

## Campaign financing

Nellika Valder Deputy Head of State Electoral Office

# Political Party Financing Supervision Committee

Committee (5 year term)

State Electoral Office

- 1 member from each parliamentary party
- A member cannot be an MP or minister
- 1 member appointed by National Electoral Committee
- •1 member appointed by Chancellor of Justice
- 1 member appointed by State Auditor
- Support staff:
- 2 advisers
- Clerical support by State Electoral Office (Chancellery of the Riigikogu)



## Legal framework

Rules of procedure of the Committee

https://erik.ee/en/rules-procedure

Adopted by the committee

**The Political Parties Act** 

The Administrative Procedure Act

**Public Information Act** 

**Accounting Act** 

Substitutive Enforcement and Penalty Payment Act



#### Sources of income

- Membership fees only ~ 20% of members pay
- Allocations from the state budget major source of income
- Donations (only from natural persons)
- Transactions with property or ohter services of the political party
- Other sources of income are not allowed
- Prohibition to use public funds (state budget funds and local authority budget funds)



## Consequences of accepting prohibited donations

- •When possible, must be returned to the donator
- If the donation cannot be returned, it must be transferred to the state budget
- Same for non-monetary donations (market price will be used)
- Penalty: up to 1200 € or up to 15 000 (legal persons)
- A grace period of 30 days: the donator or donee must inform the PPFSC
- Returned or transferred donations will be disclosed by the pol. party



#### Three areas of work

- 1. Monitoring information received from the public and published in the media
- 2. Managing the online reporting system and analyzing financial data NB! Parties submit quarterly reports and no separate campaign reports
- 3. Improving legislation: clear and simple rules

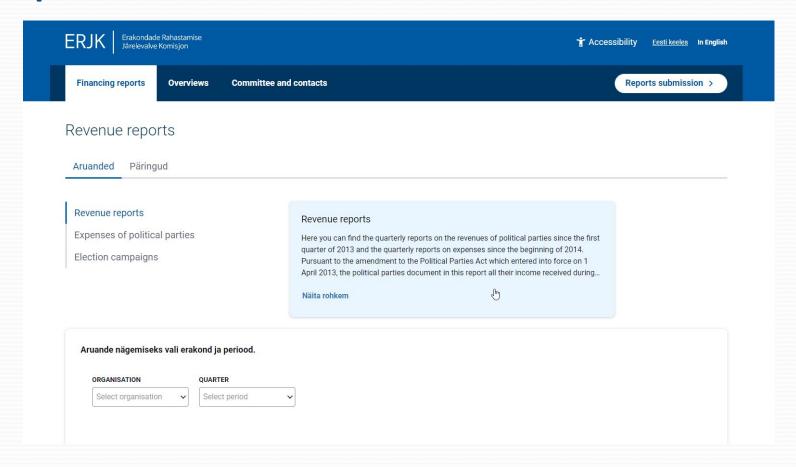


#### Three stages of supervision

- 1. Managing campaing report submissions
- 2. Verification of presented reports
- 3. Initating procedures in case of violations



## Public reports





#### Managing report submissions

Rules are needed for:

- -Clearly defining persons who are responsible for submitting reports
- -How data on said persons is collected
- -Informing them of the obligation to manage and submit reports

Clear and understandable rules (also a matter of legislation)

Pre-defined (online) report forms



#### Formal verification of reports

The Committee staff verifies that reports are presented

- -timely
- -the submitting person has the right to do it
- -Is signed by that person
- -Reports are in the correct format, include all data

All this is managed/automated by an online system



## Checking the reports (electronically)

- Comparison of quarterly reports to annual reports
- Checking that donators exist -> Population Register
- Checking that bills are paid to existing companies -> E-Business
- Register
- The system notifies the Committee when:
- -Submitted report is opened
- -Signature is removed
- -Report is edited and what has been edited



### Checking the data in reports

Compliance with the law

If the submission process has been managed well, reports are likely to be formally accurate...

...so further investigation requires extra input



#### Checking the validity of expenses

No comprehensive methology

\* adherence to market prices is presumed

Possibility for everyone to analyze reports results in effective public scrutiny

Input from investigations from other institutions:

\* anti-corruption cases, cases of illegal political advertising, problematic donations or expenses



#### Risk assessment

#### Competence of the PPFSC staff:

- Anticipation of possible dubious financing schemes
- •What goes on in politics (what is the need for financing)
- "A good nose"

Analysis of parties' annual and quarterly reports, possible anomalies Routine check of donations, if abnormally high number/amount, the PPFSC might request clarification



#### Current hot issues

Use of municipal/public/EU funds for campaigning Political advertising paid by third parties

- if classified as illegal donation, the party that received advertising should pay the cost of advertising to state budget



### Initiating the proceedings

The Committee will decide whether to initiate an investigation

In this case will ask for an explanation detailing:

- what information the Committee is in possession of
- -What questions need to be answered
- -What evidence needs to be presented
- -What the legal basis is for asking the required information



#### Before issuing the prescript

Once the data is collected the Committee will decide whether to issue a prescript

Before the preceipt is issued a hearing letter will be sent:

- detailing the facts in the case
- The data accumulated
- What the prescript will be

The addressee can respond one more time: deny the allegations or comply with the prescript



### The prescript can be issued when:

- 1) has failed to submit the report required under the Political Parties Act or the report contains deficiencies
- 2) has failed to return a prohibited donation
- 3) has not recorded an otherwise legal donation
- 4) has not transferred a prohibited donation to the state budget
- 5) has failed to submit a document requested by the committee by the prescribed date



#### Resolution of the prescript

#### The person must:

- Submit the required documents or report
- Remove the definciencies in the report or in the donations register
- Transfer an illegal donation or a gift/benefit classified as donation by the Committee to the state budget



#### Liability: misdemeanour cases

- Failure to submit reports
- Making and accepting prohibited donations
  - So far the approach is more passive:
  - The committee's aim is to solve problems not to punish
  - Extrajudicial proceedings conducted by police prefectures
  - Adjucated by county courts



## Thank you!