



FINAL REPORT

on monitoring of campaign financing at 2015 local elections in Ukraine



The Report is prepared in framework of All-Ukrainian non-governmental organization "Committee of voters of Ukraine" activity "Monitoring of election campaign financing at 2015 local elections in Ukraine" with support of the Council of Europe. The views expressed herein can in no way be taken to reflect the official opinion of the Council of Europe.

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Summary of the report

Legislation which regulates funding of election campaigns during local elections in Ukraine requires a significant reform.

Existing provisions for submission, publication and verification of financial statements, publication of declarations on income are ineffective and not applied in practice. There is either no responsibility for violations regarding reporting and publication of statements and declaration or this responsibility is disproportionate and inefficient. Forms of financial statements are unclear and not detailed enough. Territorial election commissions (TECs) are obliged to control candidates' financial discipline. However, TECs are not independent bodies; they don't have sufficient expertise and human resources. TECs either completely ignore statements verification or make just formal analysis.

Contributions to the election funds of candidates are mostly non-transparent, and mechanisms of contributions make them vulnerable to funding from shady sources. The prohibition to pay wages to electioneers encourages the candidates to hide these expenses.

One-third of candidates' for mayors funds were spent on political advertising on television. Poor regulation of such advertising is one of the serious problems of election finance. The existing provisions do not allow to identify who paid for advertising, identify expenditures for the specific candidate for mayor paid from the party accounts, to ensure equal airtime rates for all candidates.

The Law of Ukraine "On amendments to certain legislative acts of Ukraine on preventing and combating political corruption" is an important step forward in terms of sanctions for non-submission of financial statements on all types of elections. However, this is not enough to ensure proper reporting and transparency of election finance.

The recommendations made by the Group of States against Corruption (GRECO) in 2011 continue to be relevant, in particular: it is necessary to provide easy public access to full statements on funding of campaign activities (Recommendation III); to regulate the indirect contributions, such as contributions in kind evaluated at market price, loans (Recommendation v.); to ensure an independent mechanism for coordinated monitoring of funding of political parties and election campaigns (Recommendation viii); to provide effective, proportionate and retaining penalties for all violations of regulations on funding of election campaign (Recommendation ix.).

Detailed recommendations of the All-Ukrainian non-governmental organization "Committee of Voters of Ukraine" are set out in each section of the report. Key conclusions and recommendations are listed at the end of the report.

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Key conclusions and recommendations.

1. In the five cities, where monitoring was held, 40 out of 73 candidates opened accounts and 2 of them published information about this. Only 1 TEC out of 5 published information on accounts. Lack of information on accounts complicated public monitoring. Voters did not have an opportunity to support their candidate. A candidate who did not have an account was not obliged to file financial statement. Such situation undermined transparency of election finance.

The Committee of Voters of Ukraine recommends the Verkhovna Rada of Ukraine to adopt amendments to part 1 of article 70 of the Law “On Local Elections” and to oblige candidates for mayor to open accounts.

2. 23 of 40 candidates who opened election accounts submitted interim financial statements, and 21 candidates submitted final financial statements. Such performance in reporting is not sufficient for the transparency of election campaign.

During the election campaign territorial election commissions should remind the managers of election funds on their obligation to file the financial statements. This reminder will discipline managers of election funds and ensure the compliance with the law on local elections.

3. City territorial election commissions (TECs) could publish candidates’ financial statements on their websites or on the city councils’ websites; still not all TECs use this option. Commissions completely ignored provisions of the Law regarding publication of such statements in the media.

The Verkhovna Rada should amend the Law of Ukraine “On Local Elections” and provide that it is obligatory for election commission to publish full financial statements on the websites, at the official stands and in other ways determined by the commission.

4. During the local elections there was no criminal or administrative liability for non-submission of financial statements or violation of the terms for their submission. Such sanctions were introduced only after the local elections, but still they are not proportional. Existing sanctions are too soft for a higher level of local elections, for parliamentary elections and for elections of the President of Ukraine, while they are too strict for lower-level elections.

Penalties for non-publication of financial statements by territorial election commissions are very soft (170-340 UAH).

CVU recommends the Verkhovna Rada of Ukraine to differentiate penalties from 100 to 10,000 of non-taxable minimum incomes of citizens for violation the terms for submission of financial statements and from 200 to 20,000 of non-taxable income for conscious submitting of false information in a statement considering the level of elections.

CVU also recommends the Verkhovna Rada of Ukraine to increase the administrative penalty amount for violation of the procedure for financial statements publication or for non-publication of those.

5. The form of financial statements is not sufficient enough. The reporting procedure for placing outdoor advertising is unclear for candidates. The explanation of financial statement doesn’t contain information to which category those costs should be classified in the list of campaigning expenses.

The form of the financial statement of election expenses should be improved by the Central Election commission in collaboration with the National Agency for Prevention of Corruption.

6. TECs responsible for verification of financial statements of candidates were not independent bodies; they did have the resources and relevant expertise to implement their powers. TECs did not make efforts to check the veracity of statements, the review and analysis was formal.

The Committee of Voters of Ukraine recommends the Verkhovna Rada of Ukraine to adopt amendments to the Law “On Local Elections” and assign the National Agency for Prevention of Corruption responsible for the analysis of financial statements of candidates.

7. The mechanism for receiving donations from individuals and contributions from own candidates’ funds was not transparent and could be easily used to load a candidate’s account from shady sources.

The Committee of Voters of Ukraine recommends the Verkhovna Rada of Ukraine to adopt a set of amendments to the legislation that will regulate filling and publication of declarations on income, etc., and will ensure a full access of observers to the financial statements.

8. Candidates spend large budgets on printed campaigning products including small size leaflets for further distribution. The prohibition to make paid contracts for campaigning and distribution of materials encourages candidates to hide the illegal expenses.

The CVU recommends the Verkhovna Rada of Ukraine to cancel the prohibition of paid contracts for campaigning. The Verkhovna Rada should also provide the limited available number of such contracts based on the number of voters in a constituency to prevent vote-buying by using such contracts.

9. Only 6 out of 29 candidates who used political advertising on television declared their expenditures properly. Financial statements of parties that nominated candidates do not contain separate information on expenses of each candidate, so declared expenditures could not be compared with the actual use of advertising. The option of using different accounts for funding the election campaign of a candidate for mayor complicates the control provided by competent authorities and the civil society. Such situation undermined the transparency of election finance.

Committee of voters of Ukraine recommends the Verkhovna Rada of Ukraine to adopt amendments to paragraph 1 of article 70 of the Law “On Local Elections” which would clearly state that funding of candidate’s for mayor campaign is made only from his/her current account.