



**CAMPAIGN FINANCE IN FOREIGN COUNTRIES:
LEGAL REGULATION AND POLITICAL PRACTICES
(A COMPARATIVE LEGAL SURVEY AND ANALYSIS)**

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This survey gives an overview of the experience of a number of western countries (USA, Great Britain, France, Spain) in terms of financing regulation related to the participation in elections of candidates and political parties. The main attention was given to the implementation of legislative regulations that are aimed at the limitation of the influence of money on the election process. The essential factors that hinder effective control of the state and the civil society over the money flows used for campaign finance purposes are shown.

Existing systems of campaign finance regulation were formed in the 1970-1980s. During the time period that passed after the establishment of institutions for campaign finance control in the US, France and Spain, the most important directions that need to be followed while making reforms have been determined. This survey cites modern experience related to campaign finance regulation in foreign countries, and gives suggestions and recommendations on further improvement of regulations.

I. United States of America

The system of campaign finance regulation in the United States is focussed primarily on seeking the full public disclosure of funds raised and spent by candidates for political office and their campaign committees, the political parties, and independent political action committees (PACs). Numerous problems with this system have surfaced during the last ten years, mostly having to do with “soft money” campaign contributions and “issue advocacy” advertising. These problems have prompted a series of investigations into the activities of the two major political parties and new reform legislation in the congress and at the state level.

1. The Acting System of Campaign Finance Regulation

In the United States there is a fairly well developed institutional system of control over funding of federal election campaigns. Election campaigns in various states and at the local level are conducted in accordance with state laws, but the approaches to legislative regulation vary widely by state¹.

The basic legislative act that regulates federal election campaign finance in the U.S. is the *Law on Federal Election Campaigns of 1972*. In accordance with the 1974 amendments to this law, an independent body was established. This is the Federal Election

¹ Concerning the regulation of election campaigns in the state of Vermont see Douglas, D. Manual for Campaign Funding in the Primary and General Elections in the State of Vermont, 1992.

Commission (FEC), the aim of which is to enforce observance of federal election law and to render assistance in financial reporting and administration of the state financing program. After the U.S. Supreme Court considered the case “Buckley v. Valeo” in 1976, the US Congress introduced new amendments to this law that were adopted in 1979.² These serious amendments were passed in order to improve the reporting process and to increase the role of political parties.³ This law provides for:

- 1) publication of reports on income and costs directed to federal election campaigns administration;
- 2) limitations for and bans of fees and expenses meant for federal elections administration;
- 3) state financing of election campaigns for the election of the U.S. President.

In accordance with the law, candidates’ committees, political parties’ committees and political actions committees are obliged to submit periodical reports about received and spent finances. For example, the candidates are obliged to list all PACs and party committees that provided financial support to them, and also all private persons that gave them more than \$200 per year. Additionally, they are obliged to report all payments made to private persons or organizations the total amount of which exceeds \$200 per year.⁴

Limitations for the amounts of voluntary donations are established separately for private persons, political committees, and political committees supporting several candidates. These amounts vary depending on who these donations are meant for. Donations from private persons shall not exceed:

- \$1,000 that are given to a candidate or candidate’s committee for one election campaign;
- \$20,000 during one calendar year that are given to political committees that were established and are being maintained by any national political party, and do not belong to any candidate;
- \$5,000 during one calendar year that are given to any other political committee.

A person shall not donate more than \$25,000 for election campaigns during one calendar year.

Corporations, trade unions, federal government contractors, and foreign citizens are not allowed to make donations or payments in favor of federal candidates. It was also established that no one has the right to make donations in cash money in the amount exceeding \$100.

The law also rules that during federal election campaigns, a private person or a group of persons can make “independent payments” without limitations. Independent payments mean payments made for the agitation in support of a candidate or in order to defeat a candidate. Such payments shall be made independently from the campaign in support of the candidate. Since there are no limitations for independent payments, the law demands that such persons shall inform of the acts by means of indicating the sources of financing they are using. For

² 424 U.S. 1 (1976). In this decision the US Supreme Court confirmed admissibility of restrictions on election campaign funding if the candidate uses public funding. By virtue of this decision a candidate running for President of the United States may opt for: a) refusing to accept public funding and in this case there will be no restrictions on funds spent on the election campaign or b) receiving funds under the public funding program on the condition that these funds will not be supplemented by private donations.

³ T.Potter. Law on the Federal Election Campaign Finance. Trilateral Conference on Election Systems. Canada – Mexico – USA. April 8, 1994. Mexico, Mexico.

⁴ The same source.

example, an ecology group can support a “green” candidate or his policies without limitation.

A wide range of civil-law, administrative-law and criminal-law measures is used to enforce restrictions imposed on election participants in respect of federal election campaign funding. These measures are applied by the Federal Election Commission and the Justice Department⁵.

2. Campaign Finance in Avoidance of the Acting Regulation

In practice the parties and candidates manage to substantially increase the number of financing sources and eventually obtain large extra funding for their election campaigns, as a rule, not by directly violating the laws but by making use of numerous legal loopholes which guarantee them against application of sanctions by the authorities.

2.1 The “Soft Money” Problem

In the United States a large role is played in federal election campaigns by the so-called “soft money” – funds raised and spent outside the framework of bans imposed by the federal election law⁶. As a rule, this money is given to the national committees of the political parties established at the state level. It is not directly intended for campaign funding but is used for party needs so that indirectly it could produce a marked effect on the election campaign. “Soft money” can be used, for instance, for touting the advantages of some political party, rather than for the propaganda in favor of its candidates.

Law forbids corporations, banks and trade unions to contribute money to the election funds of candidates (otherwise than through political action committees whose activity is strictly regulated) and to make independent donations to facilitate election of a definite candidate, but nothing prevents them from placing large sums at the disposal of parties⁷. According to some sources, in the course of the 1988 presidential election campaign conducted by Michael Dukakis, the Democratic candidate, and George Bush, the Republican candidate, more than 20 million dollars in “soft money” were collected in support of each candidate. During the 1996 election campaign, the Democrats and the Republicans raised three times more “soft money” than in 1992; most of this money was spent on advertising, for which they paid 120 million dollars⁸.

Suggestions to Solve the “Soft Money” Problem

The Federal Election Commission has presented to the U.S. President and the Congress its proposals on the regulation of donations in the form of “soft money.” These proposals focus on extending the public accountability requirement to the receipt of “soft money”; banning the use of a candidate's name in the federal elections for collecting “soft money”; limiting collection of “soft money” only to the years when federal elections are not held; requiring any activity of political parties in support of the election campaign of candidates at a non-federal level to be paid for from funds subject to federal regulation if this activity simultaneously affects federal election campaigns⁹.

⁵ Concerning the system of law enforcement measures see *Federal Prosecution of Election Offences*. Sixth Ed. Wash. Jan. 1995. Pp. 106 - 116.

⁶ The Federal Election Commission. *The Presidential Public Funding Program*. 1993. p. 22.

⁷ *Dreyfuss Report. Harder Than Soft Money*. The American Prospect. 1998. Jan.-Feb. p. 30.

⁸ Markus, R., Babcock, Ch. The System Cracks Under the Weight of Money. The Washington Post. 1997. February 9

⁹ The Federal Election Commission. *The Presidential Public Funding Program*. 1993. p. 23.

The publications dealing with campaign finance in the United States point to potential inefficiency of prohibitive measures intended to limit the use of "soft money." Paul Star notes that in the event of total regulation of funds raised by the parties and not by other kinds of organizations the law may encourage the parties to establish formally independent organizations whose activity is not subject to regulation and to shift all activities of this kind to them¹⁰.

2.2 Targeted Pre-Election Advertising

The 1996 congressional elections demonstrated one more unregulated method of election campaign finance, which produced an extremely negative effect on the entire system of financial control measures. This is a widespread practice of the so-called "issue advocacy" advertising. In accordance with this practice individuals and independent groups which take a definite stand on some political issue may, quite legitimately, spend money on the propaganda of their convictions on TV and in the press, issue printed propaganda material, etc. This money is not given to the political parties and is not subject to restrictions established by federal laws. At the same time, de facto this money substantially contributes to the funding of federal election campaigns¹¹.

In the case of issue advocacy advertising, legal restrictions imposed by federal regulation can be formally obviated by resorting to the guarantees of political freedoms provided by the U.S. Constitution (the 1st Amendment to the U.S. Constitution, which promulgates the freedom of speech). These guarantees have been expressed in more concrete terms by several precedents formulated by the Supreme Court of the United States. The key provisions of the relevant judicial doctrine were set forth in the decision of the Supreme Court in the case *Buckley v. Valeo*. The Supreme Court ruled that there should be no restrictions on political statements, including political advertising, which mention candidates in the context of presentation of viewpoints on a definite issue. Propaganda activities shall be subject to regulation by the Federal Election Commission only if they clearly call for election or defeat of a candidate, with the candidate's identity being beyond any doubt. The court cited a list of formulations which show that the statement is not issue advocacy but directly calls for election of a definite candidate: vote for, vote, cast your votes for, "Smith for Congress," vote against, seek defeat, reject.

To obviate funding restrictions established by law such phrases are not used in issue advocacy advertising. However, as a rule, "thematic" equivalents are found which produce a no less effective propaganda effect. Such propaganda is exemplified by an announcement which was aired by the Firearms Control Association: "Our Congressman (the name) voted for reviewing the ban on automatic firearms. Can you imagine that? The voice of the Congressman (the name) might have again put military arms in the hands of hardened criminals!"

According to some researchers, in 1995 - 1996, twenty of thirty groups spent no less than 50 or, maybe, even 100 million dollars on issue advocacy advertising. The activities of these groups are coordinated by the supporters of candidates¹².

Suggestions on the Limitations of the Issue Advocacy Advertising

¹⁰ Star, Paul. *The Loopholes We Can't Close*. The American Prospect. Jan.-Feb. P. 9.

¹¹ *Dreyfuss Report*. Op. cit. P. 31.

¹² *Ibid*. P. 34.

Promotion of public election funding programs and establishment of affordable prices for air time used for election propaganda are suggested as the most effective measures to prevent an endless "hunt" of candidates for financial donors, as a real alternative to the prohibitive measures in the sphere of campaign finance¹³. The second suggestion is particularly topical in view of the fact that a large proportion of candidates' expenditures is accounted for by election propaganda through electronic media and television in particular.

II. Great Britain

In contrast to the United States, Great Britain's system of campaign finance regulation is relatively weak. Individual candidates do face spending limits, but the parties do not, and candidates, parties, and political committees are not required to disclose contributions and expenditures. The need of candidates and parties for vast sums of money is, however, somewhat lessened by the requirement that broadcast media provide free time for political advertising – the largest area of expenditure for most U.S. campaigns. The lack of regulation has been addressed recently by the government of Prime Minister Blair, which has presented recommendations for reform to the parliament.

1. Campaign Finance Procedures in Great Britain

The British *Popular Representation Act* establishes limitations on the total amount of financial expenditures of candidates' running for the House of Commons and for other elective offices. In 1994, this amount was not to exceed 4,642 pounds plus 5.2 pence and 3.9 pence per registered voter in rural and urban constituencies, respectively. At the same time, there is no regulation in respect of the amounts spent by political parties on election campaigns. Neither are there any legislative provisions that require the political parties to publish reports on the contributions to their electoral funds. So, in practice, none of the parties has disclosed information concerning individual and corporate contributions to their electoral funds¹⁴.

All companies which render financial support to political parties in the amount exceeding 200 pounds must file annual reports on such expenses. Therefore, the obligation to disclose the information is borne by the companies rather than the parties. It is impossible to obtain sufficiently full information about all financial donations because this information is contained in approximately half a million annual reports filed by company management¹⁵.

It must be noted that in the United Kingdom the influence of money on politics is somewhat weakened by provision of free air time on TV to political parties. Under law the programs of state broadcasting media and private commercial TV and radio companies must be politically neutral. Private TV companies are forbidden to charge money for advertising political parties and other political organizations¹⁶. In addition to this, there are other forms of indirect public funding for election campaigns (free provision of premises for election meetings, etc.).

2. Inadequacy of Campaign Finance Regulation

¹³ Star, Paul. Op. cit.

¹⁴ *Comparative Political Finance Among the Democracies*. Boulder. 1994. P.15.

¹⁵ M. Pinto-Duschinsky. *Disclosure Regulations*. ACE Project. Oct. 1998.

¹⁶ M. Pinto-Duschinsky. *Aspects of Political Campaign Funding*. 1997. Pp. 5, 6.

The most essential problem of campaign finance regulation in Great Britain is the lack of requirements on the disclosure of information about contributions made to election funds of political parties, and the lack of any limitations in terms of their financing of election campaigns. Thus, party finances are a sphere that is practically inaccessible for public scrutiny. The country lacks a body (i.e. an election commission) that could accomplish control observance of campaign finance regulations on the national level.

One of the weaknesses of the British system of election campaign funding lies in the participation of print media in the propaganda for election of various candidates. During the 1992 general elections the two main parties - the Labor Party and the Conservative Party spend approximately equal amounts on their election campaigns. At the same time, supporters of the Labor Party complained that practically all national newspapers supported the Conservatives. So, a question was asked "What is the sense of a relative parity of expenses of political organizations if public opinion is manipulated by a few multimillionaires - owners of newspapers?" In this connection it is suggested that restrictions be imposed on how the newspapers highlight election campaigns. However, such suggestions receive a very cautious response because they infringe on the recognized freedom of the press¹⁷.

British law does not prohibit funding of election campaigns from foreign sources. This, too, hinders disclosure of information about donations, as foreign companies are not obliged to report such donations.

3. Suggestions on the Reforming of the Campaign Finance Regulation System

After the Labor Government headed by Tony Blair came to power in May 1997, the debate on the reform of the election campaign funding system has resumed with a new force. A special government commission headed by Lord Neil was set up to study this question. The discussion centered on the following questions: is it necessary to impose limitations on the total amount of a party's expenditures in the election campaign?; does the state have to subsidize political parties?; is it necessary to establish an election commission to monitor compliance of the parties with the rules for election campaign funding? Tony Blair advocated the prohibition of donations from foreign sources and the adoption of a rule under which parties must publish information about donors who made contributions to electoral funds in excess of 5000 pounds. Representatives of the Labor Party have actively come out in support of direct public funding of political parties. They believe that such a funding system will put an end to the traditional supremacy of the Conservative Party in the raising of money to fund election campaigns¹⁸. The Neil Commission prepared a report which was submitted to Parliament by the Prime Minister¹⁹.

The recommendations contained in this report were supported by the main political parties and the government. Appropriate modifications will be made in the legislation during the parliamentary session in 1999 – 2000. The report contains over 100 recommendations. Among other things, it calls for:

- obligatory declaration of donations that exceed 5000 pounds per year, and the total amount of donations, publication of the list of donations on the part of political parties;
- a ban on foreign donations;

¹⁷ M. Pinto-Duschinsky. Loopholes. ACE Project. Oct. 1998.

¹⁸ Balz, D. *Blair, Labor Party Stumbles Over Donation Controversy*. The Washington Post. 1997.

¹⁹ *Standards in Public Life*. Fifth Report of the Committee on Standards in Public Life. Vol. 1, 2. London. Oct. 1998. An extract of the report is attached to this paper.

- the establishment of an election commission;
- regulation of referendum financing;
- exemption of donations from income tax if they do not exceed 500 pounds a year;
- limitation of election campaign spending of the national political parties to 20 million pounds; for non-party groups campaign spending will be limited to 1 million pounds;
- annual allocation of 2 million pounds from the budget to be distributed among the political parties and used for political studies;
- adoption of a rule under which every four years companies must make arrangements for the shareholders to vote on the matter before money is donated to political parties.

III. France

A specific feature of a modern campaign finance system in France is that in the last decade it went through substantial qualitative changes. Thus, France is a country where a reform of the established regulation system has already been embodied.

1. Prerequisites for Campaign Finance Reform

One of the most important factors which prompted the reform of the campaign finance system launched in France in the late 1980s was exposure of a number of serious abuses in the funding of political activity. One of such cases involved *Societe Auxiliaire d'Enterprise* (SAE). As a result, a criminal case was opened against several right-wing and left-wing politicians who received illegal subsidies from this company. The investigation of the case has exposed a funding mechanism devised by the Socialist Party with the help of *Urbatechnic*, a consulting firm, and *Grappo*, a centralized consumer organization, which acted as intermediaries between the companies and candidates elected at the local level²⁰.

P. Avril notes that reports on expenditures made public by the parties are always doubtful because the parties always understate their real expenditures. Actual sources of political finance are often of public but unofficial origin. These sources include services rendered to candidates of certain parties, such as mailing of booklets and brochures, labor remuneration of some officials from the municipal funds. A funding method which is not so harmless is the use of research organizations controlled by friends (of the party or candidates). The municipal authorities pay the organizations for research at prices exceeding the market price. The difference between the two prices is used to finance the party²¹.

2. Campaign Finance Regulation System

At present, the system for the regulation of election campaign funding in France is organized as follows. Election campaigns of candidates are funded from contributions of natural persons and from resources of political parties. A maximum limit has been established for donations from natural persons. Donations from legal entities are banned since 1995. The maximum amount of total expenditures of candidates on their election campaigns has been established legislatively. Funding of political parties in France is based on the combination of public subsidies and private donations.

²⁰ Comparative Political Finance Among the Democracies. Pp. 86, 87.

²¹ Comparative Political Finance Among the Democracies. P. 88.

France has a fairly effective system of state control over election campaign funding. This system is headed by the National Commission for Election Campaign Reports and Political Finance (hereinafter "the National Commission").

Two months after the elections the candidates must file reports on the funding of their election campaign together with the reports of their financial representatives. These reports are submitted to the National Commission. Reports of candidates running for President are submitted directly to the Constitutional Council.

The report must indicate all receipts and expenses of candidates during the year that precedes voting day. Within three months of the receipt of the reports the National Commission takes one of the following decisions:

- approve the report;
- reject the report;
- make changes in the report.

The following sanctions may be applied to candidates for the breach of the reporting rules: disqualification; criminal prosecution; fine. A candidate is disqualified if he/she fails to file a report or if the report was filed but was rejected on legitimate grounds. This decision is taken by an administrative court or the Constitutional Court on the recommendation of the National Commission. If the elected candidates have been disqualified, the elections are declared invalid. A disqualification decision may also be taken if the candidate has exceeded the maximum amount of expenditures on the election campaign.

3. Practice of Campaign Finance Control and Sanctions to the Candidates and Political Parties

In recent years, examination of disqualification cases has become fairly widespread. Thus, one of the candidates, a winner of the elections, was charged with exceeding the maximum expenditure limit because his report did not mention expenses paid by the party for a public poll conducted in his constituency. The State Council refused to disqualify the candidate and annul the election results, believing that the sanctions provided by law cannot be applied in this concrete case. Nevertheless, the decision stated that in future such expenses must be reflected in financial reports. In another decision taken on January 29, 1992 the Constitutional Council disqualified two candidates who failed to submit the financial reports in due time²².

The documents concerning the irregularities discovered in election campaign funding are handed over by the National Commission to the public prosecutor's office. The public prosecutor determines if these irregularities constitute a crime.

The amount of fines imposed on offenders corresponds to the sum by which, as was established by the National Commission, the "ceiling" of expenditures on the election campaign has been exceeded. It is important to note that the state may refinance a part of the candidates' expenditures reflected in their reports only after the reports have been approved by the National Commission.

Political parties must submit financial reports to the National Commission. If this is not done in due time, the party may be deprived of public subsidies.

²² Comparative Political Finance Among the Democracies. P. 91.

Financial control at the regional level is exercised by representatives of the National Commission assigned to various departments. Their task is to monitor financial reports and hand them over to appropriate courts if they fail to meet the necessary requirements. According to the literature the system of control over funding of election campaigns of candidates and political parties, which was introduced in France in recent years, has produced a positive effect on the style of election campaigns which took place later on and made politicians more disciplined²³.

IV. Spain

Unlike many other countries, since 1987 Spain has legislated that the great majority of campaign financing will be supported by the public sector. However, loose regulations on the reporting of contributions and expenditures has allowed some political parties to circumvent the legal financing restrictions, resulting in a number of scandals in the early 1990s.

1. Campaign Finance Regulation System

Under the new rules for election campaign funding adopted in Spain in 1987 a much larger role is played by public financing. The maximum amount of donations made by a natural person or a group of persons to the electoral fund of a political party during one year is limited by law to 10 million pesetas. It was also established that the total amount of private donations must not exceed by more than 5% of the sum allocated from the national budget for subsidizing the political parties. In the first year after introduction of these funding rules the budget subsidies totaled 7.5 billion pesetas and, therefore, none of the parties could accept more than 375 million pesetas from private sources. The laws also establish the maximum amount of expenditures on the election campaign and ban donations from foreign sources during the election period (this is not banned at other times)²⁴.

2. Campaign Finance Practice

A special feature of election campaign funding in Spain is that the parties make a wide use of bank loans. Subsequently, only a part of these loans is paid back by the parties from the subsidies which they receive after the elections. This results in ever-increasing debts owed by the parties to banks.

Public subsidies account for a large proportion of election campaign funding but this fact alone has not created a favorable atmosphere for eradicating the illegal sources of political finance. According to official reports the political parties never exceed the maximum limit established for election campaign spending and the examination of the reports does not reveal any serious offences. However, the experts on political finance in Spain indicate that in reality, according to the information collected by the media, party financing presents quite a different picture.

In the early 1990s, there were several incidents in which charges of political corruption and unlawful financing of political parties were made and investigated. These charges implicated most of the large political parties in Spain. One of the irregularities was

²³ Comparative Political Finance Among the Democracies. P. 95.

²⁴ Breaches of the ban on receipt of donations from foreign sources have become rather common. Thus, in 1977, the General Secretary of the Spanish Socialist Party was accused of receiving money to finance the election campaign but this accusation was not supported by the investigative committee set up by the Spanish Parliament.

the establishment of so-called "compulsory party taxes," when representatives of political parties acted as intermediaries through whom money was paid in exchange for the political support of business interests in highly diverse economic spheres. The parties received interest on these commissions while the principal sum was pocketed by the intermediaries. Another unlawful form in which donations are made is payment of money for non-existent technical reports. It is through these channels that the parties received money directly from the companies keen to influence political decision-making²⁵.

These irregularities are facilitated by inadequate regulation of the procedures for disclosing information about election campaign funding and by insufficient authority vested in *Tribunal de Cuentas* (an agency which monitors financial activity of the political parties) to verify the accuracy of financial reports submitted by the political parties²⁶.

V. General Conclusions

A review of campaign finance legislation and regulatory practice allows for a number of general conclusions.

Even in the most perfectly developed system of campaign finance regulation, candidates and political parties as a rule find ways to attract extra financial resources, the use of which is not covered by the established bans and limitations. Political parties possess most of such possibilities. Money flows in the political arena can be compared with water flows coming from the mountains and turning into many rivers. If we dam one of the river beds, the water flow will find a new bed for itself²⁷.

Besides, in practically all countries there is evidence of corruption in the election process in the form of getting substantial material and financial support by political parties and candidates in exchange for promises of future political assistance to the organizations or persons. Of course, the scope of violations of this kind in Columbia and their political consequences cannot be compared with the situation in Great Britain and Sweden.

A sharp increase in the share of finances obtained by political parties and candidates, and not envisaged by a special public and legal regulation, leads to the general reduction of the effectiveness of the campaign finance regulation. Even more destructive are manifestations of political corruption.

However, inadequacy of a detailed comprehensive regulation of the most important aspects of campaign finance is not the only reason for excessive influence of big money on election campaigns. Very often, the impotency of legal provisions related to campaign finance is a result of incomplete and inconsistent use of the regulations by the state bodies that are responsible for campaign finance oversight, or a lack of appropriate powers delegated to these bodies for the process of investigation of violations and use of sanctions.

One of the alternatives which can reduce the level of dependence of candidates and political parties on large financial donations is granting state subsidies to political parties, public financing of the most expensive kinds of pre-election campaigning (television advertising in particular).

²⁵ Comparative Political Finance Among the Democracies. P. 100.

²⁶ Comparative Political Finance Among the Democracies. P. 100.

²⁷ M.Pinto-Duschinsky. Loopholes. ACE project. Oct. 1998.

Along with this, it is necessary to bear in mind that an increase in the share of public financing of candidates, political parties, and other political organizations (which results in an additional load to the budget), is not a panacea, although to a certain extent it reduces dependence on private donations. An example for that is experience of election administration in Spain. Candidates and political parties that enjoy public financing can go on using illegal or legally non-regulated financial sources.

A rather effective way of public control over the money flows used for election administration is regular financial reporting of candidates and political parties. The reporting helps to disclose important information about election campaign finance that along with other aspects is a prerequisite of mutual financial control over candidates and political parties.

VI. Recommendations

Based on the results of the technical analysis of the presidential elections in the Russian Federation, the International Foundation for Electoral Systems has already made recommendations for reforming the election campaign funding system, which were published in 1996, and also in the course of several roundtables and other events. Furthermore, a complete set of all the documents published or translated by IFES/Russia on the topic of campaign finance is attached for convenience, including the relevant chapter of this report.

Taking into consideration the foreign experience in campaign finance described above, it is possible to formulate some general recommendations for improving the system of federal election campaign funding in the Russian Federation.

1. Legislative measures must be taken to impose substantial restrictions on the use of cash in the conduct of election campaigns by candidates, election associations, and election blocs. The presence of cash as an important factor of campaign finance may block the entire system of campaign finance regulation, affect the effectiveness of the efforts made by the Central Election Commission to monitor relevant financial flows. The use in election campaigning of cash funds which are not officially accounted for is, as a rule, a manifestation of corruption in the political sphere and one of the channels through which criminal circles influence politics. Therefore, it would be most adequate to take steps to establish differentiated responsibility for these offences (including criminal responsibility for the most serious manifestations of corruption in this sphere). Of course, the effectiveness of these measures will depend on the activity of the law-enforcement bodies.

2. The low maximum level of spending established for candidates, electoral associations and blocs may induce them to make use of illegal sources of campaign funding. It is necessary to consider the question of raising the maximum spending level. This could be done, for instance, when the Federal Law on the Election of Deputies of the State Duma is updated.

3. The current Russian laws (like the laws of many other countries) do not contain provisions which allow state bodies to monitor the sources from which the political parties receive money, including money received in the period between election campaigns. It is advisable to adopt rules under which political parties would be obliged to make a public disclosure of financial donations accepted by them, when these donations exceed a definite

sum. A state body must be designated which will be responsible to check the completeness and accuracy of such disclosures and make its findings public. Also it should be taken into consideration that there is a high probability of political parties' resistance to this regulation introduction.

4. It would be timely, particularly when updating the Federal Law on the Election of Deputies of the State Duma, to introduce criteria in accordance with which political parties and political movements can receive the financial support from the state depending on their real political weight. As demonstrated by the experience of the countries that use public funding of political parties, the receipt of subsidies depends on whether the party wins a definite number of seats in parliament. It is desirable that the law should specify the periods for the receipt of such subsidies.

5. Another issue is the regulation of "independent funding" provided by natural persons and legal entities for the election campaign of a candidate, election association, election bloc. "Independent funding" implies a situation where a candidate, and an election association, election bloc formally do not coordinate the actions of organizations and individuals investing money into activities which facilitate the election of candidates. Such activities may include payments for advertising messages on TV and for publications in the press which call for supporting a definite political course, criticize the main rivals of the candidate being supported, etc. If we opt for banning such funding – in fact this is provided for by the updated version of the Federal Law on the Election of Deputies of the State Duma – it is necessary to determine concretely what kind of activity is banned as facilitating the election of a candidate. Does it mean direct calls for election or indirect support? Banning of all kinds of indirect support may come in conflict with the constitutional guarantees of the freedom of speech, restrict the lawful rights of the mass media (such failed restrictions can be clearly seen in the United States experience). In any case, when imposing a ban on "independent funding" it is necessary to establish legal responsibility of organizations and natural persons for such activity.

6. Improvement of procedures for financial reporting of candidates, election associations and blocs, measures to ensure openness and accessibility of current information concerning the sources of funds and spending of finances of election funds will facilitate control over relevant financial operations both on the part of election commissions and election participants themselves, as well as mass media. The required volume of such information and terms of its submission shall be regulated legislatively.

Here special attention shall be paid to the following tasks:

- financial reports of candidates, election associations (Blocs) must be submitted to election commissions both after the elections and before the day of elections;
- it is necessary to establish mechanisms that could provide for the analysis of official financial information related to election campaign administration, and information contained in the reports submitted by the candidates, election associations (blocs) after the elections. The most effective mechanism is the one, when all information about financial operations done for the accounts of election funds submitted by the banks, and information contained in the reports of the candidates and election associations (blocks) will be accessible in an electronic format, and it will be possible to withdraw it from a common data base.

7. It is suggested to improve the acting system of sanctions for campaign finance regulations violations. Sanctions must be more universal and provide for the use of differentiated sanctions depending on the level of violation.

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