



CAMPAIGN SPENDING IN HUNGARY:

TOTAL ECLIPSE

**The Monitoring of Campaign Spending at the
Parliamentary and Municipal Elections of 2014**

Transparency International Hungary's goal as an independent professional organization is to contribute to mitigating corruption, promoting transparency and accountability in the public sphere of decision making processes as well as allocation of public funds, moreover to improving accessibility of public interest information.

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I. EXECUTIVE SUMMARY

The year 2014 was especially significant in terms of party funds and campaign spending, as a total of three elections were held during the year. Transparency International Hungary, K-Monitor, Átlátszó.hu and Political Capital, in the framework of their civil campaign monitor project¹, studied campaign spending during the parliamentary and municipal elections.²

In this study, we will present the legal and institutional framework of campaign financing, and show the visible revenues and the declared spending of parliamentary parties. We will also present the findings of the civil campaign monitor program and explain in detail the study's methodology. The details of the civil campaign monitor project and all the published data can be found on the www.kepmutatas.hu³ website.

The Electoral Procedure Act lays out the framework of campaign activity, at the same time making uncontrolled and intransparent campaign spending possible, as it allows parties to conceal their spendings on billboard advertisements. The civil campaign monitor found that the billboard campaigns of the parties were the costliest. In the campaigns leading up to the parliamentary and municipal elections of 2014, parties spent more than HUF 5 billion on outdoor advertising.

The Campaign Finance Act was unable to make the parliamentary campaign financing system transparent. According to our calculations, parties that won parliamentary mandates spent close to HUF 4 billion more on the general election campaign than allowed by law. An additional HUF 3.5 billion landed at so-called sham parties, which failed to win seats in parliament and were mostly set up only to take advantage of state campaign support funds, without using any of this money to finance any actual, visible campaign activity.

The Campaign Finance Act applies exclusively to the campaign leading up to parliamentary elections, thus the municipal election campaign took place under technically legal circumstances, since if there are no rules then there are no rules that can be broken. Under these terms, parliamentary parties were able to spend more than HUF 2.8 billion at the municipal elections without breaking the law in any way.

¹ http://kepmutatas.hu/wp-content/uploads/2014/02/11_Kepmutatas_modszertan_2014.pdf [downloaded: May 29, 2015]

² Campaign spending for the parliamentary elections held on April 6, 2014 was studied by Transparency International Hungary, K-Monitor and Átlátszó.hu, while Political Capital joined the study for looking at campaign spending for the municipal elections held on October 12, 2014.

³ <http://www.kepmutatas.hu/> [downloaded: May 29, 2015]

II. THE LEGAL FRAMEWORK OF PARTY FINANCING

Parties have various legal sources at their disposal to finance their operations and election campaigns. The revenues of parties are regulated by Act XXXIII of 1989 on the Operation and Financial Management of Political Parties (henceforth: Party Financing Act). Standing out from among the legal sources available to parties, both in terms of its significance and its size, is the support from the state budget, which accounted for a major portion of the income of parliamentary parties in the period of 2010–2014. Meanwhile, merely a few percent of party revenues come from the dues paid by party members. Thus it seems that in Hungary even citizens who are politically committed and become members of a party do not feel that they should contribute financially to the activities and operation of their preferred party.

Tables 1–5.

Revenues and expenditures of parliamentary parties between 2010–2014⁴ (figures in thousand HUF)

2010	INCOME FROM PARTY DUES	STATE BUDGET SUPPORT	TOTAL INCOME	TOTAL SPENDING	SHARE OF STATE SUPPORT WITHIN TOTAL INCOME
Fidesz	136 968	888 974	1 953 265	2 265 284	46%
KDNP – Christian Democrats	6 162	213 452	337 693	310 874	63%
Government parties	143 130	1 102 426	2 290 958	2 576 158	48%
Socialist Party	46 220	674 684	1 054 552	1 558 695	64%
Jobbik	9 013	240 993	357 913	313 891	67%
LMP – Politics Can Be Different	3 579	138 244	279 384	419 677	49%

2011	INCOME FROM PARTY DUES	STATE BUDGET SUPPORT	TOTAL INCOME	TOTAL SPENDING	SHARE OF STATE SUPPORT WITHIN TOTAL INCOME
Fidesz	143 860	1 055 000	1 293 229	1 164 064	82%
KDNP – Christian Democrats	7 127	232 600	256 670	209 678	91%
Government parties	150 987	1 287 600	1 549 899	1 373 742	83%
Socialist Party	38 687	521 300	802 788	729 869	65%
Jobbik	2 321	448 000	501 804	341 467	89%
LMP – Politics Can Be Different	4 066	249 200	283 842	142 788	88%

2012	INCOME FROM PARTY DUES	STATE BUDGET SUPPORT	TOTAL INCOME	TOTAL SPENDING	SHARE OF STATE SUPPORT WITHIN TOTAL INCOME
Fidesz	150 440	1 055 000	1 294 282	1 208 527	82%
KDNP – Christian Democrats	8 048	232 600	260 900	231 750	89%
Government parties	158 488	1 287 600	1 555 182	1 440 277	83%
Socialist Party	32 688	521 300	749 252	650 568	70%
Jobbik	5 670	447 894	528 060	457 823	85%
LMP – Politics Can Be Different	4 055	249 200	287 998	199 145	87%

⁴ Data are from the disclosures made by the parties.

2013	INCOME FROM PARTY DUES	STATE BUDGET SUPPORT	TOTAL INCOME	TOTAL SPENDING	SHARE OF STATE SUPPORT WITHIN TOTAL INCOME
Fidesz	184 690	1 055 000	1 345 081	1 160 480	78%
KDNP – Christian Democrats	7 144	232 600	263 629	322 323	88%
Government parties	191 834	1 287 600	1 608 710	1 482 803	80%
Socialist Party	28 244	521 300	806 917	754 077	65%
Jobbik	4 510	448 000	525 066	489 098	85%
LMP – Politics Can Be Different	3 303	249 200	270 378	250 597	92%

2014	INCOME FROM PARTY DUES	STATE BUDGET SUPPORT	TOTAL INCOME	TOTAL SPENDING	SHARE OF STATE SUPPORT WITHIN TOTAL INCOME
Fidesz	199 910	1 547 897	2 863 421	2 826 827	54%
KDNP– Christian Democrats	8 054	185 995	206 541	207 594	90%
Socialist Party	27 176	817 281	1 238 157	1 199 164	66%
Együtt – Together 2014	1 084	278 504	287 865	373 923	97%
DK – Democratic Coalition	26 425	169 466	237 254	233 211	71%
PM – Dialogue for Hungary	964	62 246	66 937	114 537	93%
MLP – Hungarian Liberal Party	243	50 317	60 180	100 167	84%
Jobbik	4 322	1 061 198	1 109 877	1 402 707	96%
LMP – Politics Can Be Different	3 675	205 165	992 526	1 003 550	21%

The structure of party incomes and the high proportion of public funds in financing their operations do not in themselves represent corruption risks. The problem is that neither the reporting and disclosure requirements related to party finances, nor the sanctions for failing to fulfill these obligations, represent enough of a deterrent. For example, there are no clear rules on the time limit within which parties have to publish their financial reports on their website, whereas the report itself does not allow for a detailed view of the finances of parties.

During its study of campaign spending at the 2010 general elections,⁵ TI found that instead of the HUF 386 million allowed by law at the time,⁶ the big parties spent around HUF 1.5 billion. This means that, in TI's estimate, parties spent most of their 2010 income, and in several cases, all or even more of their income, on the 2010 election campaign.

A similar correlation can be found between the declared income of parties and the estimated campaign spending at the 2014 elections. For example, government parties, according to their financial reports, operated from less than HUF 3 billion last year, while TI estimates that they spent some HUF 6 billion on the parliamentary and local election campaigns combined, although HUF 2 billion of this came from the government, which supported Fidesz-KDNP's⁷ general election campaign, and the Civil Alliance Forum ('CAF'). But even after deducting the state's self-campaign and the contribution of this "fake NGO," it is estimated that last year government parties spent HUF 1 billion more just on election campaigns, than their

⁵ Participating in the civil monitoring of the 2010 general election campaign were Transparency International Hungary, Freedom House Europe and the Eötvös Károly Public Policy Institute.

⁶ According to Act C of 1997, spending was limited to a maximum of HUF 1 million per candidate during the general election campaign, i.e. a total of HUF 386 million per party list.

⁷ KDNP, the Christian Democratic Party, is the satellite of the governing Fidesz party. This study refers to the governing parties as 'Fidesz-KDNP', and, for the sake of simplicity, KDNP's full name in English will not be included in the text.

total income. In 2014, the estimated campaign spending of Jobbik and the left-wing parties – which participated in the parliamentary and the local elections in slightly different formations – also exceeded the officially published 2014 income of the parties by around 50%.

Table 6.

The declared and estimated spending of parties winning parliamentary mandates during the campaign leading up to the 2010 parliamentary general elections⁸

PARTY	NUMBER OF INDIVIDUAL CANDIDATES	TOTAL AMOUNT REPORTED TO STATE AUDIT OFFICE ⁹	SPENDING, TI ESTIMATE	RATE OF OVERSPENDING
Fidesz-KDNP¹⁰	176	HUF 405 000 000	HUF 1 289 000 000	318%
Socialist Party¹¹	176	HUF 405 000 000	HUF 1 159 000 000	286%
Jobbik¹²	176	HUF 110 000 000	HUF 277 000 000	252%
LMP – Politics Can Be Different¹³	92	HUF 192 000 000	HUF 259 000 000	135%

Table 7.

The declared and estimated spending of parties winning parliamentary mandates during the campaign leading up to the 2014 parliamentary general elections

PARTY	NUMBER OF INDIVIDUAL CANDIDATES	TOTAL AMOUNT REPORTED TO STATE AUDIT OFFICE ¹⁴	SPENDING, TI ESTIMATE	RATE OF OVERSPENDING
Fidesz-KDNP	106	HUF 984 300 000	HUF 2 780 000 000	282%
CAF and Government Campaign Spending in support of Fidesz-KDNP	–	–	HUF 1 153 000 000	–
Fidesz-KDNP, CAF, Government TOTAL	106	HUF 984 300 000	HUF 3 933 000 000	400%
Change of Government	106	HUF 820 000 000	HUF 1 589 000 000	194%
Jobbik	106	HUF 838 500 000	HUF 1 247 000 000	149%
LMP – Politics Can Be Different	106	HUF 716 000 000	HUF 728 200 000	102%

⁸ <http://kepmutatas.hu/wp-content/uploads/2009/03/kepmutatas-modszertan-vegleges.pdf> [downloaded: May 27, 2011].

⁹ Source: State Audit Office report on the audit of the accounting of financial funds spent on the 2010 parliamentary elections at nominating organizations and independent candidates.

¹⁰ TI considered campaign spending by KDNP as part of Fidesz's campaign spending; the source of data on the number of individual candidates and the amount of campaign spending reported to the State Audit Office: <http://www.kozlonyok.hu/kozlonyok/Kozlonyok/12/PDF/2010/47.pdf> [downloaded: August 5, 2011].

¹¹ The source of data on the number of individual candidates and the amount of campaign spending reported to the State Audit Office: <http://www.kozlonyok.hu/kozlonyok/Kozlonyok/12/PDF/2010/52.pdf> [downloaded: August 5, 2011].

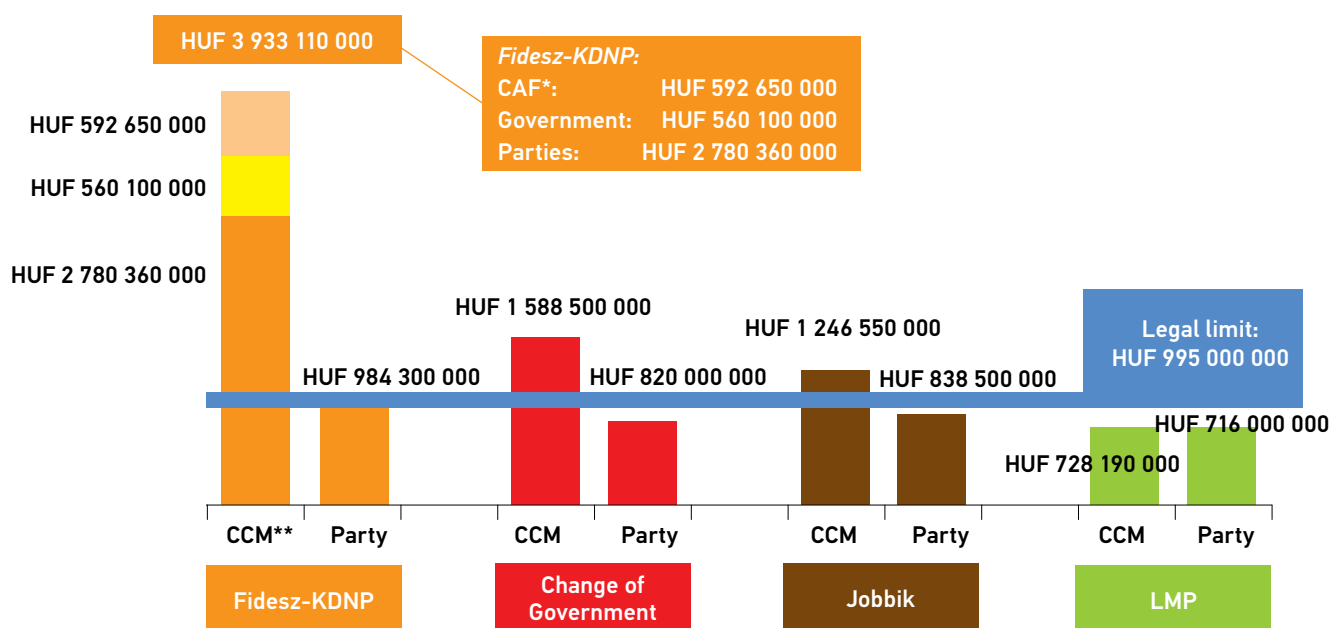
¹² The source of data on the number of individual candidates and the amount of campaign spending reported to the State Audit Office: <http://www.kozlonyok.hu/kozlonyok/Kozlonyok/12/PDF/2010/50.pdf> [downloaded: August 5, 2011].

¹³ The source of data on the number of individual candidates and the amount of campaign spending reported to the State Audit Office: <http://www.kozlonyok.hu/kozlonyok/Kozlonyok/12/PDF/2010/52.pdf> [downloaded: August 5, 2011].

¹⁴ Source: State Audit Office, Report: Audit on campaign funds – An audit of the accounting of financial funds spent on the 2014 parliamentary election campaign at nominating organizations that won mandates

Figure 1.

Spending on the general election campaign by parties that won parliamentary mandates – according to the campaign monitor and the parties' self-declaration¹⁵



* CAF: Civil Alliance Forum

** CCM: Civil Campaign Monitor

We have no information or research results based on which we could state that parties spend more on their operations and activities – such as the salaries of party officials, employees, infrastructure, employing experts, or ordering studies or opinion polls – than the amount of income they declare. However, in light of the estimated amount spent on covering the expenses of election campaigns, the income and spending amounts declared in the reports of the big parties seem unrealistic. A decades-long failure of the Hungarian institutional system of auditing public and party funds is the lack of substantive investigations into the discrepancies between the size of the income declared and made public by parties and that of the estimated campaign spending. Because of this neglect, parties use uncontrolled funds from unknown sources to finance their campaigns, with impunity.

¹⁵ The figure includes parliamentary campaign spending by civil organizations campaigning for various parties, as well as government spending that serves party interests.

III. A THE LEGAL FRAMEWORK OF CAMPAIGN FINANCING

The legal framework of campaign financing has been established by Act XXXVI of 2013 on Electoral Procedure (henceforth: Electoral Procedure Act) and Act LXXXVII of 2013 on the Transparency of Campaign Costs Related to the Election of the Members of the National Assembly (henceforth: Campaign Finance Act). These two laws were first applied during the campaign leading up to the 2014 general elections. TI found both laws to be inadequate in curbing campaign corruption for the reasons detailed below.

III/1. The Electoral Procedure Act

The Electoral Procedure Act relates only indirectly to the topic of campaign financing, by defining election campaign periods and the various campaign methods and tools. According to the Electoral Procedure Act, the campaign period starts from the 50th day before voting and lasts until the end of the election day. This provision is significant from the viewpoint of campaign financing because state campaign support can be legally used exclusively within this period. Within the regulation of campaign tools – for more details on this, see subsection IV/1. below –, the provisions on posters and political advertisements should be highlighted. According to these rules, the prices of political advertisements to be published in the printed press, as well as the actual amount paid by parties for the publishing of political advertisements, have to be reported to the State Audit Office. However, the Electoral Procedure Act does not require that the advertising prices for outdoor billboards and posters are made public. According to the Electoral Procedure Act, political advertisements can be published in the electronic media free of charge.¹⁶

III/2. The Campaign Finance Act – Supporting Individual Candidates

The Campaign Finance Act limits the amount of money that can be spent by parties during the campaign period of general elections. The new cap on campaign spending was raised to five times the previous limit, from HUF 1 million per candidate to HUF 5 million. At the same time, the number of parliamentary representatives has decreased from 386 to 199, thus looking at overall spending on candidates, the increase is only a factor of two and a half. The new rules allow a total campaign spending limit of HUF 995 million for parties, compared to the earlier HUF 386 million.

According to the regulations of the Campaign Finance Act, HUF 1 million of the HUF 5 million is made available directly to the candidates from the state treasury, on a treasury card. Candidates cannot withdraw cash from the card, only use it to make money transfers, and they have to prepare a full account of their spending. The Campaign Finance Act, quite rightly, also adds a risk element to the financing of candidates' campaigns, by stipulating that if the candidate fails to win 2% of the votes cast, the full amount of the support, i.e. HUF 1 million, has to be paid back to the State Treasury. The significance of the risk component is that it rules out a candidate running merely to gain access to the campaign funding support. Candidates

¹⁶ The original text of the Electoral Procedure Act (<http://www.parlament.hu/irom39/08405/08405-0073.pdf> [downloaded on July 28, 2015]) would have allowed the publication of political advertisements exclusively at public service media providers. Following a constitutional veto by the Hungarian president, the Constitutional Court ruled in its decision of 1/2013. (I. 7.) AB that a ban on political advertisements in non-public service media represents a "gravely disproportional limiting of [...] allowing the free formation and the expression of the voters' will" and is therefore contrary to the Fundamental Law. Subsequently, the governing majority in parliament, with its Fourth Amendment to the Fundamental Law, raised the monopoly on political advertising afforded to public service media, which was deemed to be contrary to the Fundamental Law by the Constitutional Court, into the Fundamental Law itself. TI objected to the Fourth Amendment to the Fundamental Law in an open letter (http://transparency.hu/Nyilt_level_az_alaptorveny-modositasrol?bind_info=index&bind_id=0 [downloaded July 28, 2015]). Furthermore, we asked the president that instead of its publication, he initiate a judicial review of the Fourth Amendment to the Fundamental Law by the Constitutional Court. (http://transparency.hu/uploads/docs/Level_Dr_Ader_Janosnak.pdf [downloaded July 30, 2015]). The Parliament eventually established the rules of the Electoral Procedure Act pertaining to political advertising, which are currently in effect and were applied at the elections of 2014 and 2015, with the Fifth Amendment to the Fundamental Law and with Act CCVII of 2013 on the amendment of certain Acts related to the Fifth Amendment to the Fundamental Law.

are eligible to receive financing from public funds only if they are able to show at least a minimum amount of voter support. Candidates have 15 days following the election to submit a full account of their expenses, which is audited not only by the State Audit Office but also by the State Treasury. If it is revealed that the candidate spent the money received from the State Treasury in an irregular manner, for example by being unable to support the expenses with invoices, then twice the amount of support received, i.e. HUF 2 million, has to be paid back.

III/3. The Campaign Finance Act – Supporting Party Lists

Parties are also eligible to receive significant budget funds on top of the HUF 1 million given directly to candidates by the Hungarian State Treasury. The amount depends on how many single-member constituencies the given party was able to put up a candidate in. If a party has a candidate in at least 27 constituencies it receives HUF 149.25 million, but if it has a candidate in all 106 single-member constituencies then it is eligible to receive HUF 597 million.¹⁷ This also means that not all of the HUF 4 million that can be used by the party, out of the HUF 5 million available per candidate, comes from the taxpayers. Even the biggest parties and their candidates can receive at most HUF 703 million from state funds to cover their campaign expenses, provided they put up a candidate in all 106 single-member constituencies. The remaining HUF 292 million has to be raised by the parties themselves. Smaller parties, who for example only put up candidates in the 27 individual constituencies required to receive state support for their party list (and have at least 93 candidates on their national list), can spend HUF 600 million. In their case, the amount of campaign funds coming from non-state sources could be up to HUF 423.75 million. Parties can cover these funds from their revenues, pursuant to the Party Financing Act. As mentioned above, the main operating income of parties is from membership dues and state budget support, beyond which they can also accept donations.

However, the Campaign Finance Act rewrote the rules on providing donations to parties, excluding everyone from possibly supporting a party except for Hungarian citizens.¹⁸ Therefore, the several hundred million forints that parties can use legally in a campaign beyond the state support provided has to be covered from their own income, party support provided by the central budget, and donations provided by Hungarian private citizens.

The state support of party campaigns is an important step toward reining in campaign corruption, as it has an overall “whitening” effect on the campaign if its costs are covered by the state in a transparent manner. The positive element in the support of party lists is that the Campaign Finance Act makes it possible to use large amounts of public funds for the purpose of party campaigns. One of the biggest negatives, however, is that parties receive these hundreds of millions of forints in a cash payment.

Parties will have to account for the use of the budget support they receive in cash in the same manner they have before, i.e. party spending will be audited by the State Audit Office based on the annual reports of the parties. Thus there is no ban on the use of cash in the case of state support provided to party lists, and no strict controls can be expected either.

The less controllable in-cash campaign support is not the only difference between state funding provided to candidates and party lists. In the case of party lists, another serious problem is the absence of a risk element: a party can keep the amount of support it receives, which can range from around HUF 150 million

¹⁷ Parties setting up a party list shall be entitled to receive the following amount for campaign activities out of the total budget support of HUF 995 million:

- a) 15% if they nominate a candidate in at least 27,
- b) 30% if they nominate a candidate in at least 54,
- c) 45% if they nominate a candidate in at least 80,
- d) 60% if they nominate a candidate in all single-mandate constituencies.

¹⁸ Party membership dues and budget support will of course remain; the modification applies only to the circle of those that are allowed to provide donations.

to HUF 600 million depending on the number of party candidates, even if its list receives zero votes at the election. This is the element of the system of campaign support for party lists that most encourages the setting up and entering in the race of so-called sham parties: in the absence of a repayment obligation, acquiring state campaign support can be a goal in itself, without the existence of any true political ambitions. Furthermore, the Campaign Finance Act does not even stipulate that parties must spend the state campaign support on their actual campaigns.

III/4. The Overall Balance of Campaign Finance Legislation

Parliament, based on bills proposed by government MPs, passed the Electoral Procedure Act and the Campaign Finance Act without any kind of expert or social consultation. TI has been critical of the laws regulating campaign financing and indicated already prior to the 2014 elections that this regulation will not be adequate for reducing campaign corruption.

In the case of the Electoral Procedure Act, we can consider a progress that – being regulation that applies to all elections in Hungary, including general, local and European Parliament elections, as well as all by-elections – it stipulates some minimum general requirements. The shortening of the campaign period to 50 days, for example, could have represented some progress because a shorter campaign period compared to earlier in theory allows for less money to be spent and thus reduces the risk of campaign corruption. However, since there are no deterrent sanctions threatening parties that campaign outside of the campaign period, the shorter campaign period has not decreased the campaign spending of parties.

Similarly, one would reasonably expect that making it free to publish political advertising in the electronic media would lead to cheaper campaigns that are thus less exposed to corruption. In reality however, this provision of the Electoral Procedure Act led to electronic commercial media services keeping away from the campaign. The broadcasts of public service media, which thus practically gained a monopoly in this area, were watched only by relatively few people and inordinately little time was available to broadcast the election advertisements of the various political parties in public media.¹⁹ Furthermore, public service media providers – as the Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights also pointed out²⁰ – were far from providing the equality of opportunity to parties that is prescribed by law.²¹

Lastly, the legal possibility of keeping secret the advertising prices of outdoor billboards cannot really be explained by anything other than the likely aim of approving uncontrollable and intransparent campaign spending. The civil campaign monitor – see subsection IV/1. – came to the conclusion that outdoor billboards proved to be the costliest and most difficult to oversee campaign tool at the 2014 parliamentary and municipal elections. Regrettably, lawmakers failed to heed TI's criticism of the Electoral Procedure Act.²²

With regard to the Campaign Finance Act as well, TI has stated that it opens at least as many, if not more, loopholes for campaign corruption than it closes.²³ TI and the Political Capital Institute called attention

¹⁹ According to Section 147/A of the Electoral Procedure Act, during the campaign period before the general election of members of parliament the timeframe for broadcasting political advertisements shall be 470 minutes for nominating organizations putting forward party lists. The public service media provider shall broadcast three times per day without interruption the political advertisements in the timeframes between 6-8, 12-14 and 18-20 o'clock. The nominating organisation may request the broadcasting of political advertisement in one timeframe – for a duration of maximum one minute – only once per day.

²⁰ The report of the OSCE's Office for Democratic Institutions and Human Rights on the observation of the 2014 parliamentary elections notes that "the lack of critical reporting about the government in broadcast media is exacerbated by a lack of independence in the public broadcaster, MTVA (Public Service, Media Support and Asset Management Fund)." Source: OSCE/ODIHR Limited Election Observation Mission Final Report, p. 18 (Available at: <http://www.osce.org/hu/odihr/elections/hungary/122210?download=true> [downloaded on July 30, 2015]).

²¹ MerteK Media Monitor's study titled Two Elections in Hungary sheds light on the distorting effect of the regulations on the distribution of campaign advertisements. Available at: <http://merteK.eu/sites/default/files/reports/ketvalasztas.pdf> p. 32

²² http://transparency.hu/uploads/docs/TI_valasztasi_torveny_hatteranyag_121219.pdf

²³ http://www.transparency.hu/Torvenyjavaslat_a_kampanyfinanszirozassrol?bind_info=index&bind_id=0 [downloaded May 29, 2015]

already in 2013 in several joint position papers²⁴ to the opportunities for abuse contained in the various provisions of the Campaign Finance Act.

The provisions of the Campaign Finance Act changed even before they entered into effect. The act on the financial foundation of Hungary's 2014 state budget made another change in the rules on state campaign support for party lists. However, the changes did not resolve the problems that the position papers of TI and the Political Capital Institute had called attention to. In the absence of sanctions for irregularities and performance/risk elements, i.e. the introduction of a repayment requirement, and due to maintaining the use of cash, which is difficult to oversee, it remained possible to misappropriate the state campaign funds provided to parties. At the same time, the modified Campaign Finance Act made it possible for candidates running under a party banner to cede the HUF 1 million provided by the Hungarian State Treasury to their nominating party.

As a result of the modification, the Campaign Finance Act at the same time prohibits and allows parties to use the campaign support provided by the state in the form of cash. Parties use the HUF 1 million ceded by their candidates in the same manner that candidates do, but at the same time they continue to receive the other portion of state campaign support in cash.

On the other hand, the rules on state campaign support for individual candidates are adequate overall, although the financial account of costs that candidates submit to the State Treasury is not public. Therefore, the rules of the Campaign Finance Act cannot be called perfect even in the case of support for individual candidates, as in the absence of public financial statements, the use of public funds cannot be monitored. Therefore, TI used freedom of information tools, and took legal steps to receive data of public interest relating individual MP candidates' campaign spending from the Hungarian State Treasury.²⁵

A further deficiency of the Campaign Finance Act is that it does not deal with campaign spending during local and European Parliament elections.

Campaign finance legislation does not overall prohibit campaigning outside of the campaign period (the period of 50 days leading up to the elections). One of the shortcomings of regulation is that it does not declare it to be illegal for a party to outsource certain campaign tasks to an NGO that it is allied with, not even if this occurs well before the official campaign period. These NGOs can advertise on billboards, for example, whose advertising prices can be kept confidential according to the Electoral Procedure Act.

Since the provisions of both the Electoral Procedure Act and the Campaign Finance Act do not apply to NGOs that are technically independent from parties, this kind of campaign "outsourcing" does not qualify as a violation of the rules.

Also not considered to be a violation of campaign finance regulations is the publication of pro-government advertisements by ministries, state agencies or state-owned enterprises. As, for example, the publishing by opposition-led local governments of advertisements supporting opposition parties is not, either. Campaign finance regulations do not even prohibit in principle this kind of state self-advertisement.

In light of the above, campaign finance regulations do not exclude the possibility of misappropriating campaign funds, and also do not establish control mechanisms that would be capable of efficient and early detection of these frauds. Thus overall, these laws and regulations are inadequate for reducing corruption typical in the financing of political campaigns.

²⁴ http://www.transparency.hu/Kamupartok_kozpenzek_milliardjait_nyulhatjak_le?bind_info=index&bind_id=0 [downloaded May 29, 2015]
http://www.transparency.hu/Felo_hogy_a_kormany_megkeruli_a_kampanyfinanszirozas_rendarabetelere_vonatkozó_kezdemenyezest?bind_info=index&bind_id=0 [downloaded May 29, 2015]

²⁵ The Metropolitan Regional Court of Budapest mandated with its binding ruling number 8.Pf.21.466/2014/5 on March 10, 2015 that the public interest data requested by TI be made public.

IV. THE METHODOLOGY OF THE CAMPAIGN MONITOR

IV/1. Defining Campaign Tools

In order to assess the campaign activity and campaign spending of parties – in conformity with the regulations of the Electoral Procedure Act, specifically the provisions under title 68 – at both the parliamentary and local government election campaigns of 2014, we considered to be campaign tools every tool or activity whose purpose was to present a party or candidate, a party platform or the platform of a candidate to voters, or call for their support.

Accordingly, we considered especially the following products to be campaign tools:

- a) outdoor advertising (“billboards,” advertising columns, etc.)
- b) vehicle advertising wraps²⁶
- c) communication tools used to achieve direct contact with voters, i.e. political direct marketing (flyers, mail, text messages (SMS), phone messages, etc.)
- d) operational and organizing activity by parties (activists, infrastructure, transport, general internal communication costs, opinion polls, campaign staff, etc.).
- e) campaign events organized by parties or their supporters (rallies, community forums, press conferences, etc.).
- f) promotional material distributed – mainly at public events, but for example also at street stands – by parties among voters.

Naturally, paid political media advertisements (print and electronic media, internet) supporting parties and/or candidates also qualified as campaign tools. The campaign monitor took these campaign tools into account as well, although their cost – mainly due to political advertising being free of charge in electronic media – proved to be negligible compared to the cost of other campaign tools. Therefore, we will not go into detail below about the campaign monitor’s conclusions regarding the cost of political advertising.

Under the campaign monitor program, we attributed no significance to who financed a given campaign tool (for example, who was the client that ordered or published a given advertisement, spot, billboard, etc.). We assigned a given campaign tool to a party based on whether the beneficiary of the specific campaign tool in question was the party or not. If a given campaign tool clearly and identifiably served the interest of one of the parties – for example, it advertised the given party’s messages or performance – then we counted the related costs to the campaign spending of the beneficiary party. Accordingly, we counted the publication of the so-called “clown posters” published by the Civil Alliance Forum (‘CAF’) during the campaign period leading up to the parliamentary elections, as well the publication of the posters’ contents in other forms, to the campaign spending of Fidesz-KDNP.

We also counted the costs of the messages published by the government on various advertising platforms, which advertised “Utility cost cuts,” “Hungary is performing better,” “We are taking banks to account,” etc., to the campaign spending of Fidesz-KDNP, in line with the decision of the Curia²⁷ which classified the latter as a party advertisement promoting the interest of Fidesz-KDNP.

²⁶ During the study of campaign spending at the municipal elections, we disregarded spending on vehicle advertising wraps, due to their negligible number and the uncertainty of the estimates.

²⁷ http://www.lb.hu/hu/valhat/kvkiii3732820146-szamu-hatarozat?utm_source=mandiner&utm_medium=link&utm_campaign=mandiner_media_201405 [downloaded May 29, 2015]

During the course of the campaign leading up to the municipal elections, the assigning of local government spending to a given party posed a problem. In this case, we considered the party that held a majority in the local assembly to be the criteria for assignment. If the advertisement praised the achievements of the local government's work, and one of the parties had a clear majority in the local assembly, then the costs of the advertisement were counted to the spending of the majority party.

IV/2. Assessing Campaign Tools and the Principles of Pricing

In the interest of comparability, we considered the same criteria for determining the prices of campaign tools for both the parliamentary and municipal elections of 2014. In order to assess the various campaign tools and determine how often they were used and to what extent, we applied the following methods:

- a) We carried out extensive press monitoring activities. For national, regional and county ("rural") printed press publications we subscribed to the press monitoring service of media monitoring firm IMEDIA, and we also followed the news published by news agency MTI. Volunteer aides carried out press monitoring tasks, who in addition to the two sources mentioned above also followed online media, as well as direct party communication tools (party websites, social media applications, flyers, etc.). By monitoring the press and party communications, we identified the number of party campaign events and functions (see point IV/1/e. above).

We looked at campaign spending for the parliamentary elections on a national level, while in the case of the campaign leading up to the municipal elections we focused campaign monitoring on the six largest Hungarian cities – Budapest, Debrecen, Szeged, Miskolc, Pécs and Győr. We counted each campaign gathering, meeting with voters, rally, debate circle and other similar event identified through the press monitoring as one separate event each. Volunteer aides took part in certain campaign events on a random basis in order to be able to better assess estimated costs (such as the size of the event, the number of police and security staff, the size of the equipment installed, food served, flyers distributed, etc.). When estimating the cost of the events, we relied on list prices, background interviews and our many years of experience in organizing events.

We put a price tag on the events based on various aspects, taking into account among others the capacity of the event, the price of renting the venue, the cost of the required equipment, and in certain cases spending such as catering, the fee of performers at the event as well as event organizers. The resulting costs, considering the diverse nature of the events covered, showed significant differences. While a reception or a meeting with local voters may have cost just HUF 80,000, a campaign opening or closing event could cost several millions of forints.

- b) We aggregated advertisements promoting political parties on all commercial advertising spaces that are accessible by advertising monitoring services on the market. We purchased data on advertising – including both outdoor advertising ("billboards") and advertisements in electronic media – from advertising monitoring company Kantar Media. For the monitoring of billboards posted during the municipal election campaign we used the services of Outdoor Media Audit (OM Audit). Determining the amount that was spent on billboards did not require any calculations, since the databases acquired from both OM Audit and Kantar Media contained the list prices of advertising spaces, the name of the nominating organization and the campaign, and the exact address where the advertising space was located. OM Audit carried out a survey of some 50,000 advertising spaces in total covering the entire Hungarian outdoor advertising market, between the 5th and 10th of both September and October 2014.²⁸

²⁸ OM Audit surveys the following kinds of advertising spaces, by way of personal inspection, in a so-called Full Monitoring: every euro and avenir-size billboard, every magnum-size poster, every euro and custom-sized backlight display board, and – in the case of posters of CLP or bigger size – every citylight, midilight and advertising column.

- c) We commissioned polling company Ipsos to carry out a public opinion poll aimed at estimating the size and extent of so-called direct public campaigns ("political direct marketing," see point IV/1/c. above) carried out by the parties.

The opinion poll, conducted on two occasions (between March 1–7 and March 28–April 4, 2014) before the parliamentary elections on a sample of 1,000 people representative of the voting-age population, looked at how many voters were contacted with direct campaign tools by parties during the campaign period. Those polled in the Ipsos study provided information on the methods and frequency with which the various political parties and candidates approached them.

The survey differentiated between the proportion of voters who were contacted only once from those who were contacted multiple times. When pricing in the direct voter campaign products, we weighted multiple contacts uniformly with a multiple of two.

During the course of the municipal elections, the survey was conducted by questioning 300 people each in six cities (Budapest, Győr, Pécs, Szeged, Debrecen and Miskolc), on a sample representative of the given towns. We calculated the number of voters reached via political direct marketing methods from the size of the city's voting-age population and the proportion of the city's population that was reached by the various methods, and subsequently we priced in the costs of the direct voter campaign based on this.

- d) Based on background interviews with experts, and partly on market knowledge and on our own organizing experiences, we estimated the parties' campaign-related operational and organizing costs (press conferences, purchasing of public opinion polls, contracts with consultants and other campaign staff, etc.).

The fundamental objective of the campaign monitor program was that we do not price in the campaign spending of parties based on our own estimates, but that we rely to as large extent as possible on data that is available on the market or is controlled in other ways. By using the methods detailed above, we were able to successfully meet this objective, thus we were able to significantly reduce the range of campaign tools that were priced based on our own estimates, at the same time limiting the risk of errors.

Since the various price discounts provided to parties remained invisible to us, when calculating the prices of various advertising services and material costs we took into account list prices and, when possible, publicly available market prices. When establishing the methodology of the monitoring, we were aware that parties may receive considerable price discounts either because of the price-reducing effect of the large volume of orders or because advertising companies for some reason sympathize with the given party or have an interest in improving the party's election chances. However, it is important to note that political parties are not market players, therefore political parties cannot be given market discounts; more precisely, the discount given to political parties from market prices is considered party support. However, such support is contrary to the provisions of the Party Finance Act, which states that "asset contribution may not be given to a political party [...] by any organisation or legal entity, and a political party cannot accept any asset contributions from any organisation or legal entity."²⁹ This means that political parties may not receive material aid or in-kind contribution from business entities even in the form of price discounts.

²⁹ Section 4, Paragraph (2) of Act XXXIII of 1989 on the Operation and Financial Management of Political Parties.

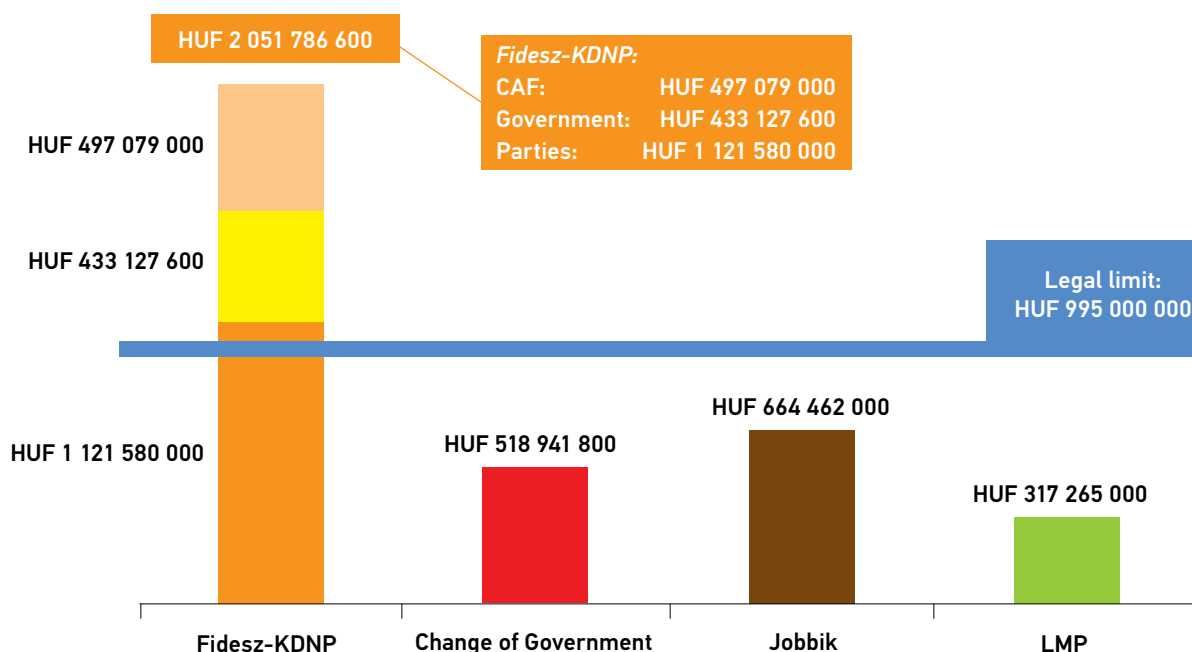
V. CAMPAIGN TOOLS

V/1. Outdoor Advertising

The largest and costliest elements of campaign spending were outdoor billboards, the price of which parties – thanks to the provisions of the Electoral Procedure Act – are allowed to keep confidential.

Figure 2.

The value of outdoor advertising and billboards during the campaign leading up the 2014 parliamentary elections



According to our calculations Fidesz-KDNP used outdoor and billboard advertising in the total value of HUF 1.1 billion during the parliamentary campaign, which is more than it would have been allowed to spend on the entire campaign. The campaign of the Fidesz-KDNP parties was also supported by billboard campaigns organized by CAF, in the value of HUF 500 million, and the government, in the value of HUF 430 million.³⁰ Meaning that overall, the government parties were promoted by a billboard campaign valued at a total of more than HUF 2 billion. Jobbik spent HUF 664 million, the left-wing Change of Government alliance HUF 519 million, and LMP – Politics Can Be Different HUF 317 million on billboard advertisements.

As we mentioned above, when determining campaign spending we used controlled, open market prices whenever possible. We calculated with a price that any independent market player would have had to pay for the same service. If market conventions allow for example bulk discounts for advertisements, then we also took this into account. However, we did not take into account discounts that a given party received not on a market basis but due to political considerations.

³⁰ The government parties' overwhelming dominance in the outdoor billboard campaign is not unrelated to the fact, also established by the OSCE's Office for Democratic Institutions and Human Rights, that "opposition parties and candidates had limited access to broadcast media and public advertising space, including on billboards, lampposts and public buses, most of them owned by individuals affiliated with the government." The OSCE's Office for Democratic Institutions and Human Rights also pointed out that "[p]rominent billboard companies, such as Euro Publicity, Publiment and Euro AWK, maintained close business ties with Fidesz." Source: OSCE Office for Democratic Institutions and Human Rights Limited Elections Observation Mission Final Report, p. 14 and footnote 37 (available at: <http://www.osce.org/hu/odihr/elections/hungary/122210?download=true> [downloaded July 30, 2015]).

In these cases we took list prices as being the standard. We calculated spending on outdoor billboards based on data purchased from advertising monitoring firm Kantar Media in the case of the parliamentary elections, and OM Audit in the case of the municipal election campaign. So in effect, the billboard advertising prices that in theory were kept confidential were also possible to be partly modeled, based on information that is available on the open market to anyone under the same conditions.



Billboard financed by CAF on the corner of Erzsébet körút and Dohány utca – 2014.01.20

Photo: Zoltán Tuba – Origo



The figure above serves to present the various different sizes of outdoor billboards – OM Audit

Kantar Media and OM Audit calculated the data on the price of the advertisements from the list prices officially published by the owners of the advertising spaces, and the size and location of the advertising space. Neither Kantar Media nor OM Audit took into account the discounts provided by media owners to media agencies and advertisers, and they also disregarded the effects of barter agreements, i.e. they calculated with list prices. This means that the campaign monitor considered the value of the media space appearing on billboards that was purchased or otherwise utilized by parties, local governments, CAF and the government for the purpose of party advertising. We assumed that list prices have an orienting function on the advertising market, and any discounts provided from these prices to parties, or to any third parties that buy or otherwise provide advertising space to or in the interest of parties, qualifies as campaign support and is thus contrary to the provisions of the Campaign Finance Act. Although these discounts without a doubt reduced the costs of parties' outdoor billboard campaigns, we disregarded these discounts, due to their intransparent and in our view illegal nature, when calculating campaign spending.

We added the production price of billboards to the list prices determined by Kantar Media for outdoor billboards, estimating the printing cost of each billboard at HUF 30,000. We determined the exact number of posters from the above mentioned, i.e. market-controlled advertising database prepared by Kantar Media and OM Audit. For the parliamentary

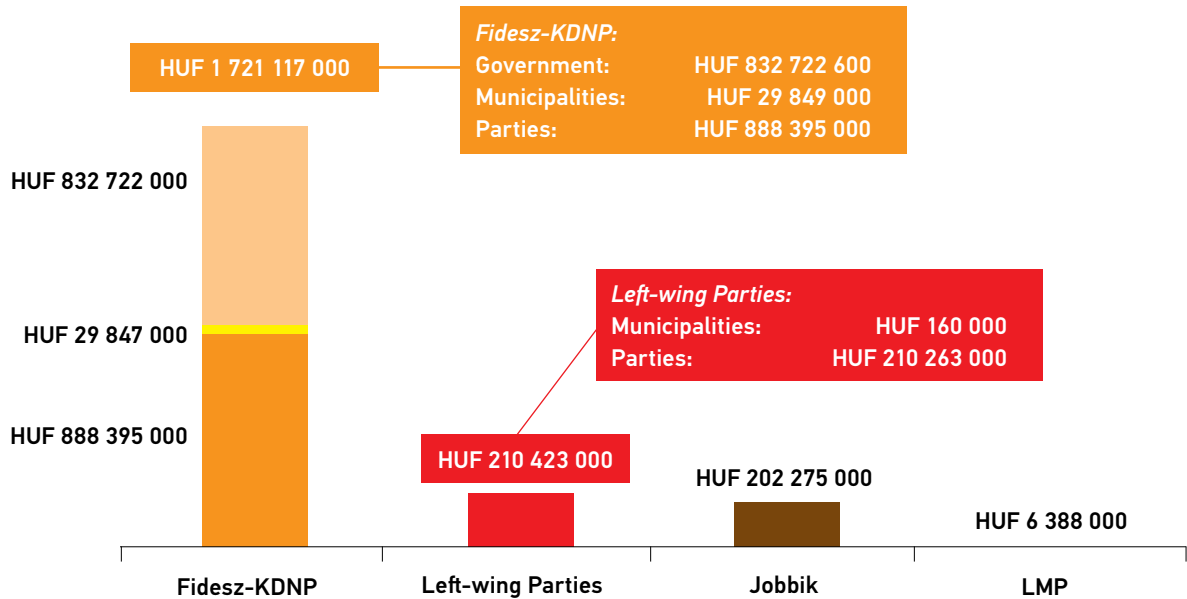
election campaign, we defined the design costs of posters to be HUF 500,000, which we took into account as a one-time item for each party, CAF and the government.

During the pricing of the billboard campaigns of parties and other organizations supporting parties in the parliamentary election campaign, MAHIR Cityposter represented a factor of uncertainty. This major advertising company, which placed a large number of billboards during the election campaign, does not provide information on its turnover, prices and profits to advertising monitoring firm Kantar Media. As a result, it was not possible to determine the number and overall price of billboards placed on advertising space operated by MAHIR Cityposter from a market or other controlled source, and it was possible only to estimate its share within the billboard campaign. In order to minimize the risk of overpricing that inevitably comes from estimation, the campaign monitor project significantly underestimated the costs of the billboard campaign leading up to the parliamentary elections on the advertising spaces managed by MAHIR Cityposter, in the manner presented below.

For the entire parliamentary campaign period, we counted with the cost of a total of 350 billboards placed on advertising space managed by MAHIR Cityposter for the parties, even though according to information available on MAHIR Cityposter’s website the company has more than 1,000 advertising spaces in Budapest. The website also had information showing that the cost of a billboard placed on space managed by the company, including production costs, is HUF 240,000.

We decided on how to divide the costs of the 350 billboards among the parliamentary campaign costs of the various parties based on the observation experiences of the volunteers aiding the parliamentary campaign monitor. These experiences led to the conclusion that during the month of January 2014, the so-called “clown posters” of CAF were in the strong majority on advertising columns operated by MAHIR Cityposter, which were replaced in February and March 2014 by Fidesz-KDNP’s own campaign posters, although a certain number of billboards advertising the Change of Government were also posted on these columns. As a result, we counted 140 billboards posted on MAHIR Cityposter spaces for CAF and Fidesz-KDNP each, and 70 for the Change of Government alliance. This means that we counted HUF 48 million in costs each for CAF and Fidesz-KDNP, and HUF 24 million for the Change of Government for the billboard campaign spent at MAHIR Cityposter during the parliamentary campaign.

Figure 3.
The value of outdoor advertising and billboards during the campaign leading up to the 2014 municipal elections



In the case of the local government elections, we relied on the services of OM Audit instead of Kantar Media for determining the number and value of billboards used. The OM Audit survey contains all of Hungary’s outdoor advertising tools, thus when studying the costs of the municipal election campaign we did not have to estimate the prices of MAHIR Cityposter billboards.



A Government Advertisement praising the performance of Fidesz-KDNP in Szolnok – Source: OM Audit

During the municipal election campaign, Fidesz-KDNP was the most active in terms of outdoor billboards. According to the data of OM Audit and Kantar Media, the more than HUF 1.7 billion outdoor advertising campaign of the government parties far exceeded the similar spending of their political opponents. Of this, Fidesz-led local governments used billboard advertisements equivalent to HUF 30 million, while the figures were HUF 830 million for the government and HUF 888 million for the Fidesz-KDNP party. Jobbik spent HUF 202 million, left-wing parties (Socialist Party, Együtt – Together 2014, PM – Dialogue for Hungary, DK – Democratic Coalition and MLP – Hungarian Liberal Party) HUF 210 million and LMP – Politics Can Be Different a little over HUF 6 million on billboards.

The municipal election campaign was also similar to the one leading up to the parliamentary elections in that Fidesz-KDNP could rely during this period as well on government propaganda promoting the party's goals. This time it cost taxpayers HUF 830 million for the government to advertise – from public funds – that “Hungary unites” and that “We will take banks to account.” Similarly, the government also used public funds to finance the announcement of the promise to enact a new round of utility price cuts. A new development compared to the parliamentary elections was that Fidesz-led municipalities supported the local success of government parties with billboard advertisements, to the tune of some HUF 30 million in public funds. Fidesz's victory at local government elections was supported by precisely six times as many outdoor political advertisements as all the other parliamentary parties combined. (There were a total of 9,500 government-friendly posters, while the political left had 700, Jobbik had 824 and LMP – Politics Can Be Different had only 47 posters overall.)

When calculating the costs of the municipal election campaign, we did not include the design costs of the billboards. The reason for this is that the parties, which already had a significant billboard presence in the parliamentary election campaign, likely had only minimal new design costs during the local election campaign, which started a few months after the parliamentary election campaign. It was typical for parties to use most of the graphics and design elements developed and employed during the parliamentary election campaign in the same form, aside from some smaller changes, in the municipal election campaign. Also, by leaving out this item, we managed to reduce the risk of overestimation and overpricing.

V/2. Vehicle Advertisements

It was especially difficult to determine the prices for vehicle advertising during the parliamentary election campaign, since the Center for Budapest Transport ('BKK'), which manages the advertising space on public transport vehicles in Budapest, does not provide information on its advertising prices. However, the website of the public transport company operating in Debrecen³¹ provides detailed information on the advertising fees for public transport vehicles in Debrecen. We assumed that the size of advertising space on vehicles operating in urban public transport is generally the same or similar, therefore we considered the vehicle advertising prices used in Debrecen to be representative when calculating the cost of political advertising found on public transport vehicles operating in Budapest. This assumption would not have been valid in the case of the Combino trams, as these kinds of vehicles are found exclusively in Budapest. Therefore, in order to determine the price of wrap advertisements placed on the surface of Combino trams we used an assumed name to request a price quote for advertising on this vehicle. This way we were able to find out that the cost of placing one advertisement on a Combino tram that runs on the 4-6 line of Budapest is HUF 1.5 million.

³¹ http://www.dkv.hu/uploads/files/M%C3%A9diaaj%C3%A1nl%C3%A1t,_DKV_Zrt..pdf [downloaded August 5, 2015].

Based on the monitoring of our volunteer network we found that only party advertisements of Fidesz-KDNP were to be seen on the Combino trams in Budapest. According to the website of the Budapest Transport Company ('BKV') there are a total of 40 Combino type trams running in the capital, but the campaign monitor counted with only 20 trams, once again to reduce the risk of overestimation. Thus we concluded that Fidesz-KDNP spent HUF 30 million on these advertisements.

Advertisements on other public transport vehicles in Budapest were calculated even to a bigger extent by using approximate estimates. According to BKV data there are 509 articulated buses operating in Budapest, but since not every articulated bus carried political advertising we calculated with only 200 buses. We determined the price of wrap advertisements on these buses, including the cost of production and placement, to be HUF 500,000 per vehicle. We did not add the cost of political advertisements placed on other public transport vehicles in Budapest (non-articulated buses, non-Combino trams, suburban railways ('HÉV'), etc.) or on urban public transport vehicles outside of Budapest, to the campaign spending of any party, because we were unable to find reliable relevant information.

In the case of Fidesz-KDNP the total cost of vehicle advertisements during the parliamentary election campaign was HUF 100 million for the entire campaign period (including HUF 30 million spent on Combino trams). The campaign monitor did not calculate with any spending by CAF and the government for the placement of vehicle wrap advertisements when calculating the campaign spending of these organizations. Our volunteer monitors also recorded some instances of parliamentary campaign advertisements by the Change of Government (especially Socialist Party) on some vehicles in the capital, but these were quite rare, thus we estimated spending on vehicle advertisements by the Change of Government to be HUF 10 million.

As can be seen, information from controlled sources on vehicle advertisements was quite limited, thus neither the number of vehicle advertisements related to the parliamentary campaign, nor their unit prices were able to be determined in a reassuring manner. Another typical example is that there was no information available on political vehicle advertisements outside of Budapest, even though there were political advertisements visible on various vehicles in other large cities as well. As a result of the above, it is more than likely that the campaign monitor project has strongly underestimated spending by parties on vehicle advertisements.

During the course of the municipal election campaign, due to their negligible number, we did not take into account any vehicle advertisements.

V/3. Political Direct Marketing

In the category of political direct marketing, we included flyers, activists, mail sent to or aimed at voters, phone calls, emails, text messages and other similar methods that parties used to directly reach and addressed voters. With these campaign tools, our primary goal was to try to calculate as precisely as possible the costs of production and distribution. In the event that there were no exact market data available for these calculations, we relied on background interviews with market players to calculate prices.

We obtained a view of the extent that political direct marketing reached voters – i.e. the penetration of parties' direct campaigns – from a survey by polling company Ipsos. The survey was conducted on a representative sample of 1,000 people of voting age during the parliamentary election campaign, by querying the sample on two occasions (March 1–7, 2014 and March 28–April 4).

Based on these surveys, it was possible to determine the portion of voters that each party reached with the direct campaign and the type of direct marketing tools they used, as well as whether those eligible to vote were approached once or multiple times. We extrapolated the rate of penetration measured on the representative sample to the full voting-age population, rounded to 8 million people, and weighted the multiple approaches of voters by parties, thus determining the actual number of reaches/approaches. We

weighted voter approaches of more than two occasions uniformly as two approaches, meaning that we did not take into account the cost of direct campaigning exceeding two occasions.

The survey on the municipal election campaign was conducted by questioning 300 people each in the six largest cities of Hungary (Budapest, Győr, Pécs, Szeged, Debrecen and Miskolc), on a sample representative of the given towns' voting-age population. The one-time query of the sample was conducted between October 1–11, 2014, meaning that the poll covered the period directly preceding the municipal elections, in order to determine the proportion of voters that were reached by the parties' political direct marketing tools in the given city. We extrapolated the resulting rate of penetration to the cities' total voting-age population,³² also calculating with multiple approaches (we took these into account uniformly as two approaches).

We multiplied the frequency of political direct marketing campaign tools used, i.e. their number, by the unit prices of the given campaign tools. As a result, we calculated the actual total cost of the direct political campaign for each party.

For the unit prices of the various direct campaign tools we calculated with the following values:

- a) Email: HUF 5 each, including internet costs and the costs of producing the content of the messages.
- b) Flyers, printed campaign material: HUF 20 each – we considered market prices as indicative when determining the price of flyers, including the cost of their printing and design.
- c) Personal mail: HUF 150 each – we determined the price of mail sent by post based on the official pricing of Magyar Posta Zrt, taking into account a standard sized, 30 g, non-priority letter (HUF 115), to which we added the cost of producing the envelope and the content of the letter.
- d) Phone: live or automated call: HUF 150 per call, SMS: HUF 40 each (based on the prices of market service providers).
- e) Paid activists: In the case of party activists as well, we took into account the number of times they reached voters, i.e. the number of approaches. We estimated the number of contacts with voters at 20 per hour, and we determined the wage of paid activists to be HUF 800 per hour. Based on this, we calculated the total cost for all the activists, which we then divided by two in order to be reasonable, considering that a significant portion of activists do not get paid for their volunteer work, while at the same time it is also typical for paid activists to be working in the service of one of the parties.

Among the political direct marketing tools used during the parliamentary election campaign, the campaign monitor project's calculations show that flyers and postal mail deliveries were the costliest.

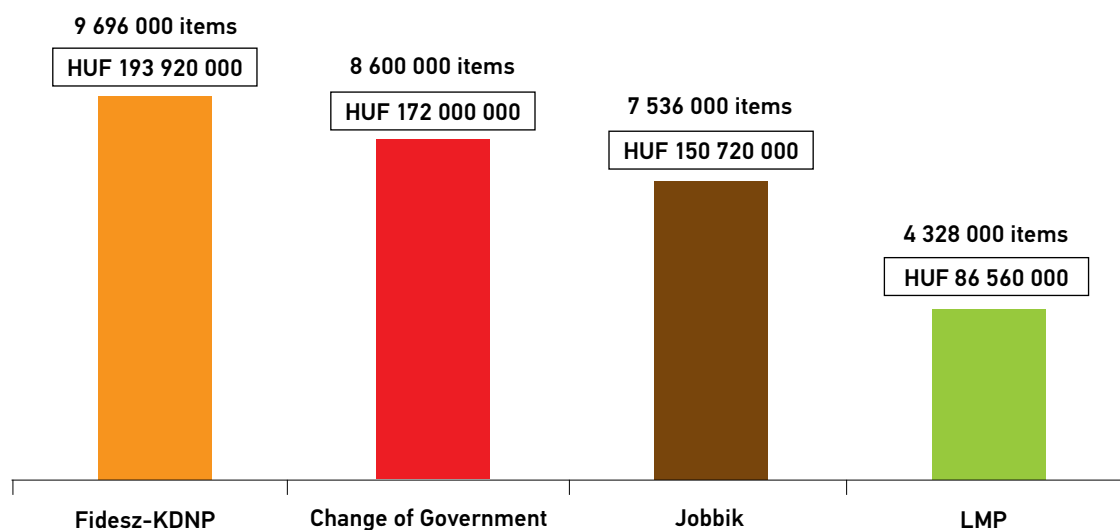
The number of flyers distributed by Fidesz-KDNP was 9,696,000, for the Change of Government it was 8,600,000, for Jobbik 7,536,000, and for LMP – Politics Can Be Different it was 4,328,000. Calculating with a price of HUF 20 per unit, this comes to HUF 193.92 million for Fidesz-KDNP, HUF 172 million for the Change of Government, HUF 150.72 million for Jobbik, and HUF 86.56 million in spending for LMP – Politics Can Be Different.

³² The number of voting-age citizens in the cities covered:

Budapest:	1,402,000
Győr:	104,000
Pécs:	126,000
Szeged:	138,000
Debrecen:	168,000
Miskolc:	134,000

Figure 4.

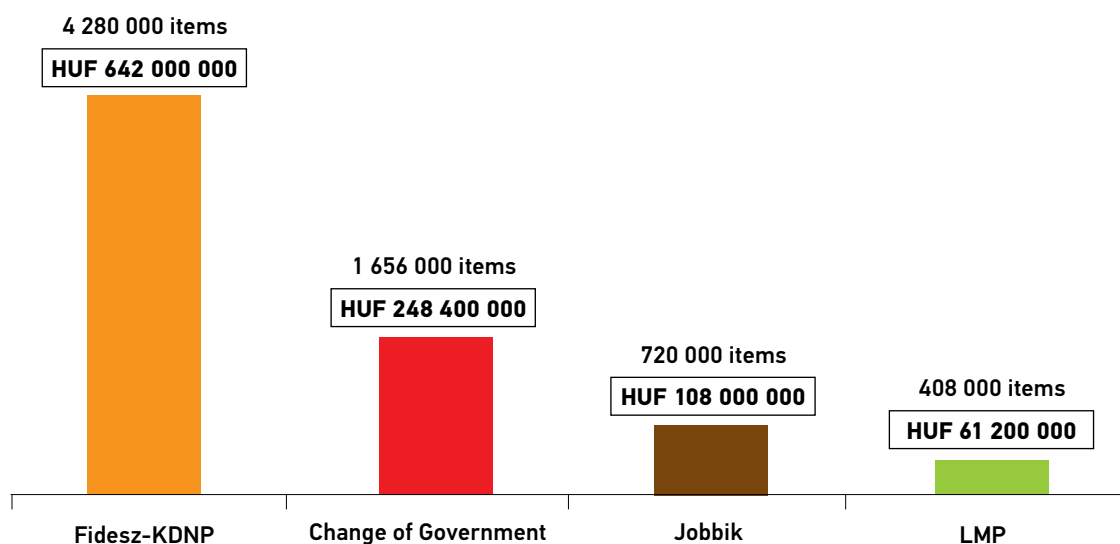
The number and cost of flyers distributed by the parties in the campaign leading up to the 2014 parliamentary elections



In the case of ordinary mail, Fidesz-KDNP mailed 4,280,000 pieces, the Change of Government 1,656,000 pieces, Jobbik 720,000 pieces and LMP – Politics Can Be Different 408,000 during the parliamentary campaign. Considering the price of HUF 150 per unit, the cost of delivering the mail was HUF 642 million for Fidesz-KDNP, HUF 248.4 million for the Change of Government, HUF 108 million for Jobbik and HUF 61.2 million in the case of LMP – Politics Can Be Different.

Figure 5.

The number and cost of letters sent by mail by the parties in the campaign leading up to the 2014 parliamentary elections



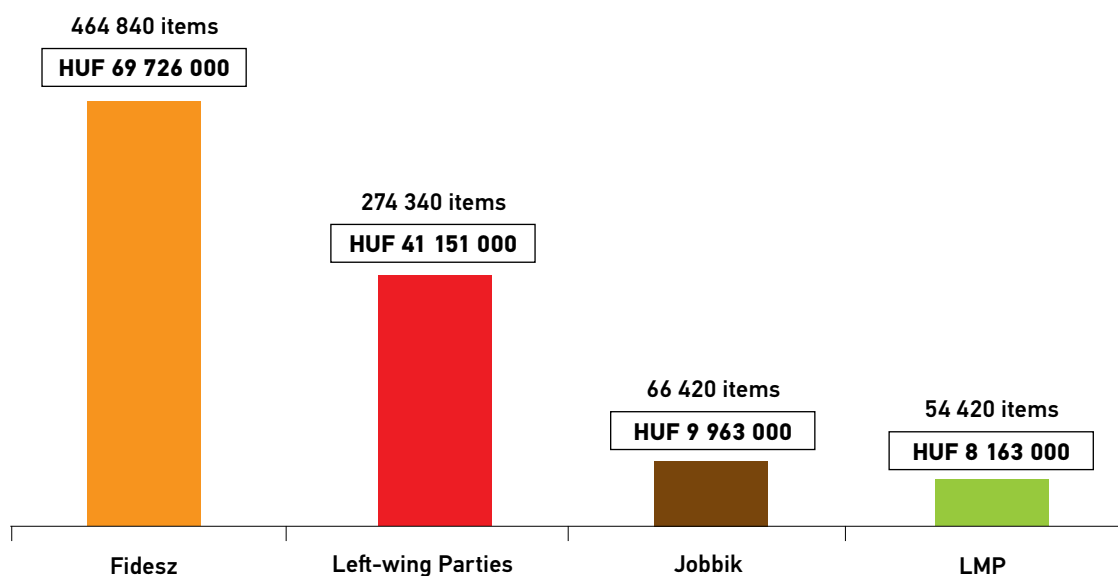
During the course of the parliamentary election campaign, Fidesz-KDNP spent HUF 1.3 billion, the Change of Government alliance close to HUF 800 million, Jobbik almost HUF 380 million and LMP – Politics Can Be Different HUF 200 million on political direct marketing tools.

According to the campaign monitor, during the municipal election campaign letters sent by mail and automated phone calls to voters proved to be the most popular and most expensive direct campaign tools by parties for reaching voters.

Fidesz-KDNP sent close to half a million letters by mail to voters which, calculating with a price of HUF 150 per unit, cost a total of HUF 70 million. The more than 250,000 letters sent by the left-wing alliance were worth HUF 40 million, while Jobbik paid HUF 10 million for mailing 66,000 letters. LMP – Politics Can Be Different mailed 54,000 letters, which cost HUF 8 million.

Figure 6.

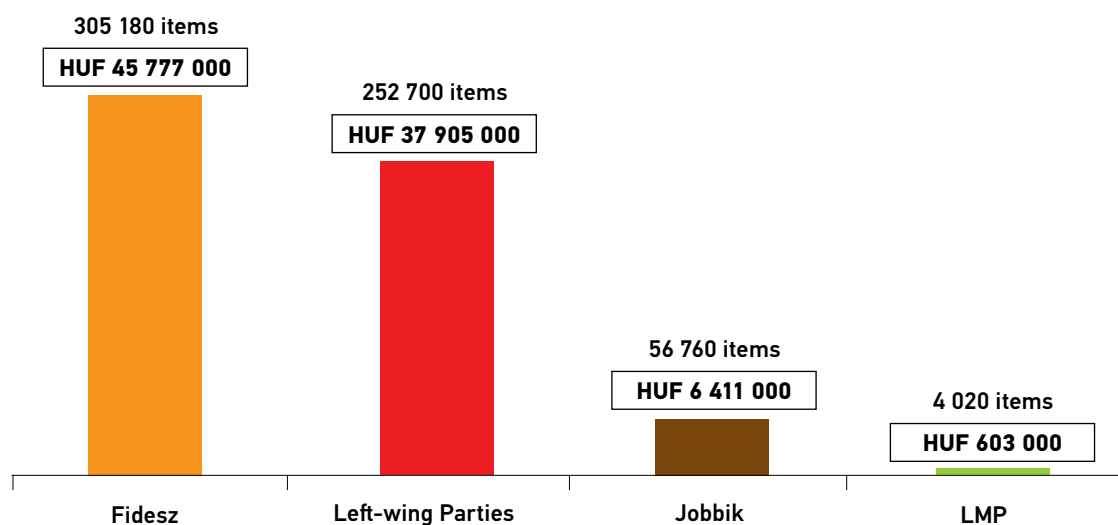
The number and cost of letters sent by mail by the parties in the campaign leading up to the 2014 municipal elections



During the municipal election campaign, Fidesz-KDNP initiated automated calls to voters on 300,000 occasions. The parties of the Left also called voters more than 250,000 times. In comparison, Jobbik made roughly 50,000 and LMP – Politics Can Be Different no more than 4,000 robo-calls during the municipal election campaign. This – calculating with a cost of HUF 150 per automated call – resulted in campaign spending of HUF 45 million for the government parties and HUF 38 million for the Left. In our estimate, Jobbik spent HUF 6 million on robo-calls, while LMP – Politics Can Be Different spent precisely one-tenth of this on this tool.

Figure 7.

The number and cost of automated calls made by the parties in the campaign leading up to the 2014 municipal elections



In the case of the municipal election campaign, according to data calculated based on the Ipsos survey, the parties of the left spent close to HUF 150 million on direct campaigning (distributing flyers and making robo-calls), which was exceeded by little more than HUF 30 million by the government parties for the same purpose, meaning that Fidesz-KDNP spent HUF 180 million on this method. Meanwhile, Jobbik spent HUF 42 million and LMP – Politics Can Be Different HUF 21 million on direct voter campaign tools. The direct election campaign of Fidesz and the parties of the left was most balanced in Budapest: compared to the HUF 110 million spending of the government parties, the opposition alliance spent HUF 103 million on direct marketing tools.

V/4. The Operational and Organizing Activities of Parties

Estimating the organizational costs relating to the campaigns – which are comprised primarily of the labor costs of the entire campaign staff and related infrastructure and communication costs – was an especially big challenge, since parties did not provide any information on these types of costs.

Based on background discussions conducted with experts, we calculated with HUF 30 million per party during the parliamentary campaign for the full campaign period, for the parties that won seats in parliament. This figure includes the wage costs of eight paid campaign assistants, six paid coordinators and one paid campaign staff director. We estimated the monthly remuneration of the campaign staff director at HUF 1 million, the salary of campaign coordinators at HUF 500,000 and that of campaign assistants at HUF 300,000. This comes to HUF 6.4 million overall per month.

In summary:

1 director, salary	HUF 1 million/month
6 coordinators, salary	HUF 3 million/month
8 assistants, salary	HUF 2.4 million/month
Total	HUF 6.4 million/month

Therefore, the wage costs of the paid workers of the various campaign staffs for the period from November 2013 to March 2014 comes altogether to HUF 30 million (rounding down), a sum that we added uniformly to the campaign costs of Fidesz-KDNP, the Change of Government, Jobbik and LMP – Politics Can Be Different.

For the municipal election campaign, we counted with a reduced amount of these costs for the parties, in line with the lower volume of spending and the less intensive campaign:

1 director, salary	HUF 700,000
1 coordinator, salary	HUF 400,000
3 assistants, salary	HUF 900,000
Total	HUF 2 million

We added this sum as a one-off item to the municipal campaign spending of parties that have parliamentary mandates, for the total length of the municipal campaign period. Our assumption was that these parties were able to rely to a large extent on the operational and organizing activities carried out for the campaign leading up to the parliamentary elections that were held just six months earlier. Also, by counting a reduced amount for the parties' operational and organizing costs, we further reduced the risk of overestimating the costs of the municipal election campaign.

The costs of the private opinion polls and focus group surveys ordered regularly by the parties during the campaign period should also be included in operational and organizing costs. According to the experiences of the experts questioned by the campaign monitor, parties with bigger organizations may have spent some HUF 6 million per month on opinion polls before the parliamentary elections, while in the case of smaller parties counting with a cost of HUF 2 million per month is reasonable.

Based on the five-month period from November 2013 to March 2014, this meant calculating with a one-off cost of HUF 30 million each for Fidesz-KDNP and the Change of Government, and HUF 10 million each for Jobbik and LMP – Politics Can Be Different, for a total of HUF 80 million.

For the municipal election campaign we did not calculate with any spending on public opinion polls. We based this on the fact that parties already had at their disposal the polls conducted a few months earlier during the parliamentary election campaign. Furthermore, we also tried to reduce the risk of overestimating spending by leaving out this amount.

V/5. Campaign Events

We determined the number of campaign events based on extensive media monitoring and the on-site reports of volunteers active across the country. For events and mobilizations that occurred with the participation of activists we counted not only the direct costs but coordination costs as well. Coordination costs include for example the preparation of activists, briefings, and keeping constant contact with activists, i.e. activities that come with significant material and labor costs. Thus, when calculating the cost of press conferences and meetings with local voters we counted not only the cost of renting the venue and the necessary technical equipment, but the costs of preparation as well. Taking this into account, the campaign monitor project calculated the costs of campaign events based on the following list:

1. forum with local voters, election forum, press conference, depending on venue:	HUF 20,000-80,000
2. conference, larger media event, reception:	HUF 120,000
3. demonstration, protest:	HUF 200,000
4. rally (in a sports stadium or similar venue):	HUF 2-6 million
5. campaign opening or closing rally:	HUF 4-6 million

Obviously, even a thorough monitoring did not make it possible to account for all of the campaign events organized by the parties and their supporters. The aggregate data on the campaign events covered by the campaign monitor can be found in the tables below:

Table 7.

The cost of campaign events held during the campaign leading up to the 2014 parliamentary elections

TYPE OF EVENT	Fidesz-KDNP	Change of Government	Jobbik	LMP – Politics Can Be Different
signature collection/stands	HUF 2 400 000	HUF 5 280 000	HUF 5 360 000	HUF 174 000
reception	HUF 4 900 000	HUF 7 020 000	HUF 80 000	HUF 1 400 000
campaign opening and closing event	HUF 12 870 000	HUF 8 980 000	HUF 8 000 000	HUF 6 360 000
charity activity	HUF 5 560 000	HUF 5 360 000	HUF 400 000	HUF 600 000
presentation of candidates	HUF 200 000	HUF 2 240 000	HUF 640 000	HUF 2 600 000
concert, cultural event	HUF 2 850 000	HUF 200 000	HUF 120 000	HUF 80 000
forum with local voters	HUF 16 080 000	HUF 36 920 000	HUF 29 420 000	HUF 4 580 000
rally/demonstration	HUF 4 170 000	HUF 17 870 000	HUF 1 160 000	HUF 940 000
press meeting/conference	HUF 1 980 000	HUF 3 400 000	HUF 160 000	HUF 1 340 000
press conference	HUF 6 580 000	HUF 20 360 000	HUF 740 000	HUF 6 600 000
city festival/memorial	HUF 6 080 000	HUF 2 680 000	HUF 3 340 000	HUF 1 800 000
debate	HUF 300 000	HUF 1 320 000	HUF 20 000	HUF 280 000
Total:	HUF 63 970 000	HUF 111 630 000	HUF 49 440 000	HUF 26 754 000

Table 8.

The cost of campaign events held during the campaign leading up to the 2014 municipal elections

TYPE OF EVENT	Fidesz-KDNP	Left-wing Parties ³³	Jobbik	LMP – Politics Can Be Different
signature collection/stands	HUF 360 000	HUF 1 740 000	HUF 1 380 000	HUF 340 000
reception	HUF 3 990 000	HUF 500 000	HUF 320 000	–
campaign opening and closing event	HUF 4 580 000	HUF 13 380 000	HUF 4 120 000	–
charity activity	HUF 16 430 000	HUF 3 100 000	HUF 3 160 000	HUF 240 000
presentation of candidates	HUF 1 680 000	HUF 4 000 000	HUF 2 160 000	HUF 880 000
concert, cultural event	HUF 14 730 000	HUF 500 000	HUF 800 000	–
forum with local voters	HUF 11 760 000	HUF 9 280 000	HUF 8 420 000	HUF 1 280 000
rally/demonstration	HUF 2 240 000	HUF 1 630 000	HUF 80 000	HUF 220 000
press meeting/conference	HUF 940 000	HUF 420 000	–	HUF 80 000
press conference	HUF 13 440 000	HUF 7 160 000	HUF 3 840 000	HUF 4 720 000
city festival/memorial	HUF 15 040 000	HUF 3 200 000	HUF 3 030 000	HUF 300 000
debate	–	–	–	–
Total:	HUF 85 190 000	HUF 44 910 000	HUF 27 310 000	HUF 8 060 000

V/6. Promotional Material

Based on the observations of our volunteers, we tried to assess the kinds of promotional materials (e.g. stickers, lighters, pens, jackets, scarves, etc.) that parties distributed during the campaigns. However, it was difficult to measure the amount of promotional materials a given party produced and distributed, and at what cost. Therefore, we tried to estimate the relevant prices based on approximate estimates provided by experts we contacted, also taking into account the size of the party. We based our calculations on the market prices of the various products:

Category 1 (T-shirt, jacket, etc.)	HUF 3000 each
Category 2 (lighter, pen, etc.)	HUF 200 each
Category 3 (pin, sticker, wristband)	HUF 100 each

In the case of products in category 1 we calculated with 10,000 units, while for categories 2 and 3 we calculated with 2,000 units each. For Fidesz-KDNP and the Change of Government we counted HUF 40 million each, and for Jobbik and LMP – Politics Can Be Different HUF 20 million each in spending on promotional materials during the parliamentary election campaign.

Due to their negligible volume, similar to vehicle advertisements, we did not calculate with any campaign spending on promotional materials for parties during the municipal election campaign.

³³ Left-wing parties at the 2014 municipal elections were: Socialist Party, Együtt – Together 2014, PM – Dialogue for Hungary, DK – Democratic Coalition and MLP – Hungarian Liberal Party.

VI. CAMPAIGN SPENDING BY PARTIES

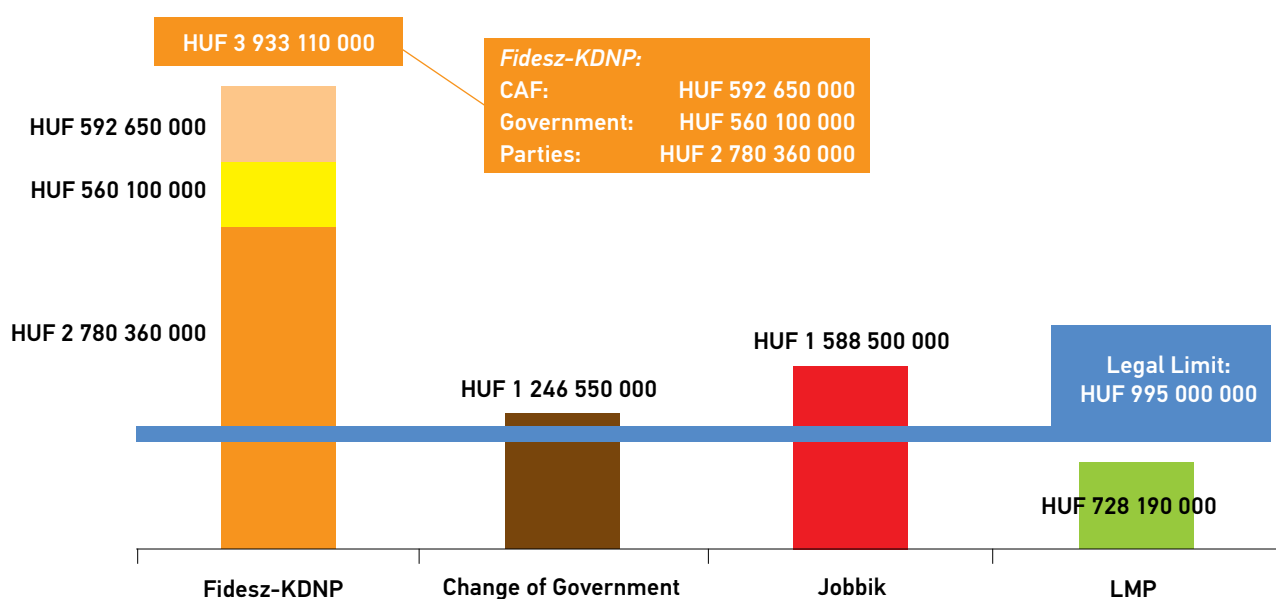
VI/1. Parliamentary Elections: Parties That Won Parliamentary Mandates

According to the calculations of the campaign monitor Fidesz-KDNP, as a party, spent HUF 2.8 billion on the parliamentary election campaign. During the entire campaign, CAF contributed to the campaign of Fidesz-KDNP with HUF 592.6 million worth of campaign activity, while the government spent an additional HUF 560 million on promoting the government parties. According to the campaign monitor project, a total of more than HUF 3.9 billion was spent on the campaign promoting Fidesz-KDNP leading up to the parliamentary elections.

According to our calculations, Jobbik spent HUF 1.2 billion, the Change of Government alliance HUF 1.6 billion and LMP – Politics Can Be Different HUF 728 million. This means that among the parties that got into parliament, LMP – Politics Can Be Different was the only one that did not exceed the HUF 995 million limit determined by the Campaign Finance Act.

Figure 8.

Estimated campaign spending by parties winning parliamentary mandates during the campaign leading up to the 2014 parliamentary elections



According to the Campaign Finance Act, “[a]ll candidates and nominating organizations shall publish in the Official Gazette of Hungary the amount, source and use of state and other funds spent on the election within 60 days after the election of the Members of Parliament.” The Campaign Finance Act mandates that the State Audit Office (henceforth: SAO) audit “the use of state and other funds according to the Act on [Party Financing] spent on the election.” SAO carried out an ex officio audit of the campaign spending of parties that won parliamentary mandates, and published its findings in its report numbered 15057, dated March 26, 2015³⁴ (henceforth: first SAO report).

³⁴ The report of the State Audit Office: Audit of Campaign Funds – the audit of the accounts of financial funds used during the 2014 parliamentary election campaigns at nominating organizations that won representation <http://www.asz.hu/jelentes/15057/jelentes-kampanypenzek-ellenorzes-a-2014-evi-orszaggyulesi-kepviselo-valasztasi-kampanyokra-forditott-penzeszkozok-elszamosolasanak-ellenorzes-a-kepviselethez-jutott-jelolo-szervezeteknel/15057j000.pdf> [downloaded: May 27, 2015]

The first SAO report states that SAO “audited the regularity of the use of campaign funds at nominating organizations that gained parliamentary representation based on economic events and supporting documents that were selected through a simple random sample.”³⁵ The audit of campaign spending by SAO was limited to the campaign period as determined by the Electoral Procedure Act, i.e. the day of the election and the 50 days preceding it. This means that all campaign activities conducted prior to the campaign period fell out of the scope of interest of SAO. The audit published in the first SAO report applied exclusively to “nominating organizations that won parliamentary representation.” Thus, SAO did not look at the activities of NGOs that campaigned for various parties, i.e. it disregarded the so-called “CAF phenomenon,” and it also did not concern itself with the government’s campaign promoting the governing parties.

However, even discounting the effects of the CAF phenomenon and the government propaganda, overspending by the government parties still comes to several billion forints. Similarly, the campaign spending of the other parties winning parliamentary mandates, which exceeded the legal limit in every case except for LMP – Politics Can Be Different, cannot be explained either by the CAF effect, since there was no significant third party campaigning on behalf of these parties by NGOs, and there was no government propaganda in their favor either. Most of the campaign spending estimated by the campaign monitor and which exceeded the legal limit set by the Campaign Finance Act came from the given party simply spending more than was legally allowed, but keeping the fact of this overspending from SAO. However, the first SAO report does not even attempt to discover the reasons for the difference between reported and estimated spending, as illustrated in Figure 10 below.

In light of this audit methodology, it is quite surprising how ambitious the first SAO report is, since SAO states that in the case of parties that won parliamentary mandates “the published data and [...] the documents provided to SAO ensured the [...] assessment of whether the limits on campaign-oriented spending were adhered to.” It is also unclear from the first SAO report what the SAO inspectors based the statement on that the “total spending on campaign activities” of the parties that won parliamentary mandates, and their candidates, “in accordance with the provisions of the [Campaign Finance Act], did not exceed” the legal limit of HUF 995 million.

SAO is also required to assess the income side of parties’ campaign spending, i.e. it should also probe how parties financed their campaign expenses. The first SAO report is surprisingly confident in this respect as well, stating that the parties that won parliamentary mandates “used the sources defined in the [Campaign Finance Act] during the election campaign period to finance their election campaign-related expenditures.” However, there is no indication as to which facts led SAO to draw this sweeping conclusion. The first SAO report also neglects to reveal how it knows – beyond the self-declaration of the concerned parties – that parties that won a parliamentary mandate “did not accept any asset contributions or anonymous donations from legal persons, organizations that are not legal persons, other states, foreign organizations or non-Hungarian natural persons.”

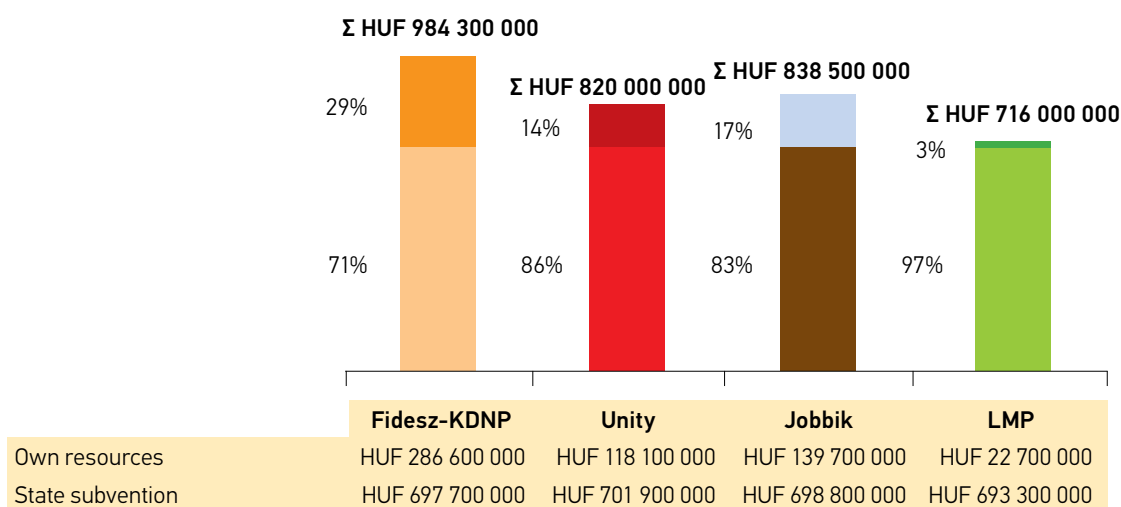
The SAO audit, which was limited strictly to the publication of self-declarations on campaign spending by the parties, and whether the invoices presented conformed with the rules, did not reveal any campaign financing irregularities in the case of Fidesz-KDNP. In the case of Jobbik, the first SAO report uncovered an irregularity in the value of HUF 14,200, resulting from the publication of political advertising prior to the campaign period which officially started on February 15, 2014. Among the invoices submitted by LMP – Politics Can Be Different and audited by SAO, the supervisory agency found formal irregularities in three cases, where the tax number of the invoice issuer was not given. The first SAO report also discovered that the Democratic Coalition, campaigning within the framework of Összefogás (Unity), also submitted three invoices in the total value of HUF 115,000 as part of its financial report that were issued before the campaign period. A similar irregularity was found among the invoices submitted by the Socialist Party, with the party submitting four irregular invoices in the total value of HUF 80,000 that were issued outside of the campaign period.

³⁵ According to the first SAO report, sample selection was carried out by stratified sampling proportional to size, with the strata being the funds provided to nominating organizations from the central budget and from other sources.

The first SAO report also publishes the campaign spending reports of parties that won parliamentary mandates, according to which the government parties campaigned from HUF 984 million, the parties of the Unity alliance spent HUF 820 million, Jobbik spent HUF 840 million and LMP – Politics Can Be Different spent HUF 716 million on the campaign. According to their own declarations, parties that won parliamentary mandates covered most of their campaign spendings from the state campaign support provided to them in line with the Campaign Finance Act. Aside from this, other income according to the Party Financing Act played only a minor role.

Figure 9.

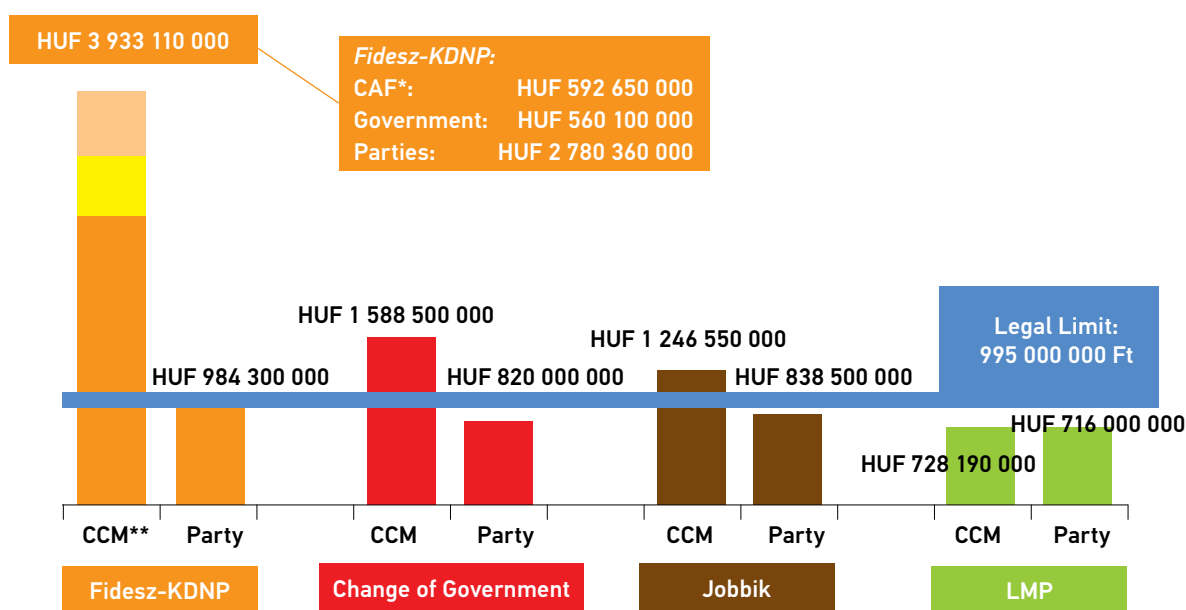
The campaign spending of parliamentary parties and their candidates in the campaign leading up to the 2014 parliamentary elections, based on the report of the State Audit Office



Without a doubt, the biggest shortcoming of the SAO audit of parties that won parliamentary mandates is that the examination of legal conformity extended exclusively to whether the formal requirements of campaign reports by parties were met. That is, the SAO attached no significance to the fact that spending on the parliamentary election campaign according to the self-declaration of parties that won parliamentary mandates was several magnitudes less than the costs of these campaign activities as estimated by the campaign monitor. The first SAO report did not even attempt to find out the reasons for the difference between declared and estimated costs, as demonstrated in Figure 10 below.

Figure 10.

Parliamentary election campaign spending by parties that won parliamentary mandates – according to the campaign monitor and the parties' own declarations³⁶



* CAF: Civil Alliance Forum
** CCM: Civil Kampánymonitor

VI/2. Parliamentary Elections: Parties That Did Not Win Parliamentary Mandates

The state spent a total of more than HUF 7 billion on support for 18 party lists that ran in the 2014 parliamentary general elections. Of this, close to HUF 3.5 billion went to parties that did not win any seats in parliament and of which several were formed not much before the elections. An additional almost HUF 800 million in public funds was provided to the individual candidates of these parties, who ceded HUF 350 million of these funds to their nominating parties. They were supposed to have used this amount to convince voters, but the campaign monitor did not detect any campaign activities for the majority of parties that did not win parliamentary mandates. This was also reflected in their election results, as the 14 parties that did not win parliamentary mandates gained a combined total of only around 182,000 votes. Twelve of these parties did not even win as many votes as the number of signatures they collected during the candidate nomination process,³⁷ while eight of them failed to win at least 2 percent of the valid votes cast at the elections.³⁸

The campaign spending of parties that did not win parliamentary mandates was hardly measurable at all, as according to the campaign monitor they spent no more than HUF 319 million combined on their campaigns.³⁹ According to the campaign monitor, this is due to the fact that most of these parties did not actually use any of the usual campaign tools that are traditionally found to be suitable and used to convince voters, as was for example done by the parties that won parliamentary mandates.

³⁶ The figure includes parliamentary campaign spending by NGOs that campaigned in the interest of parties, as well as government spending that served party purposes.

³⁷ Only the Hungarian Workers' Party and the Green Party received more votes than the number of recommendations they collected. Source: <http://www.valasztasirendszer.hu/?p=1943112> [downloaded: May 29, 2015]

³⁸ These were: Democratic Community of Welfare and Freedom, Alliance of Mária Seres, New Dimension Party, New Hungary Party, Independent Smallholders Party (FKGP), Unity Party, Green Party and Together 2014 Party. Source: second SAO report.

³⁹ According to the campaign monitor only FKGP spent an amount that is in proportional in magnitude to the amount of state aid it received and which indicates that an actual campaign was ran.

The amount of state funding provided to parties that did not win parliamentary mandates, as well as the amount of their campaign spending as determined by the campaign monitor, is contained in the following table.

9. TÁBLÁZAT

The state support, other income and spending as estimated by the campaign monitor, for the parties that did not win parliamentary mandates⁴⁰

Parties that did not win parliamentary mandates	Number of candidates	Amount of state campaign support	Amount ceded by candidates	Other income (donations, dues, etc.)	Amount of spending determined by the campaign monitor	Difference
Democratic Community of Welfare and Freedom	191	HUF 447 750 000	HUF 61 000 000	–	HUF 46 512 000	HUF 462 238 000
Social Democratic Hungarian Civic Party	167	HUF 447 750 000	–	–	HUF 2 335 000	HUF 445 415 000
Community for Social Justice	104	HUF 298 500 000	–	HUF 548 000	HUF 61 328 000	HUF 237 720 000
Homeland Not For Sale Movement	175	HUF 298 500 000	–	HUF 116 200	HUF 14 059 000	HUF 284 557 200
Alliance of Mária Seres	184	HUF 298 500 000	HUF 58 000 000	HUF 94 000	HUF 25 820 000	HUF 330 774 000
Gypsy Party of Hungary	91	HUF 298 500 000	–	HUF 575	HUF 3 000 000	HUF 295 500 575
Hungarian Workers' Party	89	HUF 149 250 000	–	HUF 486 600	HUF 12 624 000	HUF 137 112 600
Party for a Fit and Healthy Hungary	70	HUF 149 250 000	–	HUF 465 600	HUF 1 700 000	HUF 148 015 600
New Dimension Party	95	HUF 149 250 000	HUF 34 000 000	–	HUF 1 400 000	HUF 181 850 000
New Hungary Party	69	HUF 149 250 000	HUF 47 000 000	–	HUF 2 120 000	HUF 194 130 000
Independent Smallholders Party	82	HUF 149 250 000	HUF 45 000 000	HUF 1 000 000	HUF 148 519 000	HUF 46 731 000
Green Party	53	HUF 149 250 000	HUF 31 000 000	–	–	–
Együtt 2014	54	HUF 149 250 000	HUF 21 000 000	–	–	–
Unity Party	130	HUF 298 500 000	HUF 57 000 000	HUF 1 091 800	–	–
Total	–	HUF 3 432 750 000	HUF 354 000 000	HUF 2 710 975	HUF 319 417 000	HUF 2 764 043 975

SAO also audited the campaign spending of parties that did not win parliamentary mandates,⁴¹ and published its findings in its report numbered 15058, dated March 26, 2015⁴² (henceforth: second SAO report).

Similar to the first SAO report, the audit office was once again content during the audit of parties that did not win parliamentary mandates with checking whether the campaign reports of these parties complied with the formal requirements of the Campaign Finance Act and tax and accounting regulations.

⁴⁰ The campaign monitor did not look at the spending of the Green Party, the Together 2014 Party and the Unity Party.

⁴¹ The audit took place following a request that was submitted pursuant to Section 9, paragraphs (2)–(3) of the Campaign Finance Act.

⁴² State Audit Office: Audit of Campaign Funds – the audit of the accounts of financial funds used during the 2014 parliamentary election campaigns at nominating organizations audited following a request <http://www.asz.hu/jelentes/15048/jelentes-kampanypenzek-ellenorzes-e-a-2014-evi-orsszaggyulesi-kepviselo-valasztasi-kampanyokra-forditott-penzeszkozok-elszamolasanak-ellenorzes-e-a-kerelemre-ellenorzott-jelolo-szervezeteknel/15048j000.pdf> [downloaded: July 30, 2015]

Considering that the same methodology was used it is questionable in the case of the second SAO report as well how SAO came to the conclusion that seven⁴³ of the parties that did not get into parliament “used the HUF 1 million in support ceded by their individual candidates, in line with the provisions of the [Campaign Finance Act], on financing material expenses related to campaign activity pursuant to the [Electoral Procedure Act] during the campaign period.” It is also not clear in the second SAO report what SAO bases its statement on that six⁴⁴ of the parties that did not win parliamentary mandates used the state campaign support “to finance spending related to election campaign activities during the election campaign period,” in line with the provisions of the Campaign Finance Act. Furthermore, SAO stated with respect to all of the parties that did not make it into parliament that they “used the sources defined in the [Campaign Finance Act] during the election campaign period to finance expenditures related to election campaign activities.” Just as in the case of parliamentary parties, SAO did not deem it important this time either to reveal what it based this sweeping conclusion on. Similarly lacking all factual basis is the statement of the second SAO report that parties that did not win parliamentary mandates “did not accept any asset contributions or anonymous donations from legal persons, organizations that are not legal persons, other states, foreign organizations or non-Hungarian natural persons.”

It is true that SAO uncovered various irregularities during the audit of the campaign spending of parties that did not win parliamentary representation. It found that some parties used the campaign support received from the state to finance activities outside of the campaign period.⁴⁵ It also determined that the financial reports of some parties did not meet formal requirements.⁴⁶ Furthermore, SAO also pointed out that the lawfulness of the campaign spending of the individual candidates of six parties that did not win parliamentary mandates could not be checked because “no data was available on campaign financing sources and expenses.”⁴⁷

Nevertheless, SAO determined in the case of six parties that did not win parliamentary mandates – the Independent Smallholders Party, the Homeland Not For Sale Movement Party, the Hungarian Workers’ Party, the Alliance of Mária Seres, the New Dimension Party and the New Hungary Party – that these parties and their individual candidates “altogether complied with the HUF 5 million per candidate spending limit determined [by the Campaign Finance Act].” This abrupt conclusion seems questionable especially in the cases of the New Hungary Party and the New Dimension Party, since the second SAO report found that a respective 63% and 86% of their invoices on campaign expenses did not meet accounting standards. Also, SAO declared the campaign spending of the Alliance of Mária Seres to be lawful despite the fact that the second SAO report itself determined that “no data was available on the campaign financing sources and expenses” for eight of the individual candidates nominated by the party.

In any case, SAO failed to reveal how it was possible to check the actual amount of campaign spending of these parties based on such incomplete accounting documentation. SAO did not bother either with the fact that some of these parties accounted for expenses that seem unrealistic in light of actual market prices. For example, the Homeland Is Not For Sale Movement Party spent HUF 38 million on balloons, while the New

⁴³ Together 2014 Party, Democratic Community of Welfare and Freedom, Independent Smallholders Party, Unity Party, Alliance of Mária Seres, New Dimension Party and New Hungary Party.

⁴⁴ Community for Social Justice People’s Party, Homeland Not For Sale Movement Party, Gypsy Party of Hungary, Hungarian Workers’ Party, New Dimension Party and New Hungary Party.

⁴⁵ The second SAO report uncovered seven instances at the Independent Smallholders Party, one instance each at the Unity Party, the Party for a Fit and Healthy Hungary and the Social Democratic Hungarian Civic Party, two instances each at the Together 2014 Party and the Green Party, three instances at the Alliance of Mária Seres, and finally, 15 instances at the Democratic Community of Welfare and Freedom.

⁴⁶ 63% of the invoices and original documents of the New Hungary Party, 86% of the invoices and original documents of the New Dimension Party, and 76% of the invoices and original documents of the Together 2014 Party did not meet accounting standards and requirements. In addition, not one of the invoices on the use of funds that were ceded to the Together 2014 Party by its individual candidates met formal requirements, because they did not contain the detailed written explanation and the purpose of the expenditure that are required for these spending items.

⁴⁷ There was no available data on the sources and expenses of campaign financing funds for 7 of the 14 individual candidates of Together 2014, three of the 81 individual candidates of the Democratic Community of Welfare and Freedom, seven of the 57 individual candidates of the Community for Social Justice People’s Party, 23 of the 61 individual candidates of the Gypsy Party of Hungary, five of the 59 individual candidates of the Unity Party, eight of the 67 individual candidates of the Alliance of Mária Seres, three of the 82 individual candidates of the Social Democratic Hungarian Civic Party and six of the 33 individual candidates of the Green Party.

Dimension Party and the New Hungary Party spent a respective HUF 41 million and HUF 42 million on producing campaign videos. Seeing these videos, the amount spent on them is at least questionable.⁴⁸ The HUF 65 million fuel and accommodation spending invoices of the New Dimension Party cannot be considered to be above all doubt either, and the similar HUF 63 million in expenses by the New Hungary Party are of questionable authenticity as well.

The second SAO report found that compliance with the HUF 5 million per candidate spending limit “could not be established” only in the case of the other eight remaining parties that did not win parliamentary representation – the Gypsy Party of Hungary, the Social Democratic Hungarian Civic Party, the Community for Social Justice People’s Party, the Party for a Fit and Healthy Hungary, the Unity Party, the Together 2014 Party, the Democratic Community of Welfare and Freedom and the Green Party. Signs of creative accounting can be found as well in this group of parties that did not win any mandates. For example, the Green Party purchased IT services for HUF 38 million, for one year, even though the campaign period lasts only 50 days. The Together 2014 Party spent HUF 16 million on a campaign video and HUF 60 million on fuel and accommodation.

We are not saying that SAO did not do anything at all upon finding campaign financing irregularities committed by parties that did not win parliamentary mandates. For example, SAO initiated criminal proceedings against the Unity Party for violation of accounting rules, and against the Together 2014 Party, the New Dimension Party and the New Hungary Party for suspected budget fraud. SAO also filed charges against an additional eight parties for failure to fulfill the obligation to cooperate in an audit by the SAO.⁴⁹

Overall however we are dissatisfied with the audit performance of SAO, as it remains unknown what the parties that did not win parliamentary mandates, and their candidates, spent the roughly HUF 4.5 billion on received from the state. At a minimum, SAO’s suspicions during the audit of the campaign spending of these parties should have been aroused by the fact that the financial report of a party consisted in many cases of just a single sentence. For example, the Social Democratic Hungarian Civic Party accounted for all of its campaign spending under the heading of “Material expenditures,” but the report of the Unity Party was equally reticent, as it contained only the following: “The HUF 298.5 million was spent on the 2014 parliamentary elections and the campaign, in accordance with the relevant laws.”

VI/3. Municipal Elections: Parties That Won Parliamentary Mandates

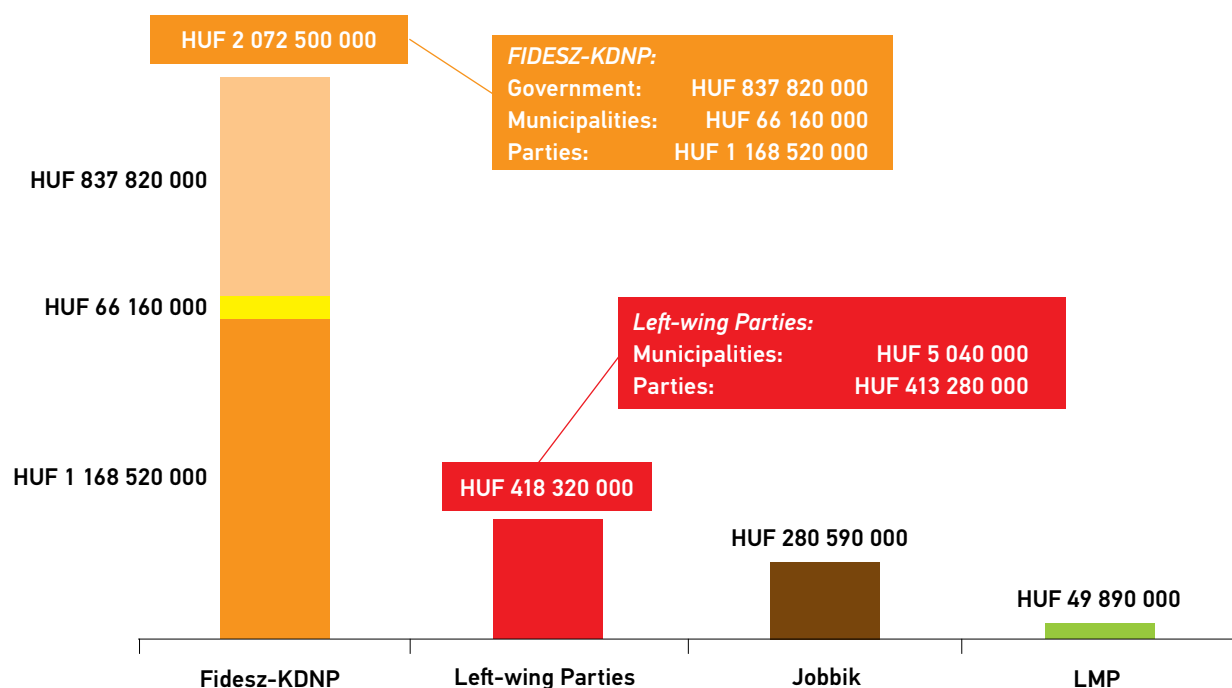
According to the calculations of the campaign monitor, the municipal election campaign of Fidesz cost more than HUF 2 billion. However, the party itself paid for only around HUF 1.1 billion of this, as the remaining was provided through a campaign valued at HUF 900 million by government and government-led local governments, in support of the victories of Fidesz mayoral and local candidates. The municipal election campaign of the left-wing parties (Socialist Party, Együtt – Together 2014, PM – Dialogue for Hungary, DK – Democratic Coalition and MLP – Hungarian Liberal Party) costed HUF 418 million, Jobbik’s was worth HUF 280 million, and LMP – Politics Can Be Different spent HUF 50 million on its campaign leading up to the municipal elections.

⁴⁸ <http://index.hu/belfold/2014/06/06/kamupartok/> [downloaded on July 31, 2015]

⁴⁹ <http://www.aszhirportal.hu/hirek/szabalytalansagok-a-kampanypenzek-elszamosasaban> [downloaded on July 31, 2015] SAO did not provide information to the public on precisely which parties it filed criminal charges against for violating the obligation to cooperate in an audit by the SAO.

Figure 11.

The estimated campaign spending of parliamentary parties in the campaign leading up to the 2014 municipal elections⁵⁰



In Chapter III of the study we already pointed out that only the Electoral Procedure Act contains mandatory minimum requirements that apply to every election in Hungary. As a result, the rules on campaign tools and the length of the campaign period apply to local elections as well.

Thus it also follows that it was possible to conceal the prices of outdoor advertisements (“billboards”) during the municipal election campaign as well. Furthermore, electronic media also had to broadcast political advertisements free of charge during the municipal election campaign. However, the provisions of the Campaign Finance Act apply exclusively to parliamentary election campaigns. Therefore the HUF 5 million per candidate campaign spending limit does not have to be adhered to during the municipal election campaign. In addition, parties and candidates running in the municipal elections do not receive any state campaign support, they do not have to file public reports on their campaign spending, and SAO does not audit their campaign finances.

At the same time, the very loose rules on municipal campaign spending – similar to the parliamentary election campaign – allowed public authorities, such as the government or individual local government, to get away unpunished with conducting campaign activity in support of parties. Government parties were not above abusing this opportunity on this occasion as well. On the other hand, the campaign monitor did not see signs during the 2014 municipal election campaign of the so-called “CAF phenomenon” that was prevalent during the parliamentary election campaign half a year earlier.

Since parties are not required to file a report on their spending during the municipal campaign, we have no way of comparing the campaign monitor’s findings in this respect – i.e. our estimates of campaign spending by parties at the municipal elections – to information provided in any kind of publicly available party report or SAO audit documentation.

⁵⁰ The figure also contains campaign spending by the government and local governments that carried out campaign activity in support of parties.

VII. SUMMARY AND CONCLUSIONS

Hungarian parties obviously believe that if intransparent campaign spending is not prohibited by law then campaigning from uncontrolled sources does not qualify as corruption. This hypocritical situation can be traced back to the deficiencies in legislation, as pursuant to the Campaign Finance Act parties are allowed to conceal the actual amount of their parliamentary campaign spending. In the case of spending during the municipal campaign, the rules currently in force do not even set a per-candidate spending limit, and do not provide for budget support for parties either. Thus, in the case of local elections, campaigning with intransparent funds is not formally prohibited by any rules.

SAO, the supreme auditor of all public funds in Hungary, as in previous elections, did not find anything substantially exceptionable with regard to the campaign spending of parties during the 2014 elections. The SAO audit of campaign spending during the parliamentary election left especially a lot to be desired. We asked⁵¹ in vain that the State Audit Office take substantively into account the findings of the study conducted under the parliamentary campaign monitor project, and to compare the campaign spending data reported by the parties themselves with the reality. In its reply,⁵² SAO told us that it is conducting the audit of campaign spending by parties “within the framework set by the law.” This legal framework did not allow for SAO to at least detect the obvious inconsistencies between reality and the data contained in the reports filed by parties that did not win parliamentary mandates. Because, in the opinion of TI, the reports filed by parties conceal various campaign spending items and leave their sources obscure. Even though SAO writes in its reports on the audit of campaign reports filed both by parties that won parliamentary mandates and those that did not that “irregular use of public funds revealed by the audit will not be without consequence,” this is in vain. The truth is that there are no substantial consequences of the audit conducted by SAO, which is weak to begin with. Thus, SAO continues to be a partner in letting campaign corruption remain a low-risk activity that can go unpunished. As a result, some fundamental questions remained unanswered with regard to the elections held in 2014. We do not know the sources of the funds used by parties to cover their spending that exceeded the HUF 995 million limit set in the Campaign Finance Act. It remains unknown who paid for the very costly billboard campaigns, and from what sources, while the source of campaign-oriented spending by CAF remained unidentified as well. Furthermore, there is no answer to the question of what became of the several billion forints that were provided to the political formations that are colloquially known as “sham parties.”

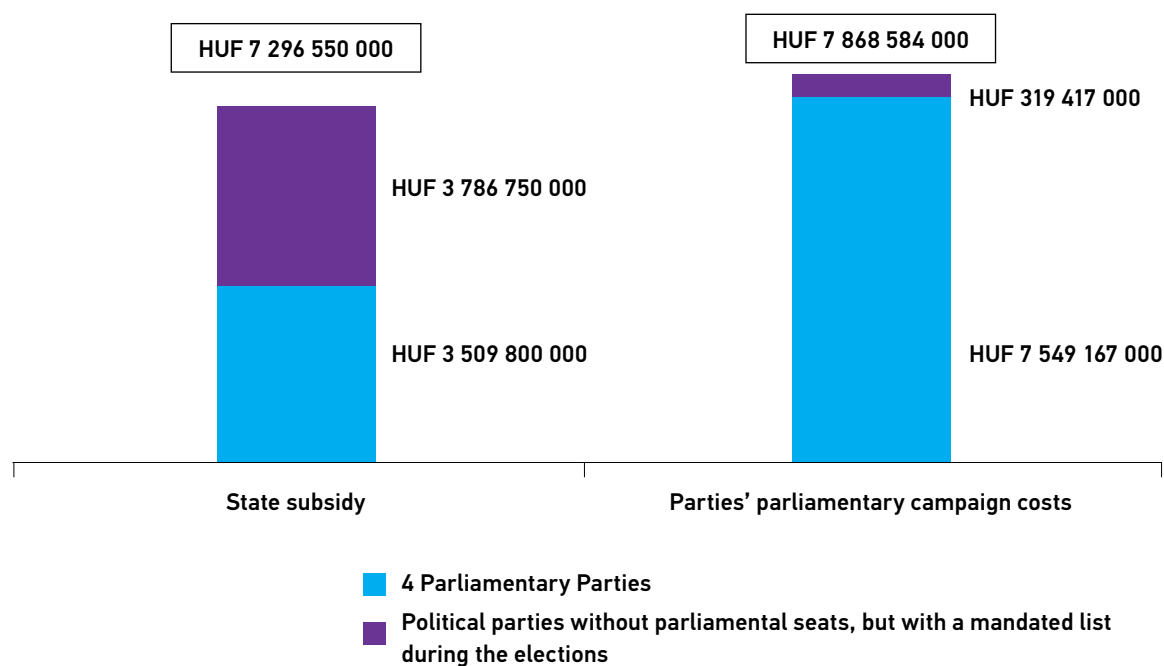
On the surface, it seems that the balance of the 2014 parliamentary election campaign shows a “breakeven.” The state provided HUF 7.3 billion in funds to 18 parties who spent slightly less than HUF 8 billion on their campaigns. However, what actually happened is quite different. Parties that won parliamentary mandates received HUF 3.6 billion in state campaign support, while their estimated campaign spending was more than HUF 7.5 billion. Meanwhile, state campaign support for parties that did not win parliamentary mandates totaled HUF 3.8 billion, however the campaign monitor was unable to detect campaign activity on their part that exceeded even HUF 320 million in value. The inverse proportions are even more distorted if we add the amount of support ceded by candidates to their parties to the amount of state support received. Among parties winning parliamentary mandates, this option was exercised by LMP – Politics Can Be Different and certain parties of the Unity alliance, with these parties taking over some HUF 150 million in campaign support provided to their individual candidates. Parties that did not make it into parliament took over HUF 350 million from their candidates.

⁵¹ http://transparency.hu/uploads/docs/asz_level_finaldocx.pdf [downloaded: May 29, 2015]

⁵² http://transparency.hu/uploads/docs/asz_valasz.pdf [downloaded: May 29, 2015]

Figure 12.

The amount of state campaign support and the estimated campaign spending of parties during the campaign leading up to the 2014 parliamentary elections⁵³



⁵³ Data on the amount of state campaign support received by parties include the amount of campaign support taken over by parties from their candidates, pursuant to paragraph 2/A of the Campaign Finance Act. Among parties that won parliamentary mandates, Fidesz-KDNP and Jobbik did not take advantage of this option.

VIII. RECOMMENDATIONS

In order to set up a fair system of campaign financing, the support provided to parties and candidates, as well as all campaign expenditures, must be completely transparent. To this end – as TI has been saying for years –, parties and candidates should be required to have a campaign account at the Hungarian State Treasury, where all state and private campaign support must be placed. Payments should be allowed to be made from this account only by bank transfer, as this can actually be monitored, unlike the cash payments that, as a main rule, are not currently prohibited. The price of advertising spaces should be made public, not just in the case of media advertisements but billboards as well; political campaigns outside of the legally permitted campaign should be banned; and self-campaigning by the state or government should be eliminated as well. Finally, the kind of infamous campaign outsourcing that has become known in Hungary as the “CAF phenomenon” must be limited, either by outright prohibition, or by adding the amount of money spent campaigning on behalf of a party to the campaign spending of the benefiting party. In addition, the strong transparency of the finances of NGOs carrying out political campaigns in support of parties should be established.

Control should be executed through a strengthened audit by the State Audit Office and the Hungarian State Treasury, and those in violation of the rules should face harsh sanctions. For example, for every forint spent irregularly in the campaign, two forints should be paid into the state budget. In order to filter out sham parties and protect the billions in budget funds they acquire in a fraudulent manner, the rule on paying back state support if a candidate fails to obtain votes above a certain threshold, which currently applies only to parliamentary candidates, should be made into a general rule. Parties must also be obligated to pay back state campaign support to the budget if they are unable to show at least a minimum amount of voter support.

According to the view of the organizations behind the civil campaign monitor, these changes should be implemented with respect to both the parliamentary and local election campaigns immediately, but at the latest at a reasonable period before the next election.

In the opinion of TI, optimal campaign regulations are based on the following principles:

1. Campaign account

- a) Parties should pay their campaign-related expenses from an account handled at the State Audit Office or the State Treasury.
- b) The account information must also be published on the website of the State Audit Office/State Treasury.
- c) The financial audit should extend to NGOs (associations, foundations) that support the campaigns of parties, as well as to private individuals and companies.
- d) Strong sanctions (full repayment, harsh punitive interest) should be introduced against those that violate spending and accounting rules.

2. Transparent campaigns on billboards as well

- a) Discounts given by the owners and operators of outdoor advertisements and billboards to political players should be uniformly regulated, or these kinds of discounts should be completely prohibited.
- b) Billboard advertising prices should be made public.
- c) The owners and operators of billboards that carried political advertisements must make public their revenues from these kinds of advertising within 30 days after the day of the election.

3. Genuine audits of parties

- a) The audits carried out by the State Audit Office should be extended to include the business ventures, foundations and youth organizations of parties, as well as the various NGOs that support parties.
- b) The State Audit Office should be strengthened both in its number of staff and its preparedness.
- c) The biennial audit of parties that receive state support should be changed to an annual audit, and extraordinary audits should also be made possible.
- d) The practice of notifying parties of their planned audits one month in advance should be discontinued.

4. Truly shorter campaign period

The rules on a 50-day campaign period should not be able to be circumvented: all advertisements outside of the official campaign period that can be linked to parties should be uniformly prohibited.

5. More transparent revenues

- a) Private individuals and legal persons should also be allowed to provide financial support to candidates and parties.
- b) The campaign support provided by companies should be limited to HUF 5 million, and by private individuals to HUF 2 million per campaign.

6. The activities of NGOs

The same disclosure and accounting rules should apply to the finances of NGOs conducting political campaigns as to political parties.

7. State-government advertisements

- a) It should be prohibited for the government and other state institutions to publish advertisements that support a party, even if it is called government communications activity (hidden party advertising).
- b) It should be prohibited for state-owned enterprises and other companies operating from public funds to publish political advertisements or advertisements that support a party.
- c) During the campaign period, the same rules should apply to the advertising-related expenditures of state-owned enterprises and other companies operating from public funds as to parties and NGOs that support parties.

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