

Soros Foundation - Latvia  
Transparency International Latvia (Delna)

# Project “Transparency in Political Party Financing”

## Final Report

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## INTRODUCTION

Illicit financing of political parties or political financing that is in conflict with public interests is pinpointed in the World Bank's (WB) 2000 report "Anticorruption in Transition" as one of the main areas of political corruption or "state capture".<sup>1</sup> Data on Latvia in a comparison with 22 other countries indicates a high level of "capture", placing it in one group with Russia, Azerbaijan and Moldova.<sup>2</sup> The authors of the UN 2000/2001 Human Development Report on Latvia also point to the domination of a closed policy-making process in Latvia and to close links between business groupings and political leaders.<sup>3</sup>

Transparency in the financial affairs of political parties has recently become an issue even in stable democracies. Scandals in Germany and France, and the uncontrolled flow of millions of dollars during the US presidential election campaign have increased public interest in the question of improving control of the financial resources of political parties.

The public plays an important role in achieving transparency in the finances of political parties. Although there are but a few examples in the world of public participation in the independent monitoring of party finances and campaign expenditures, some have been quite successful. The American public organisation Center for Responsive Politics regularly registers and analyses the sums that are donated to American legislators and publishes them on the Internet. The Argentinean organisation People's Power has introduced independent monitoring of election campaign expenditures in several Latin American countries.

On August 8, 2000, the Latvian government of Minister President Andris Berzins issued a declaration proclaiming its intention to fight corruption at the highest level. Although the declared position of the government on reform of party financing mechanisms is focused on financing political parties from the national budget, a new draft law contains several points that would promote

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<sup>1</sup> **State capture** refers to the actions of individuals, groups or firms both in the public and the private sectors *to influence the formation of laws, regulations and decrees* and other government policies to their own advantage as a result of the illicit and non-transparent provision of private benefits to public officials.

The WB report identifies a number of specific activities that fall within the definition of "state capture":

- the "sale" of parliamentary votes and administrative decisions (directives) to private interests,
- the "purchase" of court rulings in civil and criminal cases,
- corrupt mishandling of central bank funds,
- illicit contributions to political parties by private persons or firms.

<sup>2</sup> *Anticorruption in Transition, a Contribution to the Policy Debate*, The World Bank, 2000.

<sup>3</sup> *The Public Policy Process in Latvia*, UN Human Development Report, Latvia, 2000/01, [http://ano.deac.lv/html/l/index\\_09.htm](http://ano.deac.lv/html/l/index_09.htm), viewed on 9.23.2001.

transparency and improve control of the income and expenditures of political parties. In the autumn of 2001, the draft law was still waiting to be reviewed by the Cabinet of Ministers.

Latvian society has expressed a high degree of distrust in political parties and pessimism about the prospects of controlling party finances. A study carried out for the EU PHARE Anticorruption Project revealed that 74% of those questioned considered politics (parties, government, Saeima) to be the most corrupt domain in Latvia.<sup>1</sup>

Election campaigns are costly everywhere in the world. Data on the finances of Latvia's political parties shows that in election years parties spend up to three times more than they normally do,<sup>2</sup> and campaign costs tend to increase with every election. The need for financial resources and a lack of supervision or control can have a twofold negative effect on the work of a political party. First, if a party is financially dependent on the contributions of one or a small number of donors, either natural or legal persons, it can come under the influence of these donors. Secondly, a party may be tempted to omit part of its resources from official financial statements in order to hide the source of the money and the identity and possible influence of the donor.

In order to draw public awareness to the feasibility of public control of party finances and to achieve greater transparency in the financial transactions and public accountability of political parties, from February 1 to July 1, 2001, Soros Foundation - Latvia together with Transparency International Latvia (Delna) (hereinafter, DELNA) carried out a project to examine the sums spent by political parties on their election campaigns.

This report gives a résumé of the course of the project and the data that was obtained. It also gives recommendations for subsequent measures that should be taken to improve transparency in party financing and restore the trust of society in Latvia in its political parties.

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<sup>1</sup> *The Views of the Latvian Population on Corruption*, SKDS, November 2000, EU PHARE Anti-Corruption Training, Legislation and Information Programme.

<sup>2</sup> *Political Party Financing and Corruption Prevention in Latvia: an Analysis of Alternative Solutions*, Soros Foundation - Latvia Policy Analysis Project Report, Dr, Jānis Ikstens, 2001.

## 1. PROJECT GOALS AND OBJECTIVES

**The goal of the project was to test a mechanism for independent monitoring of the expenditures of political parties in the pre-election period. Since there was no law in Latvia before the 2001 local elections that required political parties to declare income and expenditures directly associated with the elections, the project was also expected to stimulate a dialogue between political parties and the public, since the parties were asked to provide information on a voluntary basis.**

The project had three objectives. First, to find out how much political parties had spent on advertising before the 2001 local elections. This was done through independent monitoring of advertisements. Second, to get political parties to cooperate in providing information. Third, to compare the information thus gained.

Independent monitoring of advertising was not carried out during the whole period of the campaign and was not all-inclusive. However, the project working group resolved to come up with concrete figures, which would put an end to public speculations about the sums involved and to lack of faith in the prospects of determining how much had been spent.

The figures obtained may not be 100 percent accurate, but they do provide a basis for discussion about the sums that are spent on advertising, the discrepancies between these figures and those given by political parties, and the feasibility of accurate monitoring of political advertising. In order to achieve effective control of the financial transactions of political parties, both outgoing and incoming payments must be monitored. It is absolutely within the powers of the public to effectively monitor at least the outgoing flow of money.

The mechanisms that were introduced for this project provided an opportunity to try out the procedure that will be legally binding for all political parties, if the Cabinet of Ministers and the Saeima pass the new law on political party financing that was drafted in July 2001. The project was based on one of the innovations, which is considered a big step ahead in achieving party transparency and forging links with the electorate – party financial declarations submitted both before and after the elections.

The public was informed about the possibilities of obtaining information about party income and expenditures during election campaigns. The project provided an opportunity to learn more about the rules and regulations of party financing and form an opinion about changes that should possibly be made in the way that political parties are financed.

However, this is just the beginning of growing awareness among voters that one of the factors affecting their political choice should be how open a party is about its sources of income and its spending habits.

### THE ROLE OF THE MEDIA IN ELECTIONS

During the course of the project, a discussion emerged about another topic - the quality and the ethics of the media, and the extent to which the media abides by ethical principles during election campaigns. The absence of a common ethics code makes it difficult to clearly determine the reasons for indications of hidden advertising in the work of the media. It was not the goal of the project to set forth criteria for the work of journalists during election campaigns, but rather to establish whether there is reason to suspect hidden cash flows from political parties to the media, as parties attempt to achieve a favourable portrayal of their candidates in the pre-election period.

### PROJECT WORKING GROUP

The project initiator, Soros Foundation - Latvia, invited Transparency International Latvia (Delna) to take part in the project, and their model was used for the monitoring mechanism. Similar methods had already been applied for monitoring elections in Argentina, Brazil and Peru, and the international anti-corruption organisation Transparency International was interested in testing whether this type of model would work in the transition countries of Eastern Europe.

To implement the project, the two organisations set up a fairly large working group with qualified specialists from various professions. Journalist Kārlis Streips, Vidzeme University College pro-rector Richard Bærug, political scientist Jānis Ikstens, social anthropologist Aivita Putniņa, journalist Nellija Ločmele, Soros Foundation - Latvia representatives Vita Tērauda and Andris Aukmanis, and Transparency International Latvia (Delna) representatives Inese Voika and Diāna Kurpniece were involved in different stages of the project.

### DECLARATION OF THE WORKING GROUP

The members of the working group agreed on principles of integrity that would be observed during the project. All members assure that they were guided solely by the interests of the public and were not influenced by third parties. Payment received for work on the project is listed in the project's financial report, and no member of the working group has received any other remuneration in connection with this work.

All materials obtained during the project have been added to the final report and are accessible to the public at the public policy portal [www.politika.lv](http://www.politika.lv) and the DELNA homepage [www.delna.lv](http://www.delna.lv). All reports prepared for the project were made available for public appraisal without preferential treatment regarding access to information or other advantages.

### PROJECT COSTS

The project was financed by Soros Foundation - Latvia, which granted the sum of Ls 4,200. These were spent as follows:

BMF and LETA services	Ls 472
DELNA	Ls 2120
<i>(incl. stipends for the working group, Ls 1,700)</i>	
TV monitoring	Ls 835
Press monitoring	Ls 568

Other expensesLs 205  
*(communications, working group sessions, office supplies, press conferences)*

Project results and conclusions drawn from the subsequent discussion will be used to effect qualified and comprehensive monitoring of the campaign for the 8th Saeima elections in the autumn of 2002.

## 2. IMPLEMENTATION OF THE PROJECT

The project was carried out in several stages:

**1) The financial declaration form was prepared and dispatched to the political parties.**

Political parties were asked to declare their income and expenditures for the year 2000 and for January 1 - March 15 of the year 2001. In a separate part of the form, they were asked to list their advertising expenses in the categories: press, radio, TV, outdoor advertising, Internet and direct mail. The declaration form differs from that prescribed by the law in that it is more itemised in order to facilitate comparison with independently gained data and to give voters a better idea of where most money is spent.

**2) Political parties were asked to sign a pledge to submit a declaration.**

Parties were not asked to provide information about donors and party finances before the elections, because the letters were dispatched only on February 14, 2001, when the election campaign was already underway. Parties were asked to send back a pledge by February 26, 2001 - two weeks before the elections - that they would submit the requested information after the elections. The project group wanted to let voters know which parties were willing to be open about their financial affairs.

**3) Mass media editors and directors were sent a letter asking about their views on the project and those that responded positively were asked to reveal their advertising income from each political party.**

Data made available by the media would help to determine whether figures declared by the parties corresponded to actual expenditures and provide a point of reference about the financial transactions of the political parties. The project group was aware of the complexity of this question, since advertising sales tactics are business secrets, and the majority of the mass media in Latvia is in private hands. This is why it was first important to establish the attitude of the media to the project as such.

This letter also launched a discussion about the particular role and responsibility of the media in helping to ensure transparency in the financial affairs of political parties in pre-election periods.

**4) *Baltic Media Facts* (BMF) carried out monitoring of political advertising and calculated the costs for political advertisements in the central media and for outdoor advertising.**

Data provided by BMF reflects party advertising activities in the period from January 1 to March 11, 2001. BMF measured the space or length of each political advertisement in the media (see Appendix 2 for media list). BMF data show both the gross price and the actual advertisement price with standard discounts for each media group.

Independent monitoring of advertising is one of the principal elements of the public monitoring model. It is important to obtain precise information about advertising volumes and a general idea about actual prices.

BMF did not submit data on concrete discounts, but did provide information about the standard discounts offered by the media for commercial advertisements during the relevant period. This information was used to calculate the approximate payments made by each party to the media.

**5) University of Latvia (LU) Social Science Department students calculated the costs of political advertising in the regional press based on materials provided by LETA .**

The local media is an important forum for political parties during election campaigns. This is why the authors of the project wished to obtain information about the extent of political advertising in the local press, although this was not supplied by BMF.

LETA monitored political advertisements in the regional press and LU students measured the space of each advertisement and used a price list to calculate the cost (not incl. VAT). Regional newspapers have varying price policies for political advertisements. In cases where there was no set price for political advertisements, where the price could vary according to the number of advertisements published and the page on which they appeared, the average price was used for the calculations. Possible individual discount policies were not taken into account.

**6) Monitoring of possible hidden advertising in the press and on TV.<sup>1</sup>**

The criteria for hidden advertising were set by the working group, but monitoring was done by Nellija Ločmele (press) and Richard Bærug and students from the Vidzeme University College (TV).

Hidden advertising was studied to determine the extent to which political parties may have been spending money for advertisements that were not registered by BMF and LETA.

Taking into account the experimental nature of the project, specific newspapers and TV channels were chosen for observation during a specific time span to get an idea of the possible extent of hidden advertising, not to determine all cases of hidden advertising.

Press monitoring was carried out from February 10 to March 10, 2001. Twelve of the most popular national and regional press publications in Latvian and Russian were analysed - *Lauku Avīze, Diena, Neatkarīgā Rīta Avīze, Rīgas Balss, Panorama Latvii* and *Čas*, as well as *Liesma, Rēzeknes Vēstis, Million, Zemgales Ziņas, Kurzemes Vārds* and *“Ventas Balss*.

TV monitoring was carried out from February 28 to March 12, 2001. Four TV channels were monitored - LTV1, LTV2, LNT and TV3. All programmes were taped, except for serials and shows on which politicians do not usually appear. Altogether, 111 three-hour cassettes were taped, a total of approximately 20,000 minutes.

**7) The obtained data was compared and examined for discrepancies.**

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<sup>1</sup> For complete monitoring material see the Soros Foundation - Latvia and DELNA homepages: <http://www.delna.lv>, <http://www.sfl.lv/jaunumi.htm>

- 8) Political parties that had submitted data were asked to clarify ambiguities.**  
Details are included in the final report.
- 9) The report was presented to the political parties that had submitted data and made widely available to the public.**
- 10) A model is being prepared for monitoring of the Saeima elections in 2002 and partners selected for cooperation - the media, political parties etc.**

## 2.1. POLITICAL PARTY FINANCIAL DECLARATIONS

In February 2001, the project group identified 50 political parties, which are registered with the Ministry of Justice. It was possible (with the aid of a courier) to deliver an invitation to participate in the project to 34 party representatives. Eleven political parties were not found at their officially registered addresses and five were not running in the elections. The parties were asked for a pledge to submit information about funds received and spent in connection with the election campaign in the form that was requested by the project group by March 11, 2001. Fourteen parties pledged to submit the requested information.

The project has shown that the majority of Latvia's political parties are not willing to reveal detailed information about party income and expenditures. Although none of the parties that were approached openly refused to reveal their finances to the voters, some of them simply ignored the project.

### Political parties, which **did not reveal** pre-election expenditures

Of the political parties represented in the Saeima, *LSDSP* and the *Association "FOR HUMAN RIGHTS IN A UNITED LATVIA" (PCTVL)* did not submit written responses to the letter from the working group.

The pledge given before the elections was **not** fulfilled by five parties – *FOR FATHERLAND AND FREEDOM/LNNK*, the *HARMONY PARTY*, the *DAUGAVPILS CITY PARTY*, the *NEW CHRISTIAN PARTY* and *OUR LAND*.

Although the *HARMONY PARTY* initially agreed to participate in the project, it later sent a letter explaining that, in accord with a decision of the *PCTVL* Coordination Council, it would submit the financial statement required by the law in March of the following year. *FOR FATHERLAND AND FREEDOM/LNNK* expressed readiness to support the project, without mentioning concrete dates, but has failed to do so.

The political organisation *FOR LATVIA AND VENTSPILS* responded with a letter asking DELNA to be more open, but although DELNA sent the requested information, the party did not reveal its expenditures. The *LATVIAN REBIRTH PARTY* requested more explicit information, but then failed to continue correspondence.

### Political parties, which submitted information

The pledge to submit financial declarations was fulfilled on time by four parties: *LATVIA'S GREEN PARTY*, the *LATVIAN FARMERS' UNION*, *WE FOR OUR REGION*, and the *NATIONAL PROGRESS PARTY*.

*LATVIA'S FARMERS' UNION* and the *LATVIAN DEMOCRATIC PARTY* fulfilled their pledges with a slight delay. *LATVIA'S WAY* and the *CHRISTIAN DEMOCRATIC UNION* submitted a partial statement almost two months after the deadline.

The *PEOPLE'S PARTY* sent a letter expressing readiness to provide the requested information, but - not within the specified time limit. The *PEOPLE'S PARTY* submitted a declaration for the year 2000 on June 7, although it had promised to do so on March 31. The declaration for 2001 was submitted as promised - on May 31, 2001.

Current legislation requires political parties to submit their financial statements for the previous calendar year by March 1 of the following year. The new draft law on the financing of political parties includes the additional requirement that, 20 days before the day of the Saeima elections, each political organisation must submit to the Central Election Commission a financial declaration in which it lists all its financial resources as well as movable and immovable property. Political parties will also be required to reveal information about the sums that they intend to spend on their election campaigns. One month after the elections, political parties will have to submit a declaration to the Central Election Commission, showing their election campaign expenses and indicating the sources of these funds. The declaration form used for this project (see Appendix 5) could serve as a prototype for the declaration form which is required by the new law, and which must yet be approved by the Cabinet of Ministers.

### Political party pledges to submit declarations and fulfilment thereof

**Table 1.**

	Pledge made	Declaration submitted by March 31, 2001.	Declaration submitted by June 1, 2001.
1. Daugavpils City Party	yes	no	no
2. New Christian Party	yes	no	no
3. Christian Democratic Union	yes	no	partially (without indication of donors) – 07.05.2001
4. Latvian Democratic Party	yes	no	yes (11.04.2001)
5. Latvia's Green Party	yes	no	-
6. Latvia's Farmers Union	yes	no	yes (11.04.2001)
7. Latvian Farmers Union	yes	yes	
8. We for our Region	yes	yes	-
9. Our Land	yes	no	no
10. National Progress Party	yes	yes	-
11. Latvia's Way	yes <sup>1</sup> (partial)	no	partially (without indication of donors)- 24.05.2001
12. People's Party	yes <sup>2</sup> (partial)	no	Declaration for 2001 submitted on 31.05.2001, full declaration on 07.06.2001
13. Harmony Party	yes <sup>3</sup> (partial)	no	letter of refusal received

14. For Fatherland and Freedom/LNNK	yes <sup>4</sup> (partial)	no	no
15. Latvian Rebirth Party	no <sup>5</sup>	–	–
16. For Latvia and Ventspils	no <sup>6</sup>	-	-

## Notes

<sup>1</sup> **Latvia's Way** submitted a letter basically expressing support for the project. The party objected to the printed declaration form, arguing that it differed from that specified by the law, and to the deadlines. The party stated that it was prepared to accept the specifications of the project's declaration form, if all project participants agreed to fill out the form. Latvia's Way submitted a financial declaration for the year 2000, with income and donations received in 2000, and a declaration on income and expenditures for the period from January 1 to March 15, 2001. It did not, however, give the names of individual donors.

<sup>2</sup> **The People's Party** supported the project, but requested an extension of the deadline to March 31, 2001. The party pledged to submit a declaration on campaign expenditures for the year 2000 by March 31, 2001, but submitted only the financial statement for 2000 that is required by the law. On May 31, 2001, the party submitted a financial declaration for 2001. The party submitted a full declaration for the year 2000 on June 7, 2001.

<sup>3</sup> **The Harmony Party** supported the idea of the project and agreed to provide information about election campaign expenditures, without giving a specific deadline for doing so. In a letter sent on May 23, 2001, party leader Jānis Jurkāns informed that the party would provide information as required by the law. The letter referred back to a decision by the PCTVL Coordination Council to publish information only as is required by the law - by March 1, 2002.

<sup>4</sup> **For Fatherland and Freedom/LNNK** supported the project, pointing out that, for several years in a row, it had been one of the first parties to submit the financial declaration required by the law. The party expressed readiness to provide the requested information, but gave no deadlines for submission. On May 14, 2001, party headquarters announced over the telephone that it would not give DELNA any information, fearing possible distortion of data.

<sup>5</sup> **The Latvian Rebirth Party** requested more information about one of the participants working on the project - DELNA. However, after receiving the requested information, it has not responded.

<sup>6</sup> **The political organisation "For Latvia and Ventspils"** requested more information about one of the participants working on the project - DELNA. It wanted to know more about the organisation's founders, administration, officials, financial sources and use of finances. "For Latvia and Ventspils" was also concerned about DELNA's connections with "party capital and the financial and politically public supporters of political parties". After receiving DELNA's reply on March 5, 2001 (signature on courier's receipt), the organisation has not responded to the project group's invitation to participate in the project.

**Parties, which did not respond to the invitation to participate in the project\***

**Table 2.**

	<u>Name of the party</u>	Invitation to participate in the project received	Party not found at the given address or does not wish to cooperate
1.	Association "For Liepaja's Development"	Received	
2.	Bauska District National Association	Received	
3.	Labour Party	Received	
4.	Be a Human	Received	
5.	Helsinki – 86	Received	
6.	Conservative Party	Received	
7.	Welfare Party	Received	
8.	Latvia's Future Party	Received	
9.	Latvia's Conservative Union	Received	
10	LSDSP	Received	
11	Latvian Socialistic Party	Received	
12	Latvian Unity Party	Received	
13	Equal Rights	Received	
14	We – for Olaine	Received	
15	National Union "Namejs"	Received	
16	Association of Political Organisations PCTVL - <b>sent to 3 parties</b>	Received	
17	National Heritage	Received	
18	Zemgale's Party	Received	
19	Law of Nature Party		Not found
20	Democrats' Party		Not found
21	Russian Party		Not found
22	Latvian National Reform Party		Not found
23	Anti-Communist Association		Not found
24	Reform Union		Not found
25	Republican Party		Not found
26	Social Democratic Women's Organisation		Not found
27	People's Movement for Latvia (Siegerist's Party)		Not found
28	United People's Party "Partnership"		Not found
29	Latgale's Light		Not found
30	Latvian National Democratic Party		Did not run in the elections
31	Māra's Land		Informed that it is running only in Salaspils, refuses to participate
32	Association for Support of the Republic		Refuses to speak on the phone, reportedly not at home
33	Women's Party		Did not run
34	People's Society "Freedom"		Did not run

\*Parties, which were sent courier dispatches on February 13 and 14, 2001 - a letter inviting them to participate in the project and a declaration form for party income and

*expenditures - but which either failed to respond, called to say that they would not participate in the project, or which could not be found at the officially registered address.*

## **Conclusions**

The project showed that nine political parties were prepared to accept the need for greater transparency regarding the finances of their organisation and that their leaders were willing not only to publish such data, but also to cooperate with public organisations.

Of 50 registered political parties, only nine participated in the project. Of the parties represented in the Saeima, only two participated. Party leaders felt that it was enough to declare party income in the form that is stipulated by the law, although this means that information about party expenditures in election years reaches voters a year later.

Five of the 14 political parties that had promised before the elections to submit the information requested for the project did not do so after the elections. Three of those that failed to do so (TB/LNNK, JKP un TSP), are represented in the Saeima.

Latvia's Way and the People's Party submitted their declarations only after receiving additional reminders from the project group.

All the political parties that submitted their declarations on time were among those that had spent less than Ls 30,000 during the election campaign. The draft law on party financing stipulates that all parties will have to submit financial statements one month after the elections.

Several media were among those who demonstrated a lack of insight about the need to reveal party expenditures and ran editorials questioning the right of public organisations to request such information.

## 2.2 MEDIA INVOLVEMENT IN THE PROJECT

During the course of the project, the media were asked to reveal their income from political party advertisements. Data made available by the media would help to determine whether figures given by the parties correspond to actual expenditures and provide a point of reference about the financial transactions of political parties.

Only part of the addressed media responded (see Table 3). Appendices include the questionnaire that was sent to the media (Appendix 6), a full list of media that did not respond to the invitation to participate in the project (Appendix 7), and the complete material received from the media (Appendix 9).

### Media involvement in the project.

**Table 3.**

Media	Response	Declaration submitted
<i>Apollo</i> Internet portal	support	yes
<i>Kurzemnieks</i> (newspaper)	support	yes
<i>Ventas Balss</i> (newspaper)	support	yes
<i>Auseklis</i> (newspaper)	support	yes
<i>Ogres Vēstis</i> (newspaper)	support	yes
<i>Diena</i> (newspaper)	support	yes
<i>Business &amp; Baltija</i> (newsp.)	support	yes
Radio <i>Business &amp; Baltija</i>	support	yes
Latvian Radio	support	yes
Radio SWH	support	total sum submitted
Latvian Television	response to be coordinated with political parties	Price list for political advertisements submitted; no data about political parties.
<i>Tukuma Ziņotājs</i> (newsp.)	response to be coordinated with political parties	yes
TV3 Latvia	response to be coordinated with political parties	no
Radio Skonto	partial support, promise to submit total sum for advertisements	total sum submitted
<i>Zemgales Ziņas</i> (newsp.)	partial support, promise to submit total sum for advertisements	no
<i>Novaja Gazeta</i> (newspaper)	partial support, promise to submit total sum for advertisements	no
Latvian Christian Radio	no political advertising	-
Publishing House <i>Petits</i> ( <i>Čas, Subota, Rīgas Santīms, Latvijas Reklāma</i> )	information refused, pleading confidentiality	-
<i>Kurzemes Vārds</i> (newsp.)	information refused, pleading confidentiality	-
Radio Super FM	support refused	-
<i>Dienas Business</i> (newspaper)	support refused	-

## Conclusions

Several media demonstrated readiness to participate and submitted data on income from political advertising, indicating a concrete political party in each case. In none of the other countries observed by the international organisation *Transparency International*, where public organisations have carried out similar projects, has the media responded positively. This can, therefore, be considered a success.

Ten media submitted complete information, three submitted only totals. Other media expressed readiness to cooperate after checking with their clients to avoid violating confidentiality clauses of contracts.

The initiative demonstrated by the private media is commendable. However, the positions of public radio and television on providing information about advertising leave room for questions. Latvian Radio submitted a full declaration, but LTV referred only to their discount policy for political advertisements.

Data gained during the project on the expenditures of concrete parties show how important such information can be for monitoring party finances. Figures provided by Latvian Radio, the newspaper *Diena*, the *Apollo* Internet portal and Radio *Bizness and Baltija* helped to expose discrepancies in the information provided by political parties (see analysis of party expenditures, pp. 21 - 36).

In some of the forms filled out by the media, a desire was expressed for more information about the project. Criticism was voiced about the hurried execution of the project and the fact that representatives of the mass media had not been involved at an earlier stage. It is possible that the project would have received a better response, if the media had been given more time to consider their own position on the issue and to inform their clients.

Several media expressed readiness to provide information, if this were mandatory for all. This adds weight to the initiative of the National Radio and Television Council - a draft law on pre-election agitation prepared in September 2001. The draft law includes the obligation of the electronic media to provide information about advertising volumes and the names of those who pay for the advertisements.

### 3. PROJECT RESULTS

#### 3.1. ELECTION CAMPAIGN COSTS

The pre-election advertising expenses of political parties, calculated for the period from January 1 to March 11, 2001, were Ls **1,047,029**. Actual expenses are higher, because all advertisements were not registered. All registered data is included in Appendix 1.

The calculated sum is made up of the costs for advertising in the media monitored by BMF<sup>1</sup> and the regional media that was covered by LETA. Total election campaign expenses are higher, because:

- 1) advertising prior to and following the period from January 1 to March 11, 2001 was not monitored;
- 2) BMF data on several media is only fragmentary, for example, there is only partial information on several of the radio stations, and outdoor advertisements placed by several companies were not registered;
- 3) it was not possible for the project to obtain independent data on direct mail advertising, preparatory work on election campaigns etc.

A comparison of the advertising expenses of the political parties shows that 85% can be attributed to the four largest parties: Latvia's Way, People's Party, For Fatherland and Freedom/LNNK and LSDSP - only two of which provided information on their expenditures.

According to the data submitted by the political parties themselves, the total election campaign costs of nine parties (TP, LC, LDP, LZP, LVZS, LZS, NPP, MSN, KDS) exceeded one million lats - Ls **1,178,417**, including campaign preparations and publicity, but not rents and personnel costs. Latvia's Way is the only party that has listed administrative expenses and personnel costs for organisation of the election campaign.

The total sum spent on the election campaign is higher, but an accurate calculation is not possible due to lack of cooperation from the political parties.

#### BMF data processing

To obtain data that would give as accurate a picture as possible of the sums spent by political parties on advertising in the media, prices were calculated using the standard discount rates, which, according to BMF, were granted for press and television advertisements in the period from January to March 2001. For advertisements in the press, the discount rate was 25-35%, but for TV, 73% of the listed price. However, according to LTV, commercial discount rates were not applied to the advertisements of political parties (see LTV prices for political advertisements in Appendix 9).

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<sup>1</sup> BMF Gallup Media, Advertising Monitoring January - March 2001.

18% VAT was added to the discount price that the political parties had to pay for their advertisements.

Election campaign costs declared by political parties and those independently determined in the course of the project

During the project, comparisons were made between the advertising costs declared by the political parties and those determined independently. Political parties were also asked to indicate total election campaign costs. Since not all advertising was registered, the sums given by the parties should have been higher than those determined during the project. However, a number of political parties have declared sums that are lower than those registered by the project.

**Election campaign costs declared by political parties and those independently determined in the course of the project**

**Table 4.**

<b>Party*</b>	<b>I Campaign costs declared by party (Ls)</b>	<b>II Advertising costs declared by party (Ls)</b>	<b>III Advertising costs incl. VAT determined by project (Ls)</b>	<b>IV Difference between sums determined by project and those declared by party</b>
LC	572,888	477,460	358,489	-35 %
TP	509,542	134,185	294,885	+48 %
LDP	46,342	30,273	39,976	+24 %
LZS	13,100	13,100	4,772	- 72 %
LZP	32,938	31,977	17,386	- 51 %
NPP	1,182	300	976	+ 69 %
LVZS	200	100	131	+ 24 %
MSN	688		457	
KDS	1,537		1, 821	
<b>Total</b>	<b>1,178,417</b>	<b>687,395</b>	<b>717,072</b>	

\* An explanation of the abbreviations of the names of political parties is found in Appendix 4.

There could be a number of reasons for discrepancies between the figures obtained through monitoring and those provided by the political parties:

- 1) The project did not monitor all political advertising in the pre-election period. This means that the figures given by the parties should be higher than those registered during the project.
- 2) Discount policies were not identical for all political parties. Discount rates were affected by individual agreements and by the frequency of advertisements. The bigger parties with more dynamic advertising campaigns could benefit from higher discount rates. It is fact, however, that the differing rates can not be explained only with the size of the party

and frequency of advertisements. Latvia's Way, for example, has indicated that it has spent 35% more than registered through monitoring, but the sum declared by the People's Party is 48% less. The advertising volume of both parties did not differ as much as the sums spent by both parties. The sum that the People's Party has declared for campaign preparations suggests that some of the advertisements were paid for in the preparatory stage, or that they have not been indicated.

- 3) Some of the registered advertisements are not listed in the party declarations because they were paid for by third parties.
- 4) On the average, discount rates for advertisements in the regional press were not as high as those in the central media. This is why smaller political parties, which advertised mainly in the regional press, may have paid more than calculated on the basis of monitoring data.

### Political parties and media fail to list individual party advertisers

In a number of cases, the sum declared by the media as payment from a political party is considerably lower than the calculated sum, and does not fit into the pattern of discrepancies between the sums declared by other parties and those independently calculated. Both BMF materials and LETA materials on political advertisements in the regional press show that the client paying for an advertisement could be an individual party member.

Some political parties admitted to members of the project group that their advertising campaign was financed by individual members of the party, not the party as such. Some regional media directors also admitted that the problem existed and asked how individual advertisers should be treated when providing the information requested by the project.

The current Law on Financing of Political Organisations (Parties) stipulates that all financial donations must be paid into the bank account of the political party, and all donations in kind must be made directly to the party (§ 6. (2)). It is not permitted to finance political parties through third persons (§ 6. (3)). In accordance with this law, all funds that a party has spent, for example, on advertising campaigns, must have been registered by the party as donations, with indication of name, personal code and address of the donor (natural persons), or name, official address and bank account number (legal persons).

An assessment should be given by the institution responsible for controlling adherence to this law whether the practice observed during the election campaign - private individuals covering campaign expenses without registering such payments as donations to the party - is permissible under the current Law on Financing of Political Organisations (Parties).

### 3.2. PARTY ELECTION CAMPAIGN EXPENDITURES IN INFORMATION RELEASED TO THE PRESS

The public has access to information that has appeared in the press on party campaign expenditures - provided before and after the elections by the political parties themselves.

#### Before the elections, parties give imprecise information about planned expenditures

Two weeks before the elections, political parties gave the press first calculations of total campaign costs.

#### **Planned campaign costs and sums declared for the project**

**Table 5.**

	Planned campaign costs published in the press <sup>1</sup> (Ls)	Sums indicated in party declarations submitted for the project (Ls)	Difference between declared sums and those published in the press
LC	400,000	572,888	+ 43 %
TP	320,000	509,542	+ 59 %
TB/LNNK	300,000		
LSDSP	100,000		
LDP	100,000	46,342	- 53 %
PCTVL	25,000		
LZS	15,000	22,747	+ 50 %
LZP	10,000	32,938	+230 %

Note:

<sup>1</sup>Baiba Lulle, "No Hope for Party Transparency". In: *Neatkarīgā Rīta Avīze*, February 27, 2001, page 1.

Before the elections, political parties presented figures that were lower than actual expenditures.

Four of the parties that submitted declarations pointed out that the sum spent on the election campaign was 50% higher than anticipated. For one party - LDP - the sum was 50% less.

The expenditures of Latvia's Green Party (LZP) exceeded anticipated expenditures by 230%. It was established during the course of the project that the reason for the huge discrepancy is to be found in the method of calculating the value of donations in kind. A good part of the funds spent on the LZP election campaign were received as donations in the form of advertisements. If the costs of the donated advertisements are calculated on the basis of market prices, then LZP has been the most precise about

declaring its expenditures, with a deviation of only 12% (see section on LZP income).

### **Conclusions and recommendations**

Due to the interest of the media in political party finances in the pre-election period, the public was able to learn how much each party was prepared to spend on its campaign. Although the calculations were only approximate, they made it possible for the project group to compare the figures published in the press with those obtained in the course of the project.

To this day, the only source of information available to the public about the campaign expenditures of some of the political parties represented in the Saeima, for example, TB/LNNK, LSDSP and PCTVL, are the figures that the parties themselves have made available to the press.

Since a relatively small number of parties participated in the project, it is impossible to obtain a comprehensive picture of the pre-election sums spent by political parties and their sources of income. However, the figures made available to the press by the parties that did not participate allow general conclusions about the sums spent by these parties and comparison with the figures obtained independently in the course of the project.

Since the new law on party financing requires that political parties reveal their election campaign expenses 20 days before the elections, parties will have to be prepared to present exact figures. The current draft of the law (July 2001) does not set out the liability of political parties for declaration of incorrect figures. It also does not say how great a difference is permissible between the figures announced 20 days before the elections and the actual expenditures that are calculated after the elections. During the course of the project, it was found that the political parties listed in Table 5 had spent approximately 50% more than they had declared (with one exception). For the bigger political parties, the difference was more than Ls 100,000.

### **3.3. Political party pre-election expenditures**

A comparison between the declarations submitted by the political parties and data obtained through monitoring provides a better understanding of how parties spent their money and how they declared their expenditures.

This section includes comparative tables for parties that submitted data as well as tables showing data obtained during the project on political parties represented in the Saeima, which failed to submit data.

For copies of the declarations submitted by political parties see Appendix 8 to the Latvian language version of this report.

## LATVIA'S WAY (LC)

LC has submitted a declaration on election campaign expenditures, with additional figures (see table) for advertising on individual TV channels. LC has not submitted information on income sources for the year 2001.

There is a discrepancy in the figures submitted by LC for 2001: the totals for donations from natural persons do not match – two different sums have been given (see party financial statement in appendix to the Latvian language version of this report).

The greatest difference between the party's figures and the figures obtained through media monitoring is for radio and outdoor advertising. BMF has provided incomplete data on these media.

The figures given by the party for payments made to LTV exceed the volume of advertising that was registered on LTV. On the other hand, more advertising was registered on LNT than was indicated by the party. The figures obtained through monitoring more or less correspond to those provided by LNT, which raises doubts about the figures given by the party.

### LC election campaign and advertising expenses

Table 6.

Latvia's Way	Monitored advertising expenses without discounts (Ls)	Monitored advertising expenses with discounts and VAT (Ls)	Latvian Radio figures (incl. VAT) (Ls)	Party's figures (Ls)
Campaign planning and preparations				54,941
TV	578,876	220,376		222,169
LTV	41,730	<b>49,241</b>		<b>82,600</b>
LNT	416,037	<b>132,549</b>		<b>82,600</b>
TV3	97,870	31,181		39,000
TEM TV	23,240	7,404		5,900
Alter A				5,753
Radio	11,578	13,662	19,884	47,528
Press	96,038	79,327		85,561
Outdoor advertising	38,241	45,124		103,547
Internet		64***		8,423
Direct mail				10,231
Publicity				43,115
Administration*				11,300
Personnel costs**				7,203
Other				2,226
Advertising expenses	<b>724,733</b>	<b>358,553</b>		<b>477,460</b>
Total				<b>596 245</b>

\*LC points out that this sum is incomplete, as it is not always possible to set apart election campaign administrative expenses.

\*\*LC notes that actual expenses are much higher. The sum indicated here is the sum that was paid to the organisers of the central election campaign. The campaign also involved persons who worked on the campaign parallel to their regular duties. Not being able to set apart a precise figure for payments made to those working on

organisation of the campaign, LC gives a total of Ls 89,127 as payment for services performed.

\*\*\* Figure given by the *Apollo* Internet portal.

## ***THE PEOPLE'S PARTY (TP)***

TP declared advertising expenses that were considerably lower than those declared by LC. However, added together with total campaign costs, the expenses balance out. TP spent 10 times more on campaign planning and preparations (TP - Ls 368,220; LC - Ls 33,810). The differences are, therefore, probably not due to different advertising strategies of the two parties, but rather to different methods of accounting for the money spent.

The greatest difference between the sums declared by TP and those registered during the project was for radio and television advertising. It is hard to tell whether the party has failed to declare all airtime, if it is assumed that part of it is included in campaign preparations.

Information obtained from Latvian Radio shows that it received Ls 37,398 from TP (incl. VAT), while TP declares that it has spent Ls 1,775 for all radio advertising.

The *Apollo* Internet portal lists a sum received from TP, but TP has not declared such a sum.

For the year 2000, TP shows that it has outstanding debts for a total of Ls 362,000, but in the financial declaration for the period from January 1 to March 15, 2001, this sum no longer appears. It is not evident from the declaration how this debt was repaid.

### **TP election campaign and advertising expenses**

**Table 7.**

<b>People's Party</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Latvian Radio figures (Ls)</b>	<b>Party's figures (Ls)</b>
Campaign planning and preparations				<b>368,220</b>
TV	541,502	<b>202,221</b>		84,880
Radio	15,445	<b>18,225</b>	<b>37,398</b>	<b>1,775</b>
Press	34,590	28,571		35,111
Outdoor advertising	38,871	<b>45,868</b>		<b>3,525</b>
Internet		250**		0
Direct mail				8,894
Publicity				7,137
Personnel costs				35,355
Administrative expenses				50,828
Other				<b>2,252</b>
Advertising expenses, total	630,408	<b>294,885</b>		<b>134,185</b>
Total*				<b>509,542</b>
Including personnel costs, administrative and other expenses				<b>59,7976</b>

\*Personnel costs and other expenses include payments that are not directly connected with the election campaign.

\*\* Figure given by the *Apollo* Internet portal.

**FOR FATHERLAND AND FREEDOM/LNNK (TB/LNNK)**

During the course of the project, no information was received about election campaign expenditures. Such information has still not been made widely available to the public.

In the party's financial statement for the year 2000, TB/LNNK indicates that it has spent Ls 157,275 and USD 10,323 on the election campaign.

**TB/LNNK election campaign and advertising expenses**

**Table 8.**

<b>TB/LNNK</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Latvian Radio figures (Ls)</b>	<b>Party's figures as published in the press (Ls)</b>
Campaign planning and preparations				
TV	99,756	<b>56,815</b>		
Radio	14,756	<b>17,412</b>	<b>22,410</b>	
Press	36,515	<b>30,161</b>		
Outdoor advertising	42,630	<b>50,303</b>		
Internet				
Direct mail				
Publicity				
Personnel costs				
Administrative expenses				
<b>Total</b>	<b>193,657</b>	<b>154,691</b>		
Including personnel costs and administrative expenses				<b>300,000</b>

## **LATVIAN SOCIAL DEMOCRATIC WORKER'S PARTY (LSDSP)**

During the course of the project, no information was received about election campaign expenditures. Such information has still not been made widely available to the public

### **LSDSP election campaign and advertising expenses**

**Table 9.**

<b>LSDSP</b>	Monitored advertising expenses <b>without discounts</b> (Ls)	Monitored advertising expenses <b>with discounts and VAT</b> (Ls)	<b>Latvian Radio figures</b> (Ls)	<b>Party's figures as published in the press</b> (Ls)
Campaign planning and preparations				
TV	93,086	<b>39,962</b>		
Radio	6,080	<b>7,174</b>	<b>18,634</b>	
Press	41,144	<b>33,985</b>		
Outdoor advertising				
Internet				
Direct mail				
Publicity				
Personnel costs				
Administrative expenses				
Advertising expenses, total				
<b>Total</b>	<b>140,310</b>	<b>81,121</b>		
Including personnel costs and administrative expenses				<b>110,000</b>

## **NEW CHRISTIAN PARTY (JKP)**

During the course of the project, no information was received about election campaign expenditures. Such information has still not been made widely available to the public

**New Christian Party's election campaign and advertising expenses  
Table 10.**

<b>New Christian Party</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Latvian Radio figures (Ls)</b>	<b>Party's figures (Ls)</b>
Campaign planning and preparations				
TV	33,597	<b>21,418</b>		
Radio	1,372	<b>1,619</b>	<b>4,876</b>	
Press	1,532	<b>1,265</b>		
Outdoor advertising				
Internet				
Direct mail				
Publicity				
Personnel costs				
Administrative expenses				
<b>Total</b>	<b>36,501</b>	<b>24,302</b>		
Including personnel costs and administrative expenses				

## **ASSOCIATION “FOR HUMAN RIGHTS IN A UNITED LATVIA” (PCTVL)**

During the course of the project, no information was received about election campaign expenditures. Such information has still not been made widely available to the public

**PCTVL election campaign and advertising expenses**  
**Table 11.**

<b>PCTVL</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Party's figures as published in the press (Ls)</b>
Campaign planning and preparations			
TV	7,409	2,361	
Radio	1,178	1,390	
Press	4,457	3,681	
Outdoor advertising			
Internet			
Direct mail			
Publicity			
Personnel costs			
Administrative expenses			
<b>Total</b>	<b>13,044</b>	<b>7,220</b>	
Including personnel costs and administrative expenses			<b>25,000</b>

## **LATVIAN DEMOCRATIC PARTY (LDP)**

LDP expenditures have not been registered comprehensively. Data obtained through media monitoring is incomplete on radio and outdoor advertising.

A comparison of the figures provided by the party and those obtained from Latvian Radio reveals a serious discrepancy. Latvian Radio says it has received Ls 8,931 (incl. VAT) from LDP. LDP, however, declares that it has spent only Ls 3,229 on radio advertising. It should be noted that the Latvian Radio share of the monitored sum is insignificant. The greater part of monitored radio advertising is made up of advertisements on Radio SWH+ (Ls 1,044, gross price).

Similar discrepancies are revealed when a comparison is made of the expenses for press and TV advertisements, which were monitored in full. The sums indicated by the party are lower than those gained through the monitoring process. Divergence from average discount rates for the benefit of the party raises questions either about the accuracy of the sum declared by the party, or about the discount rate granted to just this party. The sum indicated for planning and preparations can not cover the difference between the independently obtained figures and those declared by the party.

**LDP election campaign and advertising expenses**  
**Table 12.**

<b>LDP</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Latvian Radio figures (Ls)</b>	<b>Party's figures (Ls)</b>
Campaign planning and preparations				11,537
TV	8,296	2,643		449
Radio	1,173	1,384	<b>7,569</b>	3,238
Press	43,522	35,949		10,570
Outdoor advertising				10,260
Internet				895
Direct mail				4,862
Publicity				4,542
Administrative expenses				12,086
Personnel costs				12,094
Other				4,181
<b>Advertising expenses</b>	<b>52,991</b>	<b>39,976</b>		<b>30,274</b>
<b>Total</b>				<b>46,353</b>
Including personnel costs, administrative and other				<b>74,714</b>

expenses				
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## LATVIA'S GREEN PARTY (LZP)

The **LZP** declaration differs from the others in that it shows an extremely large share of donated advertising.

As party co-chairman Askolds Kļaviņš explained, the value of donations in kind was calculated on the basis of gross prices. If this method is applied, in one case, the value of the donation exceeds the sum that is permitted for a single legal person (Ls 25,000). However, the actual market value of this donation is probably closer to the net price, which means that the donation most likely does not exceed the limits set by the Law on Financing of Political Organisations (Parties).

In the LZP declaration, no sums are indicated for a number of the donations (press and radio advertisements), since these were not registered separately, and the data is based solely on information provided by the donors. Some of the donations are not included in the table, for example, the karting tournament organised by U. Rūķītis, in which all candidates who ran for mayor of Riga were invited to participate. (See party's declaration in the appendix of the Latvian language version of this report for a complete overview of LZP advertising expenditures.) The information on donations in kind that is included in the LZP declaration clearly illustrates the need for criteria and an explicit method for determining the value of such donations.

A comparison between the information obtained by monitoring and from media declarations and that provided by the party shows that the greatest discrepancy is in the figures for advertising on Radio *Bizness & Baltija*. Here, the party has declared a total that is almost four times more than that declared by the media. The remaining data provided by the party generally agrees with that obtained in the course of the project.

**Latvia's Green Party election campaign and advertising expenses**  
**Table 13.**

LZP	Monitored advertising expenses without discounts (Ls)	Monitored advertising expenses with discounts and VAT (Ls)	Media figures	Party's figures: expenses (Ls)	Party's figures: donations (Ls)	Party's figures: total (Ls)
Campaign planning and preparations						
TV	30,522	9,724		118	31,447	31,565
Radio*			Ls 69 ***	70		70
<i>Bizness &amp; Baltija</i>	13,200 sec.		3,600 sec.		220x60 sec.	
Press	7,472	6,171				
incl. Čas					3,000 cm <sup>2</sup>	
incl. <i>Vesti Segodna</i>	2,486 cm <sup>2</sup>				2,664 cm <sup>2</sup>	
incl. <i>Bizness &amp; Baltija</i>	2,489 cm <sup>2</sup>		3,000 cm <sup>2</sup>		3,000 cm <sup>2</sup>	
Outdoor advertising						
Internet**						

Direct mail				342	961	1 303
Publicity						
Administrative expenses				1,150		1,150
Personnel costs				2,227		2,227
Other						7,814
Advertising expenses total				530	32,408	32,938
<b>Total</b>	<b>37,994</b>	<b>15,895</b>		<b>3,907</b>	<b>32,408</b>	<b>44,129</b>

\*17 hr advertising on Super FM, *Bizness & Baltija*, Mix FM  
\*\* 200,000 page views in a banner exchange  
\*\*\* Figure given by Latvian Radio, with a note that the sum was received from the Jurmala Green Party

## LATVIJA'S FARMERS' UNION (LZS)

LZS did not fill out the declaration form, but submitted a free-form declaration with an itemised list of advertising expenditures for the campaign in Riga only. A comparison with media data shows that the expenditures declared by the party are only slightly lower than those indicated by the newspaper *Diena*, which received Ls 40 more than declared by LZS.

LZS has declared much higher expenses for TV advertising than registered by the monitors. According to the party, this sum includes production of the advertisements as well as airtime on LTV1.

The volume of advertising in the press differs from that registered during the project, because, according to party chairman Jānis Brigmanis, outside Riga the party's campaign was sponsored by individual party members and these advertisements were not centrally registered. The sum spent on the campaign outside Riga is listed as "other expenses" and was gained by extrapolation (according to J. Brigmanis, no concrete information was received from the provincial districts, so that a round sum of Ls 500 was calculated for each district).

**Latvia's Farmers' Union election campaign and advertising expenses**  
**Table 14.**

LZS	Monitored advertising expenses without discounts (Ls)	Monitored advertising expenses with discounts and VAT (Ls)	Party's figures: Riga (Ls)	<i>Diena's</i> figures (Ls)	Party's figures: other expenses (Ls)	Party's figures: total (Ls)
TV	1,298	1,532	3,537			
Radio			455			
Press	3,923	3,240	500			
incl. <i>Diena</i>	225	199	324	364		
Outdoor advertising*			1,650			
Internet						
Direct mail**			3,505			
Advertising expenses	<b>5,221</b>	<b>4,772</b>	<b>9,647</b>			
Publicity***			300			
Other			<b>600</b>		<b>13,100</b>	
Total			<b>10,547</b>		<b>13,100</b>	<b>23,647</b>

\* total for printing and placement of posters.

\*\* total for printing of invitations to concerts, postcards and party newspapers.

\*\*\*the party has defined these as entertainment expenses.

## **NATIONAL PROGRESS PARTY (NPP)**

**NPP** has not declared any expenses for advertising (see table). Monitoring revealed that the party has run advertisements in the press, which would normally have cost approximately Ls 976. It must be noted that this sum twice exceeds the party's income for 2001. Assuming that advertising in the press has been incorrectly declared as publicity, the source of 2/3 of the sum paid still remains unclear. It is possible that advertising was financed by a third person not indicated in the party's declaration. The declaration has been incorrectly filled out. For the year 2000, the party has entered all expenses under "other expenses".

### **NPP election campaign and advertising expenses**

**Table 15.**

<b>NPP</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Party's figures (Ls)</b>
Campaign planning and preparations			
TV			
Radio			
Press	1,182	976	
Outdoor advertising			
Internet			
Direct mail			
Publicity			300
Economic activities			100
Administrative expenses			50
Personnel costs			
Advertising expenses	<b>1,182</b>	<b>976</b>	<b>300</b>
Total			<b>450</b>

## **WE FOR OUR REGION (MSN)**

**MSN**, too, has filled out the declaration imprecisely (see table). However, since the undeclared sum for advertising in the press is more or less equivalent to the sum indicated for campaign planning and preparations, the discrepancy could be attributed to a failure to correctly fill out the declaration.

**MSN election campaign and advertising expenses**  
**Table 16.**

<b>MSN</b>	Monitored advertising expenses <b>without discounts</b> (Ls)	Monitored advertising expenses <b>with discounts and VAT</b> (Ls)	<b>Party's figures</b> (Ls)
Campaign planning and preparations			688
TV			
Radio			
Press	553	457	
Outdoor advertising			
Internet			
Direct mail			
Advertising expenses	<b>553</b>	<b>457</b>	
Total			<b>688</b>

## **LATVIAN FARMERS' UNION (LVZS)**

The figures submitted by **LVZS** more or less correspond to those gained through monitoring, assuming that discounts were 24% of the average discount rate.

**Latvian Farmers' Union election campaign and advertising expenses  
Table 17.**

<b>LVZS</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Party's figures (Ls)</b>
Campaign planning and preparation			100
TV			
Radio			
Press	159	131	100
Outdoor advertising			
Internet			
Direct mail			
Publicity			
Advertising expenses	<b>159</b>	<b>131</b>	<b>100</b>
Other			<b>39</b>
Total			<b>239</b>

## **CHRISTIAN DEMOCRATIC UNION (KDS)**

**KDS** filled out the declaration form imprecisely, however, advertising expenses correspond to those indicated for campaign planning and preparations

### **Christian Democratic Union election campaign and advertising expenses 18.tabula**

<b>KDS</b>	<b>Monitored advertising expenses without discounts (Ls)</b>	<b>Monitored advertising expenses with discounts and VAT (Ls)</b>	<b>Party's figures (Ls)</b>
Campaign planning and preparations			1,537
TV			
Radio			
Press	2,204	1,821	
Outdoor advertising			
Internet			
Direct mail			
Publicity			
Administrative expenses			
Personnel costs			
Advertising expenses	<b>2,204</b>	<b>1,821</b>	
Total			<b>1,537</b>

## Conclusions and recommendations

Four of the parties that are represented in the Saeima (TB/LNNK, PCTVL, JKP, LSDSP) have still not reported the sums spent on the local elections and their sources of income. If political parties feel that transparency in money matters is an important factor in their relationship with the voter, then there were various opportunities after the elections to inform the public about their finances. However, they have not done so. The figures published in this report will be useful in the spring of 2002, when the parties submit their financial statements for 2001, as required by the law. Although the declarations that must be submitted to the Company Registry are not as detailed as those used for the project, they can serve as a basis for comparing the sums spent by political parties on their campaigns for the local elections.

For the parties that did submit declarations, in a number of cases the sum that was independently registered is greater than that reported by the party. Since not all advertising was registered during the project, this sum should have been either the same or smaller, especially for television advertising where calculations for the project were made using the highest market discount rates.

There could be several reasons for discrepancies between the figures indicated by the parties and those registered during the project:

- a. different accounting methods, for example, a party may have included part of the sum spent on advertising in the expenses for campaign preparations (the figures indicated by the party are lower than those registered), or the opposite case - the sum spent on advertising includes expenses for production of advertisements, or the value of donated TV advertisements has been calculated on the basis of official price lists and not actual costs (the figure indicated by the party is higher).
- b. money has been spent on advertising which has been aired or published not as an advertisement, but as a broadcast or publication in the press.
- c. advertisements have been paid for by the candidates themselves from individual budgets, but have been registered as party advertisements.
- d. advertisements have been paid for by party sponsors, which is why they do not appear in party declarations, but are registered as the party's advertisements.

## Recommendations

### *For the declaration form*

The more elaborate declaration form that was introduced for the project could be used as a model for the declaration form of the new law on party financing.

To ensure better control of party expenditures, detailed tabulation should be requested for advertisements in each newspaper, on each TV

channel, radio station etc.. A comparison of the LC declaration with those of other parties shows the advantages of a detailed listing of advertisements.

It should be clearly defined, which expenses are to be entered in each column and how they should be calculated. If, for example, a party buys TV advertising a year before the elections and includes the costs in campaign planning expenses (as in the TP case), it is difficult to control party expenditures.

*For evaluation of interest-free loans*

Analysis of party income reveals a problem connected with interest-free loans to political parties. The interest that a party would have to pay if it took a bank loan for this amount should be seen as a donation to the party. Restrictions that apply to donations should also be applied in such cases.

*For evaluation of donations in kind*

The question of the evaluation of donations must be resolved with legislative measures. It became clear during the course of the project that there are no uniform standards for the declaration of different types of donations, for example, advertisements. Without such standards, a political party may appear to be in conflict with the law, although the sum actually paid for a service may not exceed the donation limit.

*For monitoring of individual and regional campaigns*

The project showed that political parties do not account for the individual campaigns of party members. Parties must be required to register and control individual campaigns and their finances.

Several regional chapters of political parties have carried out campaigns without coordinating them with party headquarters, although these chapters do not enjoy the status of legal person. This suggests that part of the party's expenditures are not registered. There is less decentralisation during Saeima election campaigns, but individual support for the party is still possible.

Legislation must also deal with the question of a political party's liability regarding declaration of all expenditures connected with the name of the party.

### 3.4. PARTY INCOME

Monitoring of the pre-election expenses of political parties has a lot to do with party income. First, analysis of a party's income provides an answer to the question of where a party has obtained the funds for its election campaign. Second, analysis of a party's income shows who the party's major sponsors are. Third, analysis of a party's income helps to identify the risk zones - the greater the share of an individual sponsor's contributions to total party income, the more reason to focus on a party's propositions, decisions and votes, to determine whether the party is carrying out its programme and protecting the interests of its voters, or rather those of a concrete sponsor.

The Law on Financing of Political Organisations (Parties) sets limitations on donations. Both natural and legal persons may donate no more than Ls 25,000 per calendar year. The new law on party financing calls for party financing from the state budget and imposes even greater restrictions on the size of donations. The draft law stipulates that natural persons are allowed to donate no more than Ls 1,000 per calendar year and legal persons no more than Ls 5,000.<sup>1</sup>

An analysis of party incomes shows that the new law would severely affect the budgets of those political parties which have preeminent individual donors among their sponsors. These parties could lose from 30% to 80% of their current financing, if present donation patterns remain more or less unchanged.

Experience in the USA and other countries has shown that there are ways and means of getting around restrictions on the size of donations. This is why more attention should be paid to party donors and their sources of income. Currently, neither the solvency of the donors is checked, nor whether they have actually made a contribution to a political party. Although control of income was not the objective of the project, effective checking of donors is extremely important to eliminate the possibility of money from unknown sources flowing into party treasuries through natural persons.

The income of the political parties represented in the Saeima and of two others that submitted financial reports is outlined in the following section.

#### **LATVIA'S WAY (LC)**

LC income for the year 2000 was Ls **621,926**. 55% were donations from legal persons and 45% donations from natural persons.

In 2001, in the period covered by the report, LC income was Ls **243,268** - 44% from legal persons and 56% from natural persons.

Analysis of LC income is made difficult by the fact that LC has not submitted information about its donors for the year 2001. The law requires that this

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<sup>1</sup> For a complete text of the draft law see <http://www.delna.lv>

information must be made public, but only by March of 2002. LC was not prepared to provide this information before the deadline set by the law.

There is a significant number of natural persons among LC donors, who have contributed fairly large sums. Of 65 donors in 2000, 41 donated more than Ls 1,0000. Of these, six contributed sums between Ls 10,000 and 20,000, and one contributed more than Ls 20,000.

Of the legal persons that donated to the party, the majority contributed large sums. Of 32 donors, 26 contributed more than Ls 5,000, four more than Ls 20,000, and only 6 contributed sums that were less than Ls 5,000.

### **PEOPLE'S PARTY (TP)**

TP income for the year 2000 was Ls **578,392**. The number of natural and the number of legal persons among the donors was more or less the same. Three legal persons (the Ave Lux company, the public organisation "Politiskās izglītības fonds", and the consulting enterprise "Uzņēmuma vadība un konsultācijas") and one natural person (A. Šķēle) stand out among the others - all donated the maximum that is allowed, Ls 25,000. Their contributions make up almost half of the sum donated to the party in 2000. However, donations are outweighed by interest-free loans for a total of Ls 362,000, which is 62% of total income.

In 2001, in the period covered by the report, TP income was Ls **46,674**. 69% were donations from legal persons and 30% donations from natural persons. 1% was made up of donations in kind and other legitimate income. It should be noted that half of the donations in 2001 came from a single legal person - the company "U. Pīlēna birojs".

In 2000, TP received an interest-free loan of Ls 52,000 from E. Šķenderis and Ls 310,000 from the public organisation "Politiskās izglītības fonds" (Public Education Fund). At the end of 2000, TP had outstanding debts for a total of Ls 362,000, but at the end of the period covered in the 2001 report, only Ls 3,029.55. The TP financial declaration does not provide an answer to the question of how these debts were repaid. The party's declaration for 2001 does not show any payments that could be identified as liquidation of debts. In 2001, the party's total expenditures are only Ls 48,966.01. Payments for liquidation of debts have been entered as Ls 0. If the debt was cancelled, the sum should appear as a donation. No donations of this size are listed as income, and if they were, they would exceed the limit set by the law.

Interest-free loans as a way of financing political parties require explication from the responsible government institutions - how are such loans to be entered in financial declarations? Do the limits set for donations apply to such loans as well? Should the money that a political party has earned by not having to pay the going interest rate on such loans not be seen as donation and subjected to the restrictions for donations?

Legally, a fund or foundation is an organisation that attracts funds for specific goals from third persons. It would be good to have an opinion from the responsible institutions on whether donations (and loans) from the public organisation "Politiskais izglītības fonds" are legitimate, taking into account the fact that the Law on Financing of Political Organisations (Parties) disallows financing of political parties through third persons.<sup>1</sup>

#### ***FOR FATHERLAND AND FREEDOM/LNNK (TB/LNNK)***

Although TB/LNNK pledged to submit a declaration on its election campaign expenses for the year 2000 and expenditures in 2001, it has not done so. This is why only party income in 2000 is examined here.

In the year 2000, TB/LNNK income was Ls **196,615** and USD **22,224**. 55% were donations from legal persons and 45% donations from natural persons.

Like LC, TB/LNNK also has many large contributors - 75% of all donors. This is particularly true for donations made specifically for the election campaign: only one sponsor donated Ls 1,000, but the remaining 27 donated sums of Ls 3,000 and more, and nine persons donated between Ls 10,000 and Ls 15,000. Of donations not connected with the election campaign, 13 of 31 were more than Ls 1,000. The list of donors is not long - only 55 persons.

#### ***LATVIAN SOCIAL DEMOCRATIC LABOUR PARTY (LSDSP)***

**LSDSP** income for the year 2000 was Ls **49,717**, almost ten times less than that of LC and TP. The party has not received any donations from legal persons.

Ninety-two natural persons donated to the party. Only 11 donations are more than Ls 1,000. The biggest donations are for Ls 7,715, Ls 3,410 and Ls 2,900.

#### ***NEW CHRISTIAN PARTY (JKP)***

In 2000, JKP was dependent on four sponsors - two natural and two legal persons who donated a total of Ls **80,730**.

The two legal persons donated sums that were close to the permitted Ls 25,000. One of the donors is the public organisation "Baltijas stabilitātes fonds" (Baltic Stability Fund). As in the other cases, the responsible institution should critically assess the legitimacy of this donation.

#### ***ASSOCIATION "FOR HUMAN RIGHTS IN A UNITED LATVIA" (PCTVL)***

According to data submitted to the Company Registry, in the year 2000, the four political parties in this association have had very small incomes. The Russian Party and the Latvian Socialistic Party received no donations, and the

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<sup>1</sup> Law on Financing of Political Organisations (Parties), §6, parts 3 and 4. For a full text see <http://www.delna.lv: tiesibu normas>

latter did not even collect membership fees. The Harmony Party received Ls 2,000.60 in donations, and the Equal Rights Movement, Ls 920.

#### ***LATVIA'S GREEN PARTY (LZP)***

**LZP** income for the year 2000 was Ls **4,097**. All donations were received from natural persons. In the period covered by the 2001 report, LZP income was Ls **36,226**. 7% were donations from legal persons and 4% donations from natural persons. 89% were donations in kind. In 2001, the contribution of a single legal person dominates the list of donations - the Pro 1 company's donation in kind constitutes 85% of total party income for the period covered by the 2001 report.

#### ***LATVIAN DEMOCRATIC PARTY (LDP)***

**LDP** income for the year 2000 was Ls **46,531**. 69% were donations from natural persons and 31% donations from legal persons. In the period covered by the 2001 report, LDP income was Ls **24,686**, of which 27% were donations from legal persons and 73% from natural persons.

The responsible institution should critically assess the legitimacy of the donations received by LDP as well, since the list of donors includes the foundation ASF Sadarbība, with a contribution of Ls 13,000 for the year 2000.

## **Conclusions and recommendations**

**An analysis of party income reveals the need for a critical assessment by the responsible government institutions regarding donations made to political parties by various foundations. Such contributions could be considered donations from third persons, which are prohibited by the law. In several of the financial declarations submitted by political parties for the years 2000 and 2001, foundations are listed as donors. Clarification is also needed regarding loans - how these are to be declared in the financial declarations of political parties, in particular, if the loans are interest free and are suggestive of donations.**

**Analysis of party income also outlines risk zones - the relatively great share of party income represented by the contributions of individual donors. Where the large political parties are concerned, the possibility of such risk zones exists in cases where big donors contribute a significant part of the party's budget. For small parties, the question of risk zones is even more acute, since the total number of donors may be no more than a few dozen, in some cases not even a dozen. Although this was not one of the objectives of this project, a recommendation for future studies would be an analysis of the way in which the interests of big donors are reflected in the work and the decisions of political parties.**

**Elimination of the risk of donor falsification would be aided by the mandatory requirement that monthly donor lists be submitted to the responsible institution and made public on the Internet. Currently, this is being practised by Einars Repše, who has made public all funds raised for his new party in the form of copies of bank statements.**

## 4. HIDDEN ADVERTISING<sup>1</sup>

Hidden advertising - publications, broadcasts or informative materials, which have been prepared for advertising purposes, but which are not clearly identified as advertising. Hidden advertising is misleading for the reader, listener or viewer. Hidden political advertising is misleading for the voter. The media in Latvia enjoys a high degree of public trust. If advertising is presented without being identified as such, this trust is abused. Over a longer period of time, this kind of media strategy can lead to a rapid loss of public faith in the media. Discussions in the press and Internet portals showed that part of society is extremely critical about the possibility of hidden advertising in the media.

Hidden advertising is not always paid for in cash or treated as a barter transaction, which could be seen as direct indications that the media can be easily bought. Hidden advertising can be the result of good connections and old friendships, or the political sympathies of an editor or journalist. But in either case, the reader or the viewer is denied the opportunity to obtain an equal amount of information about all candidate lists and party programmes.

### Hidden advertising on television

Talks with media directors and editors gave reason to believe that television sells political parties airtime over and above advertising airtime. The programmes or shows that have been found to run hidden political advertising have also been found guilty of product placement. For this reason, the question of how to limit hidden advertising in pre-election periods must be approached in conjunction with the question of hidden commercial advertising in the electronic media.

During the project, no cases of what could be considered hidden advertising were registered in any of the news broadcasts on any of the TV channels. The Law on Radio and Television stipulates that advertising airtime may not exceed 20% or 12 minutes of each hour of broadcasting. However, the interviews with candidates that were paid for by their political parties were not journalistic products but advertisements, which often exceeded the 12 minutes per hour that are permitted by the law.

Before the next elections, the responsible government institutions should clarify whether paid broadcasts should or should not be considered advertisements in the sense of the Law on Radio and Television.

Several electronic media directors were prepared to abide by such regulations, if they ensured the same rules of the game for all. In the autumn of 2001, the National Radio and Television Council (LNRTC) drafted the Law on Pre-election Agitation, which would regulate appearances on the air (television, radio) of party candidates. Discussions are currently underway

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<sup>1</sup> See SFL and DELNA homepages for a full text of the study:  
<http://www.delna.lv>, <http://www.sfl.lv/jaunumi.htm>

about the new law. An important point of the law is the obligation of the media to report on the volume of advertising and the sums received.

LNRTC apprehension of this problem is evidenced by a study on political processes and portrayal of politicians in the media, which the Council had commissioned before the local elections. The conclusions reached by the study concur with those of this project. Although the criteria for both studies were determined separately from each other, both studies name the same programmes as examples of hidden advertising.

#### Hidden advertising in the press

The cases of hidden advertising that were registered in the press were, by and large, cases of injudicious editorial policy with regard to the portrayal of political parties. It is very probable that the parties did not pay for the majority of these articles.

Several newspapers openly supported a specific political group. However, some of the articles that were registered had clearly advertising character, but were not identified as paid advertisements, nor were they in line with the openly declared political views of the newspaper.

In April 2001, several newspapers signed an Ethics Code. Updating of the code and a discussion about the responsibilities of the press towards its readers and the same rules of the game for all could contribute to a more balanced publication of political information before the next Saeima elections.

#### Criteria of hidden advertising

The working group set out a number of indications for the possible presence of hidden advertising, but at the same time, it was aware that these could simply be indications of unprofessional journalism.

The working group was also aware that application of the monitoring criteria would not beyond the shadow of a doubt reveal cases of hidden advertising in the media, but that it would point to serious violations of the professional and ethical principles of journalism, which could be the result of either a bribed press or lack of professionalism in the work of journalists.

The working group respected the rights of the media to their own views, which is why monitoring of hidden advertising did not include an analysis of editorial comments, but attention was paid to the observation of political pluralism on editorial pages.

The monitoring group based its analyses on the following criteria:

1) material (with the exception of editorial comments) is one-sided or uncritical:

- for example, a news report lacks essential information, the viewpoint of the party concerned, or a critical attitude to sources,
- only pleasant questions or only unpleasant questions are posed during an interview, the attitude of the journalist is clearly evident,
- there is often reference to off-the-record information, anonymous sources,
- liberal use of emotionally-charged vocabulary in articles, creating a positive or negative impression,
- one-sided views in articles,
- one-sided views in street polls,
- open invitations to vote for or against a candidate or list.

2) material is published without any obvious reason or purpose other than popularisation or defamation of a politician or list. The 'obvious reason' is the political context that is offered to the informed reader, viewer or listener by other mass media - a discerning understanding of what is currently important and why.

- certain political parties or politicians are frequently portrayed in a positive or negative light,
- information is published about a politician's private life or other activities that are not connected with politics,
- PR materials are published as news articles.
- advertisements are visually similar to editorial material,
- overly exhaustive reports about events connected with a politician or party list (donations, etc.), which popularise the politician or list.

**A more detailed account of hidden advertising is given in two of the project's interim reports (in Latvian):**

**“Monitoring of hidden advertising on Latvian TV channels”, R. Bærug and team of authors, Riga, 2001 ([www.politika.lv](http://www.politika.lv)).**

**“Monitoring of hidden advertising in the press”, N. Ločmele, Riga, 2001 ([www.politika.lv](http://www.politika.lv)).**

## 5. PUBLIC DISCUSSION

Several press conferences were held to inform about the project's objectives, implementation and results. The press reported on the course of the project, and journalists expressed serious interest in the results. It was, however, not possible to provide these in due time, since the biggest parties submitted their data only in June.

Both the idea behind the project and the first interim reports on hidden advertising during the election campaign stimulated discussions in several media, which, in turn, provoked diametrically opposite views about the project. There was little constructive analysis in the media of the problems addressed by the project, for example, analysis of the criteria or of concrete dubious cases.

Hidden advertising and criticism thereof received quite a bit of attention in Internet discussion portals, but questions about control of party financing generated less interest, both in the press and in the Internet discussions. One reason is that both journalists and public are ill prepared to analyse and discuss this topic.

Discussions in the media did not bring forth a single opponent to the project, who objected to the principle of transparency as such. Individual authors and politicians demonstrated a lack of understanding about the involvement of a public organisation in control of party finances. Some of the opponents felt that monitoring should be carried out only by government structures and that the role of public organisations was to prompt these structures into action. Such opinions reflect the understanding of political processes in Latvia. One part of society still believes that it is not within the power of the public to restrict the power of political parties, because politics are exclusively in the hands of the state, or, in other words, the political parties. This means that future projects should focus more on educating the public and getting more public support.

## 6. Conclusions and Recommendations: Summary

The project "Transparency in Political Party Financing" was the first attempt in a European country that actively cooperates with the international organisation *Transparency International* to engage the public in controlling the expenditures of political parties in pre-election periods. A similar model was successfully employed in Argentina and elsewhere in Latin America in the 1990s.

The Latvian project was a pilot project for future public control of the money spent by political parties on election campaigns and was expected to provide practical suggestions for necessary improvements to the new law on party financing that was drafted at the beginning of 2001.

### *Financial declarations of political parties*

The project showed that several of Latvia's political parties are prepared to allow greater transparency regarding their finances and that party leaders recognise not only the need to publish financial data, but also to cooperate with public organisations.

Several parties, among them parties that are represented in the Saeima, did not participate in the project. The leaders of these parties felt that it was enough to submit financial reports as required by the law, even though this means that in election years voters are informed about the finances of the party only a year later. Of the 50 political parties that were registered, 14 pledged to submit data, but only 9 actually participated in the project.

Of the political parties represented in the Saeima, only two participated. Only a few of the parties, whose pre-election expenses did not exceed Ls 30,000, submitted their declarations as requested - one month after the elections. This is the deadline for declaration of campaign expenses set by the new law on party financing.

The current version of the draft law (July 2001) does not say anything about liability for providing inaccurate data. The project showed that parties spent approximately 50% more than they had declared (with one exception) before the elections. For the big political parties, the difference was more than Ls 100,000.

Four of the political parties represented in the Saeima (TB/LNNK, PCTVL, JKP, LSDSP) have still not revealed how much they spent on their campaigns before the local elections or the sources of their funds. The figures published in this report will be helpful in the spring of 2002, when parties submit their financial reports for the year 2001, as is required by the law.

In the cases of several political parties that did submit declarations, the independently registered sum spent on advertising is higher than that reported by the party. Since not all advertising was registered during the project, this sum should have been either the same or lower, especially for TV advertising,

where costs were calculated on the basis of the highest available discount rates.

There can be several reasons for discrepancies between the figures reported by the parties and those registered during the project:

- different accounting methods, for example, a party may have included part of the sum spent on advertising in the expenses for campaign preparations (the figures indicated by the party are lower than those registered), or the opposite case - the sum spent on advertising includes expenses for production of advertisements, or the value of donated TV advertisements has been calculated on the basis of official price lists and not actual costs (the figure indicated by the party is higher),
- money has been spent on advertising which has been aired or published not as an advertisement in airtime or space allotted for advertising, but as a broadcast or publication in the press,
- advertisements have been paid for by the candidates themselves from individual budgets, but have been registered by monitors as party advertisements,
- advertisements have been paid for by party sponsors, which is why they do not appear in party declarations, but have been registered as the party's advertisements.

#### *Declaration of political party income*

Experience in the USA and other countries has shown that there are ways and means of getting around restrictions on the size of donations. This is why more attention should be paid to party donors and their sources of income. Currently, neither the solvency of the donors is checked, nor whether they have actually made a contribution to a political party. Although control of income was not the objective of the project, effective checking of donors is extremely important to eliminate the possibility of money from unknown sources flowing into party treasuries through natural persons.

#### *The role of the mass media*

Several media demonstrated readiness to participate and submitted data on income from political advertising, indicating a concrete political party in each case. In no other country observed by *Transparency International*, where public organisations have carried out similar projects, has the media responded positively. This can, therefore, be considered an achievement of the project.

Ten media submitted complete information, three submitted total amounts. Other media expressed readiness to cooperate after checking with their clients to avoid violating confidentiality clauses of contracts.

The initiative demonstrated by the private media is commendable. However, the positions of public radio and television on providing data on advertising leave room for questions.

Several media expressed readiness to provide information, if this were mandatory for all. This adds weight to the initiative of the National Radio and Television Council - a draft law on pre-election agitation prepared in September 2001. The draft law includes the obligation of the electronic media to provide information about advertising volumes and the names of those who pay for the advertisements.

## Recommendations

### *For the declaration form*

The more elaborate declaration form that was introduced during the project could be used as a model for the declaration form of the new law on political party financing.

To ensure better control of party expenditures, detailed tabulation should be requested for advertisements in each newspaper, TV channel, radio station etc.. A comparison of the LC declaration with those of other parties shows the advantages of a detailed listing of advertisements.

It should be clearly defined, which expenses are to be entered in each column and how they should be calculated. If, for example, a party buys TV advertising a year before the elections and includes the costs in campaign planning expenses (as TP appears to have done for this project), it becomes difficult to control party expenditures.

### *For evaluation of interest-free loans*

An analysis of party income reveals a problem connected with interest-free loans to political parties. The responsible institutions should give their assessment of the legitimacy of such loans and determine whether the loan or part of the loan (for example, the interest that would have to be paid if it were a bank loan) should be seen as a donation to the party, to which the restrictions that apply to donations should also be applied.

### *For evaluation of donations in kind*

It is important that the question of the evaluation of donations be resolved with legislative measures. It became clear during the course of the project that there are no uniform standards for the declaration of different types of donations, for example, advertisements. If this question is not resolved, a political party may appear to be in conflict with the law, although the sum actually paid for this service may not exceed the donation limit.

### *For monitoring of individual and regional campaigns*

The project showed that political parties do not account for the individual campaigns of party members. Parties must be required to register and control individual campaigns and their finances.

Several regional chapters of political parties carried out campaigns without coordinating them with party headquarters or reporting them to the same, although these regional chapters do not enjoy the status of legal person. This suggests that part of the party's expenditures are not registered. There is less decentralisation during Saeima election campaigns, but individual support for the party is still possible. Legislation must also deal with the question of a political party's liability regarding the declaration of all expenditures connected with the name of the party.

### *For restrictions on donations from foundations*

Another question that must be resolved is the question of donations to political parties from foundations, which should be seen as donations from third

persons. Although this is prohibited by the law, in their declarations for the year 2000, several parties list foundations among their donors.

*For monthly declaration of donors*

In order to make it more difficult to falsify donors, parties should be required to submit monthly donor lists to the responsible institutions and to publish them, for example, in "Latvijas Vēstnesis" or the Internet. Such information would be snapped up by the media, it would rouse widespread public interest and make it possible for voters to follow and analyse the influence of financial transactions on party viewpoints, votes and actions.

*For campaign financial declarations before and after the elections*

The project group feels that declaration of election campaign expenditures and sources of funds both before and after the elections is a particularly important aspect of the link between political parties and voters, and that such a requirement should be anchored in the law as soon as possible.

## **CONCLUSION**

The project authors and the working group feel that independent monitoring mobilises a greater sense of responsibility towards the voter on the part of political parties. It provides an opportunity to reveal discrepancies between reality and the information provided by the parties, and it stimulates the controlling authorities to focus on specific aspects of party control and improve legislation. For these reasons, this type of monitoring should be carried out prior to all elections.

To make sure that monitoring is carried out properly, all interested parties should be involved in the process in good time. A discussion must take place about the best way to cooperate. Potential participants in such a discussion are the public, non-governmental organisations, the media, the political parties and official controlling institutions.

This study will be used in preparation for monitoring of the Saeima election campaign in 2002.

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