% called for improvements in the work of oversight bodies, including more pro-active investigation of potential irregularities and application of effective and dissuasive sanctions in cases of non-compliance.**

## MONITORING AND OVERSIGHT

### Oversight Authority

**Independence:** One of the primary requirements set by international standards and good practice with regard to a body vested with authority to oversee political party and campaign financing is its independence. Commendably, in Georgia ([ISFED 2018](#), [2017](#)) citizen observers assessed that the oversight body acted independently and showed no political bias. However, concerns related to the lack of independence of the oversight authority stemming from its composition and appointment procedures, structural and functional subordination to other state bodies, or lack of budgetary independence, were raised in citizen and international observer and monitoring bodies’ reports in several countries, namely Armenia ([HCAV 2017](#), [TIAC 2019](#), [OSCE/ODIHR 2019](#)), Azerbaijan ([GRECO 2017](#), [EaP Civil Society Forum 2017](#), [EMDS 2019](#)), Belarus ([GRECO 2017](#), [ODIHR 2020](#)), and Russia ([Golos 2017](#), [TI 2019](#), [GRECO 2019](#)). On the positive side, draft amendments to party legislation in Armenia envisage a shift of authority for political party and campaign oversight from the Oversight and Audit Service (OAS) under the Central Election Commission, to the Commission for the Prevention of Corruption. [OSCE/ODIHR and VC \(2020\)](#) assessed this potential change as in line with their past recommendations that party and campaign oversight be vested with an independent institution.

**Single designated body with a clear mandate:** Good practice documents and reports by international observers and organizations also emphasize the importance of a single designated body with a clear mandate being vested with oversight functions. Shortcomings remain in relation to this aspect in a few countries.

In Ukraine, [IFES \(2019 parliamentary\)](#) and [OSCE/ODIHR \(2019 parliamentary and presidential\)](#) reported that with the CEC, DEC, and the National Agency for the Prevention of Corruption (NAPC) performing oversight of campaign finance jointly, the legal framework fails clearly to delineate the mandates of these bodies. As reiterated by IFES following the 2019 reforms

([2020](#)), this may result both in duplication of efforts and in omissions in oversight.

In Armenia, [HCAV \(2017\)](#) and [OSCE/ODIHR \(2018\)](#) pointed out that the law did not clearly define the mandate of the OAS. Furthermore, [OSCE/ODIHR \(2019\)](#) noted that the law was unclear as to how far the OAS’s investigative powers go, and did not give it the authority to obtain information from other public entities and institutions that might be relevant to its audits. The nature of these concerns has not been fully addressed by the draft amendments to the party legislation pending adoption. The [OSCE/ODIHR and VC \(2020\)](#) has pointed out that the mandates of oversight bodies remain insufficiently delineated, leaving the potential to create confusion and inconsistencies in the application of the legal provisions.

In Moldova, [OSCE/ODIHR and VC \(2017\)](#) found that despite stipulations in the law that the CEC is the primary body responsible for party and campaign finance oversight, there still appears to be no authority that accepts full responsibility and is prepared proactively to coordinate the work of the different bodies involved. Both organizations recommended introducing further legal clarity to address this issue.

**Capacity and resources:** Regrettably, despite past recommendations, a number of oversight bodies continue to lack capacity and resources, as well as professionalized training and expertise, needed to carry out their functions effectively. Such a lack of capacity and resources was reported in Armenia ([TIAC 2018](#), [OSCE/ODIHR 2018 and 2019](#), [OSCE/ODIHR and VC 2020](#)), Azerbaijan ([EaP CSO Report 2017](#)), Moldova ([OSCE/ODIHR and VC 2017](#), [OSCE/ODIHR 2019](#)), and Ukraine ([OSCE/ODIHR 2019 presidential](#)). Earlier concerns raised by [Golos \(2017\)](#) and emphasized by [GRECO \(2019\)](#) related to the lack of capacity of the CEC and lower-level commissions in Russia as campaign finance oversight authorities. These issues have been assessed ([TI 2019](#)) as having been addressed through the creation of special control and revision services under the respective



bodies. Nevertheless, citizen ([Golos 2018](#)) and international ([OSCE/ODIHR 2018](#)) observers still pointed out in connection with the 2018 presidential election that the Russian CEC continued to lack investigative capacities and had to rely on cooperation with other authorities to ensure legality of campaign financing, which detracted from the effectiveness of oversight.

## Effectiveness of Oversight

Reports by citizen observers in the focus countries indicate that the oversight authorities generally reacted promptly to cases of incompliance by contestants having to do with missed deadlines (for instance, for the submission of interim reports), or in cases of missing documents and information outlined in legal requirements.

Regrettably, a common observation across the board was that the response and action by the oversight bodies was not as timely, consistent, and pro-active with regard to more sophisticated irregularities that required investigation, review of source documents and evidence, coordination with other bodies, and especially in response to allegations of malpractice. Assessments of effectiveness of campaign finance oversight in all of the focus countries regrettably come to a shared conclusion that the scrutiny over contestants' incomes and spending is generally insufficient. Oversight is commonly characterized as formalistic, technical, and focused on the narrow objective of verifying formal compliance of reports submitted with legal requirements, including timeliness of submission, cross-checking against receipts, and data supplied by banks and other bodies. Citizen and international observer organizations in Georgia ([TI 2018](#)), Ukraine ([CVU 2019 presidential](#), [IFES 2019 parliamentary](#)), Armenia ([HCAV 2016](#), [OSCE/ODIHR 2018](#), [TIAC 2019](#)), and Moldova ([OSCE/ODIHR and VC 2017](#), [Promo-LEX 2019](#) and [2020](#), [OSCE/ODIHR 2019](#)) expressed concern that potentially more sophisticated malpractices and schemes, issues of conflict of interest, donors' sources of income, and concealed and non-disclosed spending, even if brought to the attention of oversight authorities, often remain uninvestigated and unaddressed. The level of scrutiny and comprehensiveness of oversight by lower-level commissions, when such are involved in regional-level control of party and campaign financing, is generally assessed as being even lower.

## Enforcement and Sanctions

In light of existing international standards and good practice, when assessing enforcement of political party and campaign finance provisions and the effectiveness of the sanctioning regime, consideration needs to be given to whether the sanctions envisaged are effective, proportionate, and dissuasive. It is also necessary to consider whether sanctions are applied in a consistent manner by the oversight body in cases of violations.

Laws in the focus countries establish different sanctions for failures to comply with political party and campaign finance rules, commonly including both administrative and criminal liability. A variety of concerns have been raised in all of the focus countries regarding the lack of effectiveness of the envisaged sanctions to deter malpractice, including the following:

### ■ Sanctions not appropriate, not proportionate, or not graduated:

- Armenia: [HCAV](#) (2019) and [TIAC](#) (2019) previously pointed out that sanctions required a fundamental review as currently no liability is envisaged for certain violations, while for others, the prescribed sanctions are either too weak and ineffective or, on the contrary, excessive, as for instance the envisaged suspension of a party for non-submission of an annual report. In a welcome development, draft amendments to the party legislation pending adoption provide a list of gradually escalating sanctions, including the possibility to rectify mistakes and omissions, a warning, suspension of state support, and criminal liability. [OSCE/ODIHR and VC](#) (2020) evaluated the proposed sanctions as proportionate, dissuasive, and potentially effective.
- Belarus: Although [GRECO](#) (2017) has recommended that more appropriate (graduated) sanctions be introduced and the sanctioning mechanism streamlined, sanctions envisaged continue to include only warnings, suspension of party activity, deregistration, and liquidation.
- Moldova: [OSCE/ODIHR](#) (2019) has pointed out that some sanctions for the non-submission of interim reports, such as the suspension of public funding, are ineffective if applied to independent candidates. At the same time, for using undeclared funds and overspending, the CEC can only request the court to deregister a contestant, which by contrast appears to be overly restrictive.<sup>14</sup> [Promo-LEX](#) (2019) has recommended establishing more moderate sanctions for the late submission of reports and tougher sanctions for failure to submit reports prior to the CEC's approval of the report on the financial management of the parties.
- Ukraine: [IFES](#) (parliamentary 2019; [citizen and international observers](#) 2020) has noted that sanctions for violations related both to regular and campaign financing are ineffective. For instance, campaigning expenditures made with funds other than those designated for election financing, or infractions related to exceeding spending limits, can only result in a warning by the CEC, which does not have a deterring effect. In contrast, some of the criminal sanctions, which can be imposed *inter alia* for intentional false

<sup>14</sup> During the 2014 parliamentary elections, one electoral contestant was de-registered a couple of days before election day based on a CEC decision and subsequent rulings by the Court of Appeal and the Supreme Court, which established violations of campaign finance rules. [OSCE/ODIHR](#) has concluded that the expedited de-registration process raised questions concerning its timing and circumstances.

reporting and deliberate giving or receiving of unauthorized donations, appear to be disproportionately harsh.

- **Envisaged fines are too low:** In Armenia ([TIAC 2019](#)), Moldova ([EaP CSO Report 2017](#), [OSCE/ODIHR and VC 2017](#), [Promo-LEX 2020](#)), Russia ([TI 2019](#)), and Ukraine ([Opora and IFES 2017](#)) fines envisaged were assessed as being too low – in particular in comparison to ceilings set, party income from membership fees and donations, and state subsidies received – and therefore having no dissuasive effect. In Azerbaijan, [GRECO](#) (2017) evaluated the sanctions envisaged for campaign finance violations as ineffective, disproportionate, and insufficiently dissuasive, as they remain significantly lower than those applicable to violations of the rules on party financing. Similarly, sanctions for accounting offences in regular party finances also remain very low.
- **Sanctions not harmonized with each other:** In Ukraine, [IFES](#) (2019 parliamentary) pointed out that different types of sanctions are often not harmonized with each other, raising questions of which sanctions should apply in which situation.

In addition, citizen and international observers raised a number of concerns regarding the effectiveness of enforcement and the application of sanctions.

- **Sanctioning powers and procedures:** In Ukraine, [IFES](#) (2019 parliamentary) noted that the CEC and DEC are not granted the right to draw administrative protocols and can only refer information about identified violations to the NAPC or the police for further investigation, resulting in “bottlenecks” in proceedings on administrative offences. Furthermore, while during presidential elections the NAPC can submit protocols of administrative violations to courts during the election period, it does not have

such a mandate during parliamentary elections. In addition, the procedures for drawing of administrative protocols are unnecessarily burdensome since a perpetrator’s signature is required ([citizen and international observers 2020](#)). [GRECO](#) (2017) has previously expressed concern that sanctions can only be imposed through court decisions and not directly by oversight bodies.

- **Timeliness:** In Georgia, [ISFED](#) (2018) found that the State Audit Office (SAO) was not sufficiently effective due to protracted decision-making on violations, resulting in delayed responses to violations and a lack of preventive effect. In Moldova, [OSCE/ODIHR](#) (2019) stressed that the fact that the CEC did not impose any sanctions on contestants for non-compliance with campaign finance regulations during the electoral period contributed to creating a perception of impunity.
- **Consistency of application of sanctions:** Citizen observer organizations in several countries, including Armenia ([TIAC 2019](#)), Russia ([TI 2019](#)), and Ukraine ([CVU 2019 presidential](#)), questioned the effectiveness of enforcement of party and campaign finance provisions based on the low number of investigations launched and of cases of sanctions being applied.
- **Short statute of limitations:** In Ukraine, [IFES](#) (2019 parliamentary) reiterated previous recommendations by OSCE/ODIHR and VC to extend the current very short statute of limitations for party and campaign finance-related cases – only three months. In Georgia, the recently concluded electoral reform introduced a welcome increase in the statute of limitations for administrative violations of party and campaign funding regulations to six years, in line with past OSCE/ODIHR and GRECO recommendations.

## RECOMMENDATIONS

### Five key take-aways and considerations for all the countries:

1. Ensure that political parties and campaign finance frameworks strike an appropriate balance between public and private funding with a view to safeguarding both the equality of opportunities and political pluralism on the one hand, and the level playing field among parties and contestants on the other.
2. Provide adequate regulations and control mechanisms for third-party spending and to prevent illicit funding of parties and campaigns. Consider appropriate regulations and monitoring mechanisms for campaign-related spending in the online domain, in particular on social media platforms.
3. Strengthen transparency of party and campaign finance by ensuring that disclosure obligations apply to all income and expenditure comprehensively and requiring publication of all relevant financial reports.
4. Improve oversight of party and campaign finance regulations. Provide the oversight body with a clear mandate and adequate resources to comprehensively supervise party and campaign finances.
5. Ensure that sanctions envisaged are effective, proportional, and dissuasive to prevent violations of regulations.

## PER-COUNTRY RECOMMENDATIONS

### Armenia:

- Provide adequate control and liability mechanisms for third-party funding;
- Prohibit donations and expenditures in cash to guarantee full financial accountability;
- Incorporate in political party reports in-kind contributions such as work and services or other donations, online and virtual donations, income from own entrepreneurial activities and related party entrepreneurial activities, as well as donor information (for donations above a certain threshold);
- Require pre-election reports to include all expenses, including the costs of campaign headquarters, the remuneration of campaign headquarters staff, activities, online advertisement, transportation and utilities, and volunteer work;
- Ensure that the oversight body has a clear mandate, appropriate powers, resources, and tools to effectively and impartially supervise financial activities of political parties. Responsibilities of bodies involved in monitoring and oversight should clearly be delineated;
- Allow donations from non-citizen residents during local elections to facilitate their involvement in political processes. Consider allocating additional public funding for political parties based on the results of local elections.

### Azerbaijan:

- Consider reintroducing provisions for public campaign funding in order to ensure a level playing field for all contestants;
- Simplify the procedures for making donations to parties and candidates and facilitate such contributions in practice;
- Ensure the independence of the oversight body and endow it with a clear mandate and resources to carry out comprehensive control over party and campaign finances;
- Ensure due transparency of information about parties' and contestants' income and expenditures by publishing all relevant reports in a timely manner;
- Incorporate appropriate proportional and effective sanctions for non-compliance with party and campaign finance regulations into the legal framework.

### Belarus:

- Consider providing public funding for political parties and electoral campaigns;
- Require proper book-keeping by political parties with regard to general party financing. Ensure systematic and independent monitoring of general party funding

and timely publication of annual reports in an accessible format;

- Replace the option to open electoral accounts with a legal requirement for all election contestants to set up an electoral fund;
- Provide for option of opening special funds from the date of registration of nomination groups to cover the costs of signature collection in all elections;
- Introduce regulation of third-party involvement in election campaigns, including transparency measures and proper supervision;
- Require by law and ensure in practice pro-active and thorough supervision of election campaign finances.

### Georgia:

- Develop appropriate regulations and control mechanisms for spending on social media campaigns and adopt an effective monitoring methodology;
- Review the expenditure limits in place to ensure that they are sufficiently low to control against undue financial advantages and to effectively guarantee a level playing field for all contestants;
- Ensure timely and thorough investigation of cases or allegations of illicit funding of parties and campaigns;
- Consider further amendments to the legal framework to stipulate deadlines and to ensure a more expedited review of and decisions on campaign finance violations.

### Moldova:

- Reconsider the reduction in the amount of state subsidies to parties by reverting to the previous coefficient of 0.2% of state budget revenues;
- Introduce regulations on third-party spending in electoral campaigns;
- Ensure full transparency of information on parties' and contestants' income by including information about donors;
- Facilitate independent verification of parties' and contestants' financial reports by publishing them in an accessible format;
- Ensure that the CEC as the oversight authority has sufficient jurisdiction and human and technical resources to effectively perform its controlling functions;
- Review the hierarchy of sanctions envisaged for violations of party and campaign finance regulations to ensure that they are gradual, proportional, and dissuasive.

## Russia:

- Review the system of state financing of political parties with a view to encouraging grassroots fundraising for private contributions and direct contact of parties with the electorate;
- Oblige organizations and structures donating funds to parties and candidates to disclose information about the sources of their funding;
- Consider introducing restrictions on donations to parties and campaigns by entities that receive state contracts and different forms of state support;
- Strengthen the mandate and the capacity of the CEC to carry out comprehensive scrutiny over party and campaign finances, or, alternatively, consider vesting the oversight authority with another appropriate body that would be endowed with investigative powers;
- Facilitate independent verification of parties' and contestants' financial reports by publishing them in an accessible format;
- Review the sanctions envisaged for various types of party and campaign finance violations to ensure that they are effective and have sufficient deterring effect, including by bringing them in correspondence with overall party and campaign budgets.

## Ukraine:

- Further clarify and streamline the mandates of the NAPC and other bodies to ensure effective oversight;
- Consider introducing limitations on the amount of funds candidates can contribute to their own election funds by bringing these limits in line with general donation limits, as well as an option of requiring regular reporting on donations made both to general and campaign accounts;
- Introduce regulations on campaigning and financing of campaign-related activities carried out outside of the regulated campaign period;
- Develop appropriate regulations and control mechanisms for spending on social media campaigns;
- Strengthen and harmonize sanctions for party and campaign finance-related offences to ensure that they are effective in discouraging and preventing violations;
- Simplify procedures for applying sanctions for campaign finance violations during an election period. Consider granting the CEC and DEC the right to draw administrative protocols.

## EPDE AND ITS MEMBERS

EPDE was set up in December 2012 in Warsaw by 13 independent European citizen election observation organizations. The aim of EPDE is to support citizen election observation and to contribute to democratic election processes, both in the EU and in EU-Eastern neighborhood countries.

EPDE member organizations have considerable experience in election observation and in helping their respective countries conduct genuinely democratic elections. Collectively, they have observed over 80 electoral processes domestically and many contributed to election observation internationally. They deploy continuously growing numbers of observers, both long- and short-term, and assess electoral processes comprehensively, providing independent evaluations of all the key processes and stages – from the pre-electoral campaign to post-election developments. Through their observation work, reports published, and recommendations offered, they strive to improve election legislation and practice, in line with international obligations and standards

and national laws. Beyond the observation work, EPDE member organizations carry out other activities throughout the electoral cycle, including voter information and education campaigns to promote political engagement, encourage informed voting, and increase voter participation.

Most of EPDE member organizations are signatories of the Declaration of Global Principles for Non-Partisan Election Observation and Monitoring by Citizen Organizations, which was launched in 2012 and is now endorsed by more than 290 citizen observer groups in 93 countries, and supported by 13 key intergovernmental and international non-governmental organizations. Many are also members of renowned election observation networks, such as the Global Network of Domestic Election Monitors and the European Network of Election Monitoring Organizations. All EPDE member organizations apply established and published methodologies, based on the principles of impartiality, independence, non-interference, and transparency.



See more reports in the “Documents“ section on [www.epde.org](http://www.epde.org)

Subscribe to our monthly newsletter on [www.epde.org/en/newsletter.html](http://www.epde.org/en/newsletter.html)

Visit our social media channels on

 [facebook.com/epde.electionsmonitoring](https://facebook.com/epde.electionsmonitoring)

 [@epde\\_org](https://twitter.com/epde_org)

**The EPDE members are:**

Belarusian Helsinki Committee BHC (Belarus)  
Committee of Voters of Ukraine CVU (Ukraine)  
Election Monitoring and Democracy Studies Center EMDS (Azerbaijan)  
European Exchange (Germany)  
Helsinki Citizens' Assembly Vanadzor (Armenia)  
Human Rights Center Viasna (Belarus)  
International Elections Study Center IESC (Lithuania)  
International Society for Free Elections and Democracy ISFED (Georgia)  
Norwegian Helsinki Committee NHC (Norway)  
Civil Network OPORA (Ukraine)  
Political Accountability Foundation (Poland)  
Promo-Lex Association (Moldova)  
Stefan Batory Foundation (Poland)  
Swedish International Liberal Centre SILC (Sweden)  
Transparency International Anticorruption Center (Armenia)