

Promoting effective  
anti-corruption  
framework  
in the CEE countries.

# POLITICAL PARTY FINANCING



# Strengthening Transparency and Monitoring of the Funding of Political Parties in the Czech Republic

Conditions of the enforceability of legal regulations and transparency  
of the funding of political parties and movements in the Czech Republic

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# 1. INTRODUCTION

Political parties nominate their representatives to participate in elections where they compete for the support of the citizens, promising to represent them and defend their interests honourably and responsibly. Political parties as the basic building blocks of representative democracy can thus be playing a key role in the crisis of confidence in democratic institutions that has been sweeping countries throughout Western Europe and beyond for the last several decades. An even more serious issue is that Czech citizens consider political parties the biggest source of corruption<sup>1</sup>. Unfortunately, political parties have been consistently holding the top spot in public perception of corruption since 2001 when the CVVM agency first included them on the surveys<sup>2</sup>. How can citizens learn who sponsors political parties or how much they spend on election campaigns? Do the laws define adequate conditions for institutional and non-institutional oversight over the sponsors of political parties for example whose gifts may be given in exchange for future services? How is the funding of political parties monitored and is the oversight functional? Is information published and readily available? These are the questions we must be asking.

The objective of this analysis is not to provide a comprehensive overview of the laws affecting political parties and their operation, financing or any limitations, but rather to focus on one aspect of legislation – enforceability. This aim is led by our conviction that in order for a law to be functional, it needs to not only be well written, but the conditions of its implementation must also be considered. While the quality and scope of a law are necessary prerequisites for its application in practice, they are not what guarantees the law for success. Standards must include corresponding institutional mechanisms presupposing an infrastructure for functional enforceability (a combination of awareness-raising tools, a transparency policy, rules and standards as well as any sanctions or other measures regarding the prevention of violations of the law).

As regards the scope of the analysis, we will be focusing on enforceability mechanisms, specifically institutional oversight, monitoring and auditing, sanctions, methodological support, transparency and public control. These areas will be assessed from the perspective of:

- i) conditions stipulated by the legislation as the basic prerequisites for further implementation; and*
- ii) actual implementation.*

The methodology chosen for this paper is a standardised content analysis of relevant documents.

This study was prepared as part of a joint project of NGOs from five European countries: the Czech Republic, Estonia, Hungary, Poland and Slovakia, titled “Promoting effective anti-corruption measures in the countries of Central and Eastern Europe”. The aim of the project is to contribute to improvements in enforceability in selected areas, specifically conflict of interest, information access, funding of political parties and the protection of whistleblowers. The material will also be used to formulate general anti-corruption recommendations for countries of Central and Eastern Europe in the respective areas.

<sup>1</sup> In 2009, the largest percentage of Czechs identified political parties as the area where corruption was most common (22%). Source: Korupční klima, GfK survey results, October 2009, not published, available at: [http://www.gfk.cz/imperia/md/content/gfkpraha/press/2010/100406\\_nejzkorumpovanejsi\\_jsou\\_politicke\\_strany.pdf](http://www.gfk.cz/imperia/md/content/gfkpraha/press/2010/100406_nejzkorumpovanejsi_jsou_politicke_strany.pdf)

<sup>2</sup> The worst ranking bodies are political parties, who according to about four in five Czechs (81%) are at the highest or second highest level of corruption (rank 4 or 5); CVVM press release [http://cvvm.soc.cas.cz/media/com\\_form2content/documents/c1/a6798/f3/po120405.pdf](http://cvvm.soc.cas.cz/media/com_form2content/documents/c1/a6798/f3/po120405.pdf)

<sup>3</sup> The Czech Constitution sets the basic framework of the existence of political parties and their free competition. Free establishment of political parties is guaranteed by Article 5 of the Constitution. The Constitutional Court may rule on the legitimacy of any decision on the disbanding of a political party or any other decision regarding the activities of a political party (Article 87), i.e. assess the legality of decisions of the Supreme Administrative Court.

<sup>4</sup> The Constitution is supplemented with Article 20 of the Charter of Fundamental Rights and Freedoms, which says that “citizens have the right to form political parties and movements and associate in them” (Section 2) and that “political parties and political movements, as well as any other associations, are separated from the state” (Section 4).

<sup>5</sup> Act No. 563/1991 Coll., on accounting, as amended.

<sup>6</sup> The Political Parties and Movements Act, Section 17.

<sup>7</sup> A comparison of public funding of political parties has been published by ACE Electoral Knowledge Network [online]: from 219 countries, 59% provide direct financial support to political parties and 54% indirect support (some countries provide both at once). One in five countries does not provide any support at all. Data is not available for about ten percent of countries.

In the European Union, political parties are directly and indirectly supported by 19 more countries besides the Czech Republic; 6 countries provide only direct support and 2 countries only indirect support. Available at: <http://aceproject.org/epic-en/CDMap?question=PC12> [quoted on 2013-11-24]

<sup>8</sup> The Political Parties and Movements Act, Section 20.

## 2. LEGAL FRAMEWORK

Political parties are governed by Act No. 424/1991 Coll., on association in political parties and political movements, as amended (hereinafter the “Political Parties and Movements Act”). The law defines the requirements for founding political parties and movements, their registration, disbanding and dissolution or suspension of activities, but also their funding and financial management.

In addition to that, Act No. 247/1995 Coll., on elections to the Parliament of the Czech Republic, Act No. 62/2003 Coll., on elections to the European Parliament, Act No. 130/2000 Coll., on elections to regional representative bodies, and Act No. 491/2001 Coll., on elections to representative bodies of municipalities, also contain rules on the technical aspects of election procedures (and the first two mentioned also contain provisions on contributions paid by the state to cover election expenses).

Moreover, the Constitution of the Czech Republic<sup>3</sup> and the Charter of Fundamental Rights and Freedoms, which is part of the constitutional order of the Czech Republic, contain various provisions guaranteeing political rights and freedoms<sup>4</sup>.

### 2.1 MISSING DEFINITION OF A POLITICAL PARTY AND MOVEMENT

None of the regulations mentioned above contains a definition of a political party or movement. In simple terms, political parties and movements are legal persons (associations) registered in accordance with the Political Parties and Movements Act. For legal purposes, there is no difference between a political party and a political movement. Political parties and movements become legal entities upon registration in the Register of Political Parties and Movements kept by the Ministry of Interior.

### 2.2 MIXED FUNDING

The Political Parties and Movements Act is the basic legal regulation governing the financial management of political parties. The requirements for the accounting of political parties and movements are similar to those that apply to all legal persons under the Accounting Act<sup>5</sup>. The Political Parties and Movements Act also allows a system of mixed funding, i.e. from public and private sources<sup>6</sup>:

#### I. PUBLIC RESOURCES<sup>7</sup>

##### a) Direct financial support from the state

*i) **Contribution to activities**<sup>8</sup> of a party or movement from the state budget includes a fixed contribution and a contribution per mandate. The prerequisite for receiving the contribution is to submit an annual financial report meeting all requirements within the set deadline. The **fixed** annual contribution of CZK 6,000,000 is provided to parties or movements who receive at least 3% of votes during the election to the Chamber of Deputies. For every additional 0.1 % of votes (rounded up), the party or movement receives CZK 200,000 per year up to the maximum of 5% where the contribution is capped. The **contribution per mandate** is provided if at least one MP, senator, member of regional representation or member of the representation of the capital of Prague is elected from the given party or movement. The contribution per MP or senator mandate is CZK 855,000 per year; the annual contribution per regional or Prague representative is CZK 237,500. For election years, an aliquot part of the annual sum is provided.*

#### HOW MUCH IS THE STATE PAYING TO POLITICAL PARTIES FOR ELECTIONS?

For the election to the Chamber of Deputies in October 2013 and the subsequent 4-year function period, the state will be paying parties and movements almost CZK 1.5 billion. Contributions to election expenses amount to less than half a billion and the contribution to activities accounts for another one billion CZK.

Source:

This means that for the election to the Chamber of Deputies and for one election period, the state will pay to parties and movements

**ii) A contribution to election expenses<sup>9</sup> is paid to parties and movements only for the results of elections to the Chamber of Deputies if they reach a threshold of at least 1.5% of the total number of cast votes. For each received vote, parties are entitled to CZK 100 from the state budget. In elections to the European Parliament, any political party, movement or coalition that gains at least 1% of the total number of valid votes receives CZK 30 per each vote from the state budget<sup>10</sup>.**

**b) Indirect state financial support** is provided in the form of free broadcasting time on radio and TV and space for election posters in municipalities for the duration of an election campaign for the Chamber of Deputies, the European Parliament or the office of the President. Time and space are allocated to all participants in equal measure.

In recent years, the share of public resources<sup>11</sup> in the funding of political parties and movements in the Czech Republic was between 45–80%<sup>12</sup>. From this perspective, the system of public contributions to political parties and movements in the Czech Republic seems very generous. Political parties and movements receive considerable funds from the state budget and public oversight should correspond to that.

## II. PRIVATE RESOURCES

**a)** membership fees (the law does not define membership fees as such, and in practice they are often conflated with gifts from party members);

**b)** donations<sup>13</sup> and inheritance (there is no definition of gift in the legislative; as media inquiries show, the legislative requirement to identify persons who donate more than CZK 50 thousand leads to dividing the gifts into smaller chunks reportedly provided by different persons, but all coming from the same source which remains opaque<sup>14</sup>; there are no rules for determining the value of non-financial gifts);

## MAY POLITICAL PARTIES CARRY OUT BUSINESS ACTIVITIES?

They may, but not in their own name. They may establish a business company or association, or take part in an established business company or association as an associate or member. The law limits the scope of such activities to:

- operating a publishing house, printing press and radio or TV broadcasts;
- publication and promotion activities;
- organization of cultural, social, sports, recreational, educational and political events; or
- producing and selling items promoting the programme and activities of the party or movement.

## WHO MAY AND WHO MAY NOT PROVIDE A GIFT TO A POLITICAL PARTY?

Financial and non-financial gifts may be provided to political parties by natural or legal persons. The law does not define any limits regarding the value, forms or frequency of gifts or membership fees. Political parties, however, may not accept gifts from public entities, in particular:

- the state (with the exception of contributions to elections and activities from the state budget);
- contributory organisations;

<sup>9</sup> Act No. 247/1995 Coll., on elections to the Parliament of the Czech Republic, Section 85.

<sup>10</sup> Act No. 62/2003 Coll., on elections to the European Parliament, as amended, Section 65.

<sup>11</sup> In addition to public resources, political parties on the European level may also receive a contribution from the European Parliament. In 2014, 13 entities received a total of EUR 27.7 million. The financing system is defined in the Regulation of the European Parliament and Council (EC) No. 2004/2003 of 4 November 2003 on the regulations governing political parties at the European level and the rules regarding their funding. Information about the conditions for receiving the grant, the amounts of awarded grants since 2004 and annual reports of the political parties is available at: <http://www.europarl.europa.eu/aboutparliament/cs/00264f77f5/Granty-pro-politick%C3%A9-strany-a-nadace.html> [quoted on 2014-04-08]

<sup>12</sup> For a closer look at the contributions from state budget to parliamentary political parties in 2006–2011, see the table prepared by Eliška Waldová [online]. Available at: <http://www.mvcr.cz/clanek/transparentni-financovani-politickych-stran-jake-zmeny-jsou-potreba.aspx> [quoted on 2013-11-27]

<sup>13</sup> The law does not directly define the term “donation”.

<sup>14</sup> E.g. the article on fake sponsors in Mf Dnes, Zemanovci uvádějí falešné sponzory. Nejsem pokladník, říká Zeman; published on 23 November 2012.

Available at: [http://zpravy.idnes.cz/strana-milose-zemana-uvadi-falesne-sponzory-fm9-/domaci.aspx?c=A121122\\_212906\\_domaci\\_brd](http://zpravy.idnes.cz/strana-milose-zemana-uvadi-falesne-sponzory-fm9-/domaci.aspx?c=A121122_212906_domaci_brd) [quoted on 2013-11-27]

c) income from leasing and sales of movable and immovable property;

d) interest from deposits;

e) income arising from participation in the business activities of other legal entities (this business, however, remains outside public control);

f) income from raffles and cultural, social, sports, recreational, educational or political events;

g) loans and credit (but there are no rules for reporting loans at usual prices).

- municipalities, their parts and districts or regions, with the exception of leased office space;
- state-owned or controlled companies, legal entities with state participation and legal entities that are partially managed or controlled by the state if the participation of the state or state enterprise exceeds 10%;
- legal persons with participation of municipalities, their parts and districts;
- public benefit companies;
- other legal entities, if defined in special legal regulations;
- foreign legal entities with the exception of political parties and foundations.

Gifts from natural persons are limited to citizens of the Czech Republic and foreign nationals who have permanent residence in the Czech Republic.

Political parties or movements may not own property outside the territory of the Czech Republic.

## 2.3 ELECTION CAMPAIGNS

The law does not impose any limits on election campaign spending or a duty to have an election account for elections to Parliament<sup>15</sup>, European Parliament<sup>16</sup> or regional<sup>17</sup> and municipal representative bodies<sup>18</sup>. Political parties and movements have no duties beyond the scope of the general Accounting Act. Parties are not required to have separate accounts for their activities and for election campaigns.

Presidential elections where a different set of regulations applies, in effect since 2013 are an exception. Presidential candidates may not spend more on their election campaign than CZK 40 million (including VAT) if they participate only in the first round of the election, or CZK 50 million (including VAT) if they participate in both rounds. The calculation of this sum lists all expenses at their usual prices, even if they were provided free of charge or at a discount<sup>19</sup>. The Presidential Election Act<sup>20</sup> defines other obligations for candidates as well. Specifically, all candidates must open a special **election account**<sup>21</sup>, i.e. a banking account used exclusively for the funding of their election campaign, no later than on the day when the candidate application is submitted (which may be no later than 66 days before election day)<sup>22</sup>. All financial transactions within an election campaign must go through the election account.

As of the day when the candidate application was submitted, the election account must contain all funds collected by that time for support of the candidacy and the election campaign. These gifts must clearly indicate the origin of the funds, namely first and last name, date of birth and residential address of a natural person or name/company, registered address and identification number of legal persons. This information is provided to the Ministry of Interior and published by the Ministry on its special election website. Unused funds must be donated to a public benefit purpose within a set deadline. Information about the use of such funds is published on the website of the candidate and sent to the mandate and immunity committee of the Senate.

<sup>15</sup> Act No. 247/1995 Coll., on elections to the Parliament of the Czech Republic.

<sup>16</sup> Act No. 62/2003 Coll., on elections to the European Parliament, as amended.

<sup>17</sup> Act No. 130/2000 Coll., on elections to regional representative bodies and the amendment to certain acts.

<sup>18</sup> Act No. 491/2001 Coll., on elections to representative bodies of municipalities and the amendment to certain acts.

<sup>19</sup> The first presidential campaign in 2012 highlighted certain shortcomings in the law, specifically in the calculation of campaign costs and compliance with the legal limit with respect to justifiability of discounts for media advertising. As part of its monitoring of the campaign, Transparency International Czech Republic compared list price expenses for election campaigns [online]. Available at <http://www.transparentnivolby.cz/prezident2013/?p=668> [quoted on 2014-02-11]

<sup>20</sup> Act No. 275/2012 Coll., on elections of the President of the republic and the amendment to certain acts (the Presidential Election Act).

<sup>21</sup> The Presidential Election Act, Section 24; information published in the election account about each transaction includes date/time, notes/account name, date/exchange rate, variable/constant/specific payment code, amount. This list shows that without some sort of categorisation of income and expenses, election accounts themselves may not provide enough data for the identification of individual transactions.

<sup>22</sup> Section 35 of the Act defines a presidential election campaign as "any promotion of a candidate for the position of the president of the republic and any election campaigning in his or her benefit, in particular any public statements made in his or her support or to his or her benefit, including any accompanying event for which payment is provided or is usually provided, if such promotion or campaigning took place no earlier than on the day when the presidential election was announced in the Collection of Laws, or prior to that date, if such promotion or campaigning is still in progress as of the day when the presidential election was announced in the Collection of Laws. Any statements made in disfavour of another candidate for the function or president of the republic are also considered an election campaign". The date of the Czech presidential election is announced at least 90 days in advance. For the presidential election that took place on 12 and 13 January 2013, it was announced on 1 October 2012. Unfortunately, the definition of an election campaign proved inadequate, as for example Miloš Zeman officially launched his campaign already in August 2012 according to <http://zpravky.e15.cz/domaci/politika/zeman-zahajil-kampan-choce-byt-prezidentem-sjednotitelem-905871>, but the first entry on his transparent election account dates from September. [http://www.csas.cz/banka/content/inet/internet/cs/sc\\_8880.xml](http://www.csas.cz/banka/content/inet/internet/cs/sc_8880.xml)

## 2.4 ANNUAL FINANCIAL REPORT

By law, political parties and movements have an obligation<sup>23</sup> to submit an annual financial report every year by 1 April to the Chamber of Deputies. The report is provided on a prescribed form and includes the following:

a) annual accounting statements;

b) auditor's report from a verification of the annual accounting statements, finding no objections;

c) overview of total income (divided to show the contribution to election expenses, contribution to activities, membership fees, income from leasing and sales of property, income from deposits, income from business activities of other legal persons, income from own activities, gifts and inheritance, loans and credit) and total expenditures (divided into operating expenditure and wages, taxes and fees and election expenses);

d) overview of gifts and donors together with the values of financial gifts, first and last name, date of birth and place of residence of the donor; if the donor is a legal person, its company name, registered address and identification number; for gifts from one donor exceeding CZK 50,000, it is mandatory to submit authorised copies of the gift agreements; e) overview of the value of property obtained through inheritance; if this value exceeds CZK 100,000, the name of the testator must be provided;

f) list of members whose total annual membership fees exceeded CZK 50,000 together with the sum of the contribution, first and last name, date of birth and residence address.

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<sup>23</sup> The Political Parties and Movements Act, Section 18.

### 3. INSTITUTIONAL OVERSIGHT AND MONITORING

Errors or inconsistencies in annual reports are identified by the Chamber of Deputies and reported to the corresponding tax authority. Funding is checked by the Controlling Committee of the Chamber of Deputies, and the results are submitted to the Chamber as a draft resolution. The Committee consists of 15 MPs. It also has a secretary and two assistants. The Committee informs the corresponding tax office of any violations of the provision on receiving gifts, even though no such case has been recorded yet according to the GRECO reports. The Committee should also act on information from the public or the media pointing out errors in the submitted data, but this also has never happened so far according to the GRECO report<sup>24</sup>. Considering the capacities of the Committee as a monitoring body, its control can hardly be more than a mere formality.

An annual financial report is considered complete if it contains all the information required by the Political Parties and Movements Act and was submitted on the form prescribed by the Ministry of Finance with all attachments. It is not required to submit separate statements for election campaigns and other party expenses. The result of the compliance monitoring of the duties of political parties and movements is a list of those whose activities were suspended because financial reports were not submitted or submitted incomplete, or parties that were disbanded due to repeated failure to submit complete annual financial reports or bankruptcy, insolvency proceedings or liquidation:

	2010 <sup>25</sup>	2011 <sup>26</sup>	2012 <sup>27</sup>	2013 <sup>28</sup>
<b>Proposal to suspend activities</b>	<b>73</b>	<b>58</b>	<b>61</b>	<b>56</b>
- for incomplete reports	28	10	9	18
- for failure to submit a report	45	48	52	38
<b>Proposal to disband suspended parties or movements</b>	<b>11</b>	<b>5</b>	<b>12</b>	<b>13</b>
- for incomplete reports	0	0	1	0
- for failure to submit a report	11	5	11	13
<b>Proposal to disband for failure to submit or due to liquidation, bankruptcy or insolvency proceedings</b>	<b>16</b>	<b>29</b>	<b>19</b>	<b>22</b>

Source: Chamber of Deputies of the Czech Parliament, processed by Oživení

The list<sup>29</sup> of political parties and movements registered at the Ministry of Interior contains 185 active parties and movements, 20 disbanded and 12 with suspended activities. If we compare the number of proposals to suspend activities or disband a political party or movement discussed by the Controlling Committee of the Chamber of Deputies over the last three years and the total number of disbanded parties and movements registered by the Ministry of Interior, it becomes clear that in this period alone, the number of proposals exceeds the number of actually disbanded parties and movements by about five times. Proposals to suspend activities usually apply to smaller, local parties and movements, including inactive ones.

The financial report also includes an auditor's statement. This auditor, however, is selected by the political party or movement, and there are no rules for e.g. mandatory rotation, selection from candidates proposed by the Ministry of Finance, 2 auditors working independently, etc<sup>30</sup>. This means that private auditors have access to financial records, unlike the Chamber of Deputies (or specifically the Controlling Committee responsible for checking the annual reports). Tax authorities and bodies active in criminal proceedings gain access to these records when carrying out tax inspections of the political party or movement or when a crime is suspected.

<sup>24</sup> Report on the implementation of recommendations, Czech Republic, "Transparentnost financování politických stran" GRECO 2010, p. 12.

<sup>25</sup> RESOLUTION No. 70 of the Controlling Committee of the Chamber of Deputies from its 14th meeting on 27 April 2011.

<sup>26</sup> RESOLUTION No. 181 of the Controlling Committee of the Chamber of Deputies from its 23rd meeting on 27 April 2012.

<sup>27</sup> RESOLUTION No. 187 of the Controlling Committee of the Chamber of Deputies from its 36th meeting on 7 May 2013.

<sup>28</sup> RESOLUTION No. 38 of the Controlling Committee of the Chamber of Deputies from its 6th meeting on 30 April 2014.

<sup>29</sup> Available at: <http://aplikace.mvcr.cz/seznam-politickyh-stran/> [online 15-02-2014]; information valid as of 23 June 2014

<sup>30</sup> The selection of auditors was also criticised by TI Czech Republic in the case of presidential elections – see the press release on lack of credibility of the audit available at <http://www.transparency.cz/ti-audit-prezidentskych-voleb-neduveryhodny/>

The GRECO report includes a note stating that in 2010 the Chairman of the Controlling Committee had submitted to tax authorities a certain number of proposals to investigate. According to inquiries with tax authorities<sup>31</sup>, no political party was subject to a tax inspection in the last five years. There were 4 cases in which tax authorities initiated proceedings due to missing mandatory annexes to tax returns, but according to these authorities, there were no substantial reasons for performing a tax inspection and no grounds for initiating administrative proceedings or imposing a fine for failing to fulfil duties defined by the political party financing act. Mandatory audits only apply to accounting statements (and primarily check that the information from the accounting statements corresponds to the financial status of the inspected unit and complies with accounting rules and methodologies) and have turned out to be an inadequate control mechanism as they are not performed in detail and do not verify factual accuracy.

Monitoring of the financial management of political parties and movements is typically carried out by representatives of the media and the non-profit sector. A more comprehensive overview was prepared by Transparency International CR and the Naši politici organization as part of their monitoring of the first presidential and parliamentary elections<sup>32</sup> in 2013. In the case of the election to the Chamber of Deputies, the monitored criteria supplemented the insufficient legal framework. The analysis specifically pointed out the lack of relevant information which is only made available to citizens and controlling bodies after a considerable delay of at least several months (as of 1 April of the next calendar year); even though political parties receive public funding, control is very limited. Even though some political parties use transparent accounts, the analysis pointed out the difficulties with registering relevant payments and the limited usability of such accounts for monitoring purposes. For example, not all payments went through the transparent account, transfers between individual accounts of the party made identification of the original donor impossible, etc. Another problematic issue are the various discounts on advertising and their reporting, particularly in the light of the fact that PR and advertisement expenses are the largest item on party budgets.

In practice, institutional oversight is limited to a formal verification that the financial report of the political party or movement was submitted in full and on the prescribed form which does not correspond to current trends or recommendations in the field of funding of political parties and does not distinguish between expenses for various election campaigns (parliamentary, local). The monitoring is performed only once a year on dates scheduled in advance, usually within 30 days after the annual financial reports of political parties and movements are submitted. Factual verification of accounting documents is performed by an auditor.

The current levels of control are also identified as inadequate in the government's Anti-Corruption Strategy<sup>33</sup>, the purpose of which is to "set up legal regulations for the financing of political parties leading to a radical increase in transparency, apply these regulations and evaluate the impact, and establish an oversight institution for monitoring the financial management of political parties with powers to issue sanctions". Comprehensive criticism and recommendations are provided in the detailed reports by GRECO<sup>34</sup>, but despite repeated appeals, their implementation remains virtually non-existent.

<sup>31</sup> Response of the General Tax Authority to information request dated 24 June 2014, file no.: 37133/14/7000-31200-050406.

<sup>32</sup> Available at: [http://www.transparency.cz/doc/Monitoring\\_financov%C3%A1n%C3%AD\\_s\\_n%C4%9Bmovn%C3%ADch\\_kampan%C3%AD.pdf](http://www.transparency.cz/doc/Monitoring_financov%C3%A1n%C3%AD_s_n%C4%9Bmovn%C3%ADch_kampan%C3%AD.pdf) [online 21-3-2014]

<sup>33</sup> The Anti-Corruption Strategy of the Government for 2013–2014 adopted by the cabinet of Petr Nečas and again by the cabinet of Bohuslav Sobotka with Government Resolution No. 418 of 4 June 2014, p. 49, available at: [http://www.korupce.cz/assets/protikorupcni-strategie-vlady/na-leta-2013-2014/Strategie-2013-a-2014---aktualni-verze\\_1.pdf](http://www.korupce.cz/assets/protikorupcni-strategie-vlady/na-leta-2013-2014/Strategie-2013-a-2014---aktualni-verze_1.pdf) [online 15-02-2014]

<sup>34</sup> Report on the implementation of recommendations, Czech Republic, "Transparentnost financování politických stran" GRECO 2010 and 2013.

## 4. SANCTIONS

As stated above, as a consequence of the verification of financial reports, it is possible to (1) suspend the activities of a political party or movement and subsequently disband it completely. The proposal to suspend activities or disband a political party or movement is submitted by the government or the president following a motion submitted by the Chamber of Deputies to the Supreme Administrative Court. It is also possible to (2) suspend the payment of state contributions (both fixed and per mandate, but not contributions to election expenses) if a party fails to submit the report or submits it incomplete. (3) The party or movement may be fined if it does not return a gift that violates the law before 1 April of the next year; the amount of the fine, imposed by the tax office, is twice the value of the financial gift. The deadline for imposing the fine is 1 year from the day on which the corresponding tax office learned that the gift has not been returned, but no later than 3 years after the year in which the gift was accepted. (4) Violations of the Accounting Act by political parties or movements may be fined with up to 6% of the financial value of said violation.

There are no publicly available records on imposed fines. There is reason to believe however that tax authorities have never imposed any such sanctions on political parties or movements, nor have any sanctions been imposed for violations of provisions on accounting related to the funding of political parties or election campaigns<sup>35</sup>.

All the sanctions listed above are administrative in nature. The only exception is the criminal penalty for natural persons for the crime of fraudulent accounting (Section 254 of the Criminal Code) which has the form of a fine, seizure of property or unconditional imprisonment. Since 2012, the Czech legal system has included criminal penalties<sup>36</sup> for legal persons, for example for falsifying data on finances and assets (Section 254 of the Criminal Code) etc.

<sup>35</sup> The GRECO (Group of States against Corruption of the Council of Europe, which the Czech Republic joined in 2002) report for 2011 states that the organization had received no information about fines imposed by tax authorities or sanctions imposed for violations of provisions on accounting related to the funding of political parties or election campaigns. See p. 13 available at [online 27-11-2013] [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3\(2010\)10\\_CzechRep\\_Two\\_CZ.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3(2010)10_CzechRep_Two_CZ.pdf)

<sup>36</sup> Act No. 418/2011 Coll., on criminal responsibility of legal persons and proceedings led against them, effective since 1 January 2012. Statistics of the Ministry of Justice show that in 2012, the Regional Court of Ostrava judged one case made against a legal person and 11 more were handled by lower instance courts. The statistics do not indicate if any of those cases involved a political party or movement. Data for 2013 was not available at the time of writing.

## 5. METHODOLOGY GUIDELINES AND EDUCATION

In the Czech Republic, there is no body or institution providing education or methodological guidance in the field of funding of political parties, election campaigns or citizenship education in general<sup>37</sup>. Legislative obligations, the purpose of which should be to support transparency of the financial management of political parties as well as the responsibility of public officials, are very vague and their application fully relies on interpretation by the members of the political parties themselves. For example the conclusions of monitoring performed by NGOs point out a lack of legislation concerning the definition of “usual prices” and methods for calculating various provided discounts. Negligible levels of consultancy or methodologies of political party funding and election campaigns may not seem problematic in a situation of minimal legal regulation. If clearer rules are adopted for the funding of parties and election campaigns, as would be desirable, more methodological guidance will be needed (as has been clearly illustrated by the presidential election). This deficiency may prove crucial for the enforceability of the law.

The functions of the Controlling Committee of the Chamber of Deputies are limited to checking annual financial reports of political parties or movements and submitting proposals to suspend activities or disband the party; the Ministry of Finance may only suspend paying out contributions and issue a regulation defining the form on which the annual reports must be sent<sup>38</sup>. The issues of election campaigns, the monitoring of their funding and their ties to the finance management of political parties, remain neglected. Participation in an election is governed by law. In terms of organization and methodology, these issues are handled by the Ministry of Interior which publishes the basic conditions for running in an election and related legal information on its website<sup>39</sup>. Coordination, preparation and implementation of an election (organizational and technical matters) is the responsibility of the National Election Commission<sup>40</sup>.

The mandatory structure of annual financial reports lists operating expenses as a total sum, making it unclear how much of a political party or movement’s operating expenses was invested into the education of its members, e.g. specific instruction for candidates or newly elected public officials. Neglecting education is an unfortunate mistake. The legitimacy of a government of political parties is derived from victory in an election, which means that the steadily dropping turnout rates and growing indifference and mistrust in politics is an issue that directly concerns political parties themselves.

<sup>37</sup> The term “political education”, as used in Germany and other countries of Western Europe, is typically expressed in the Czech Republic as “citizenship education”. The importance of citizenship education of children as well as adults is increasingly often felt due to the crisis of confidence of citizens in institutions and politics as such, as well as the growing disinterest of citizens in political matters. Key indicators of active citizenship include among others respect of the legal system, respect of human rights, critical reading skills, discussion and writing skills, and critical listening. The concept of citizenship education or active citizenship can be found e.g. in the Memorandum on Lifelong Learning in the EU and documents of the Council or OECD. See for example *Analýza občanského vzdělávání dospělých* from 2010, available at [online 27-11-2013] <http://www.msmt.cz/vzdelavani/dalsi-vzdelavani/obcanske-vzdelavani-dospelych>

<sup>38</sup> Available at [online 27-11-2013] <http://www.psp.cz/files/2005-273a.pdf>, <http://www.psp.cz/files/2005-273a.pdf>

<sup>39</sup> Available at [online 27-11-2013] <http://www.mvcr.cz/volby.aspx>

<sup>40</sup> Tasks of the National Election Commission are defined by Act No. 247/1995 Coll., on elections to the Parliament of the Czech Republic and amendment to certain other acts, as amended, Act No. 130/2000 Coll., on elections to regional representative bodies and amendment to certain acts, as amended, Act No. 491/2001 Coll., on elections to representative bodies of municipalities and amendment to certain acts, and Act No. 62/2003 Coll., on elections to the European Parliament and amendment to certain acts.

## 6. TRANSPARENCY, PUBLIC INVOLVEMENT AND PUBLIC CONTROL

Annual financial reports of parties and movements are public by law. Their availability, however, is limited – they are only accessible in person at the Parliament Library<sup>41</sup>, which makes public access severely limited. Because the financial reports are only available on paper and there is only one copy of each, processing the data for further verification is difficult and the scope of information is limited. An attempt to remedy this state is the independent internet portal [politicefinance.cz](http://politicefinance.cz)<sup>42</sup>, showing processed public data on the financial management of political parties and donations, as well as scanned copies of annual financial reports of parliamentary parties and movements that joined the Chamber of Deputies between 2006 and 2012.

The fact that verification is performed once a year without any real option of ad hoc investigations is a considerable obstacle in efforts to confirm or refute suspicions of hidden financing of election campaigns through means such as: heavily discounted services or providing more services than were invoiced, or not including individual election campaigns in the party's accounts. As time passes, any verification becomes increasingly more difficult or even impossible.

Public access to information on the financial management of political parties that would allow citizens to monitor their activities and funding has been found by the Constitutional Court<sup>43</sup> to be the basic condition for the constitutional guarantee and protection of a free contest of political forces in a democratic society. Despite the fact that valid legislation is rather limited, some political parties and movements themselves publish information on their financial management, such as annual reports, in a larger scope than required by law. Many political parties are opening transparent accounts, but their utilisation or numbers vary. Some parties have only one account for all transactions, others create transparent accounts only for campaigns or for each regional branch<sup>44</sup>.

<sup>41</sup> The Parliament Library is open on business days from 8am to 4pm. <http://www.psp.cz/sqw/hp.sqw?k=2025>

<sup>42</sup> The [politicefinance.cz](http://politicefinance.cz) portal is part of a time-limited applied research project of the Institute of Sociology of the Czech Academy of Sciences titled "Reducing security risks of corruption and organized crime in the Czech Republic", supported by the Ministry of Interior in its Security Research Programme of the Czech Republic in 2010–2015.

<sup>43</sup> Article 27 of Decision of the Constitutional Court of the Czech Republic 1969/10 of 27 December 2011, available at [online 28-11-2013] [http://nalus.usoud.cz/Search/GetText.aspx?sz=2-1969-10\\_1](http://nalus.usoud.cz/Search/GetText.aspx?sz=2-1969-10_1)

<sup>44</sup> For example the Pirate Party <http://www.pirati.cz/fo/start> has only one account and the Green Party has several divided by regions and income type <http://www.zeleni.cz/transparentni-financovani/>; the Christian Democrats (KDU-ČSL) have an open account at Česká spořitelna <http://www.kdu.cz/Ostatni/Dobrovolnik/Dar.aspx>; the Social Democratic Party (ČSSD) has several transparent accounts for election campaigns <http://www.cssd.cz/volby/transparentni-ucet-cssd/> and TOP 09 and Úsvit had transparent accounts only for parliamentary elections.

## 7. SUMMARY

The Czech system of public contributions to political parties is generous, but the amount of public funding provided to parties and movements is not reflected in a corresponding level of monitoring. In practice, institutional oversight is limited to a formal verification that the political party or movement submitted a full financial report. This role is performed by the Controlling Committee of the Chamber of Deputies (meaning the control is not independent) only once a year. Capacities of the Committee are limited to several MPs and 3 administrative workers. Factual verification of accounting documents is performed by an auditor selected by the political party or movement at its own discretion and without any limitations. Suspicions of covert funding of election campaigns for parties or movements or suspicious transactions in their accounts are not investigated.

Limited levels of control also mean a limited application of sanctions, mostly in the form of suspension of activities or disbanding political parties and movements. Sanctions in the form of fines are not being applied. While the form for submitting annual reports is useful for uniformity of information provided by political parties and movements, it has its shortcomings in terms of structure (for example specifying expenses) and its frequency (only once per year). Limited methodological support is provided during elections and for candidates by the Ministry of Interior. Other forms of methodological support, e.g. assessing the value of goods and services provided under non-standard conditions, are not provided to representatives of political parties and movements at all.

The conditions for public monitoring are disastrous. Annual financial reports are not published in any way that allows remote access or in a machine-readable format; they are available only on paper to those who visit the Parliament Library in Prague. Even though the Controlling Committee of the Chamber of Deputies may theoretically open an investigation of suspicious data in annual financial reports upon request of citizens or the media, this mechanism has never been used in practice. Public access to information on the activities and funding of political parties and movements is entirely insufficient.

The enforceability of legal requirements remains very limited. International organisations such as GRECO, NGOs, academia and the public consistently point out shortcomings in the monitoring of the financial management of political parties. In the previous election period, a draft Act on the monitoring of political parties' funding was prepared<sup>45</sup>, containing a number of mechanisms supporting enforceability, in particular: the establishment of an independent controlling administrative authority with the power to impose sanctions, transparent accounts, a more detailed structure of annual reports and their submission in a machine-readable format, separate accounts for election campaigns and more. The draft was attacked by many parliamentary parties and subsequently rewritten. The new draft did not include the monitoring body and many other institutions and was clearly inferior to the original proposal. Legislative efforts ended with the fall of the government and dissolution of the Chamber of Deputies in 2013. The current government is planning to present its draft in September 2014<sup>46</sup>.

<sup>45</sup> Discussed by the government led by Petr Nečas in April 2013, available at: <https://apps.odok.cz/kpl-detail?pid=KORN8STF6XO8>

<sup>46</sup> Plan of the legislative work of the Government of the Czech Republic for 2014. [online]

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## 8. RECOMMENDATIONS

Support the transparency of the financial management of political parties should be the priority of every government, because it, among other effects, strengthens the government's legitimacy and public trust in democratic institutions.

Strengthening the transparency of financing of candidates running for a public office, together with the financing of political parties, is also a recommendation of the United Nations<sup>47</sup>.

According to GRECO<sup>48</sup> and other recommendations<sup>49</sup>, the following measures must be adopted to increase transparency of the funding of political parties and movements in the Czech Republic:

### *i) Institutional oversight and monitoring*

- *establish an independent mechanism monitoring the financing of political parties and movements and their election campaigns, including individual campaigns of their candidates;*
- *include in the monitoring of the financial performance of political parties also entities that are partially owned, controlled or managed by the party in question;*
- *include in the monitoring of political parties and movements also candidates running their own election campaigns, with conditions comparable to political parties and movements;*
- *regulate the activities of other entities taking part in election campaigns, for example through clear rules for services provided by third parties free of charge or other forms of non-financial support.*

### **In various European countries<sup>50</sup>, there are currently several different types of monitoring bodies:**

- independent department of a ministry (Finland, Denmark), which however carries the risk of direct control by the minister;
- political bodies (Germany, Slovakia, the Czech Republic), resulting in a system with inherent conflicts of interest (politicians overseeing politicians);
- monitoring authorities (Hungary, Bulgaria), typically having qualified auditors, who however cannot enforce their findings independently; and
- special independent election bodies (United Kingdom or Poland) with guaranteed political independence.

Unfortunately, we are not aware of any analyses of the efficiency of these models, and cannot therefore determine which one would be best for the Czech Republic.

The considerable fragmentation of measures regulating the financing of political parties and election campaigns in Czech law calls for a change. For years, there have been promises of a new election code that would unify the rules of elections to various bodies and their campaigns, and because of this promise, changes of the laws regulating the funding of election campaigns are constantly being pushed back. The situation with financial management of political parties is handled separately, even though for example in the neighbouring Poland, both areas are overseen by the National Election Commission.

The existence of two monitoring bodies (for the financial management of political parties and for election campaigns of candidates and parties) is possible, provided that both areas are regulated and both adhere to similar standards. That being said, the possibility of having a single monitoring authority should be considered as well. Unfortunately, it seems that the Czech Republic will choose to have two monitoring organs – if the idea passes at all<sup>51</sup>.

<sup>47</sup> Article 7 (3) of the UN Convention against Corruption, valid since 14 December 2005, which the Czech Republic joined after a ratification process of eight years as the last but one country of the EU on 29 November 2013.

<sup>48</sup> Available at [online 21-03-2014]

<http://www.korupce.cz/assets/zahranicni-spoluprace/greco/Zprava-o-plneni-doporuceni--Inkriminace-a-Transparentnost-financovani-politicky-stran.pdf>

<sup>49</sup> The citizen project of twenty organizations called Reconstruction of the State (Rekonstrukce státu), promoting changes in selected legislative, including transparent financing of political parties and election campaigns <http://www.rekonstrukcestatu.cz/cs/pruhledne-financovani-politicky-stran-a-volebnich-kampani>, and the joint publication Financing of Political Parties in the Czech Republic and Required Changes in Regulation, Prague, October 2012,

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<sup>50</sup> Adapted from Kurian, 2012, data of the International IDEA organization <http://bit.ly/L11AXS>.

<sup>51</sup> Under the government of Mr Nečas, the Ministry of Interior prepared an amendment of the political parties act that presupposed the creation of a new monitoring body. After several adjustments prompted by interdepartmental comments and discussions of the government, this prerequisite was dropped from the proposal. Due to the fall of the government and dissolution of the Parliament, the proposal did not ultimately progress any further. The legislative plan of the current government led by Mr Sobotka expects the amendment to be submitted in autumn 2014. The working version of the Ministry of Interior from June 2014, so far unpublished, is based on the original proposal and returns to the idea of a monitoring body. According to available information, the government is not currently drafting a new election code and there is no known work schedule.

The key aspect is that changes in the monitoring of the funding of political parties and campaigns must be coordinated.

### **Basic duties should include:**

- clear rules for reporting income and expenses, including reporting rules (annual financial reports together with reports from the financing of election campaigns);
- clear rules for recording donors and their donations, separating membership fees from donations made by party members;
- clear rules for reporting non-financial gifts and other forms of support provided free of charge;
- imposing limits on cash transactions by defining a maximum for minor expenses, e.g. CZK 5 thousand per transaction; there should also be an overall limit for cash transactions in the form of a percentage of total expenses<sup>52</sup>;
- mandatory transparent accounts for individual campaigns and for regular financial management of political parties and their regional branches; this duty must go hand in hand with a clear categorisation of transactions that differentiates between various types of expenses and income, enabling functional oversight;
- audits of final accounts of political parties as a standard controlling mechanism for all entities whose annual net turnover exceeds CZK 5 million or who received more than CZK 1 million from the state budget<sup>53</sup>; there should be limits for how long the services of a single auditor may be used – general recommendations and auditor practice suggest it should be no more than 5 consecutive periods.

The monitoring body must have the mandate, powers (including the power to impose sanctions), independence and capacities required for efficient and proactive monitoring. For this reason, it should be established as an independent central public authority with its own chapter in the budget. This position meets the minimum necessary requirements for functional and financial independence, because allocated funds are not dependent on ad hoc political decisions.

The powers and duties of the monitoring body must include verifying reports on the financial status of political parties and reports from the funding of political campaigns, i.e. having access to accounting statements of political parties and movements and verifying them. This body must also investigate reports made by third parties pointing out specific suspicions of breaches of the law (such as fictitious donors published in the media etc.) as well as carry out such investigations on its own initiative.

Regarding the organizational arrangement of this authority, probably the most suitable form is a collective rather than monocratic approach. A collective body can have a greater plurality of opinion in accepting decisions that may be essential for the existence of free competition of political forces and with it, the protection of democracy. Decisions of collective bodies are typically approved by the majority of votes. This model is more suitable due to its greater transparency, respecting the plurality of opinion and supporting a shared responsibility for the adopted decisions.

The basic condition for the functioning of the monitoring body is its political independence. For this reason, the qualification requirements for the heads and members of the body, their selection and appointment are the necessary conditions for preventing potential political influence. The selection should be primarily motivated by qualifications of the candidates and by high requirements for their personal qualities and moral integrity. It is also necessary to limit previous engagement of the candidates in politics, ensuring that professional politicians may not be elected to the body's management positions<sup>54</sup>. The nomination of candidates should not be solely the domain of a legislative body, meaning either the Chamber of Deputies or the Senate. The range of candidates should be expanded for example by nominating chairpersons of other independent institutions such as the Supreme Audit Office, the Constitutional Court, Supreme Administrative Court etc. If nomi-

<sup>52</sup> Overall limits for cash transactions are often rejected on the grounds that total future expenses cannot be known in advance, but budgets from previous years can be used to form a qualified estimate.

<sup>53</sup> The limits should be proportional, as for many small political groups, the costs of an audit may be a direct threat to their existence.

<sup>54</sup> In Czech law, there are few limitations on transfers between public offices – so called revolving doors effect. This makes it for example possible to select a professional politician as the head of the Supreme Audit Office, which would be absolutely unthinkable in the vast majority of European countries. Due to the necessity of political independence of monitoring and oversight bodies, such practice would be extremely risky. This can be illustrated with an example from the United Kingdom, where membership in the monitoring body (National Electoral Commission) is only allowed to persons who in the last 10 years were not employees, members or major donors of any political party.

nations and appointments are left in the hands of the majority of a legislative body, there is a strong risk that there will be no politically independent candidate for the leadership of the body, potentially limiting the oversight of government parties at the expense of the political minority. An inspiring example of appointing members of the monitoring committee can be found in France where commissioners of the National Commission for Oversight of the Funding of Political Parties are members of various legal institutions (National Council, Court of Cassation and the Audit Court). Application of this model would strengthen the authority of the monitoring body, provided that the new members were respected in their previous positions<sup>55</sup>. Another risk of having a legislative body responsible for the nominations is a general reluctance to appoint anyone; such was the case of the director general of public service who was not appointed for years due to a lack of political will until the position was eventually abolished. For this reason, there should be a defined backup mechanism for selecting and appointing leadership of the body, to be used in cases of inactivity.

Heads of the monitoring body should have a clearly defined functional period. The appropriate length would be about 5–7 years, i.e. more than one election period, with limited options of reapplying for the position. To ensure stability, the first mandates should have a different length to maintain continuity and not replace the entire leadership at once in the future.

In addition to the above, another measure that could be considered is restricting the list of potential donors. This would mean limiting the option of providing financial and non-financial donations to political parties only to natural persons<sup>56</sup> who have the right to vote. Donations from legal persons are risky because of the nature of potential services provided in return<sup>57</sup> in the future. Besides that, the ownership structure of legal persons is not always transparent. The idea is based on the premise that natural persons, unlike legal persons, have the right to vote and through their donations to political parties show their voting preferences. However, discussion of this measure has been only very limited so far, and because there is no general consensus, its implementation in practice is unlikely in the near future. The ambition that this measure should fulfil is not only greater transparency of the income of political parties, but primarily support of the political parties' interest in working with citizens, potential members and supporters.

#### *ii) Sanctions*

- *impose sanctions when duties are neglected;*
- *introduce a more flexible scope of sanctions;*
- *strengthen individual responsibility for a party's finances;*
- *appoint a single body responsible for imposing sanctions.*

The monitoring body should have sanction powers and its decisions should be subject to review by courts. There should be both financial sanctions (fines) as well as non-financial (suspending state contributions, returning donations, proposal to disband the party in question). The type and amount of the sanction should correspond to the severity of the violation of the law<sup>58</sup>. The maximum fine should have an adequate deterrent effect. In a situation where the largest political parties spend tens of millions CZK for political campaigns, the highest possible sanction of 200 thousand can hardly have this effect. The maximum limit should therefore be raised, and the decision on the amount should be made by the sanctioning body with regard to the circumstances, i.e. severity of the violation of the law and impact of the fine on the financial situation of the party. This method, however, gives the body considerable freedom in deciding the sanction amount. An alternative or additional method would impose sanctions by multiplying the value of incorrectly declared amounts by a certain factor.

#### *iii) Methodology guidelines and education*

- *provide consultations and training to representatives of political parties and candidates, informing them about the rules of the financing of political parties and election campaigns*
- *provide methodological support by creating an example of a correctly completed annual report form, ideally consulted with political parties and modified to correspond to their needs.*

<sup>55</sup> Kurian, 2012, p. 16.

<sup>56</sup> Klimešová et al: *Financování politických stran v ČR a potřebné změny regulace*, Praha 2012, p. 20–27.

<sup>57</sup> A situation in which a public official with decision-making powers is willing to decide in favour of his or her sponsors in exchange for money is known as "logrolling".

<sup>58</sup> Violations of the duty to carry out an audit of annual final accounts fall under the scope of the Accounting Act.

The regulator, i.e. the state and therefore the monitoring body, should ensure that at least a minimal amount of guidance is provided about the rules and duties of political parties and election candidates. These consultations are also a tool for preventing violations of the law. Considering that the rules governing the funding of political parties and election campaigns apply not only to well-established entities, but also to brand new parties or first time candidates e.g. in local elections, consultation services are absolutely essential. A unified format of an annual report form makes the provided information easier to read. Here it would again be beneficial to consult the structure (scope) with the regulated entities, to ensure the form is straightforward and to prevent unnecessary misunderstandings.

Besides the regulator, education should be important also to the political parties themselves. Political parties rarely provide education to their members, even though training courses could make the life of candidates and newly elected public officials easier. A potential solution would be to earmark a certain percentage of state contributions for mandatory investment into the education of members of political parties.

#### *iv) Transparency and public oversight*

- *publish financial reports of political parties and movements in a way that is easily accessible to the public (on the internet, ideally as open data that can be processed further);*
- *more detailed publishing of information about campaign expenses and donors during campaigns, and total expenses within 30 days after the end of the campaign, to allow monitoring in real time; a useful tool in this context is a transparent account for income and expenses related to an election campaign;*
- *establish the duty to visibly label all tools used during an election campaign and all promotional materials with the name of the party or movement (a similar duty should apply to third persons involved in pre-election activities);*
- *define a clear procedure for citizens who wish to submit a complaint or inform about a suspected violation of the rules of the funding of political parties and/or election campaigns, and for investigating these reports.*

Transparent income of political parties is a necessary prerequisite for increasing the trust of citizens in their inner workings as the basic element of the democratic system. Publishing information on financial and campaign management instead of obfuscation and manipulation is a way to regain public trust, extend the group of supporters and members, ensure that public interest is being promoted and improve public life. The current position of the Office for Personal Data Protection due to which the names of donors may be published only in the printed annual reports of political parties stored in the Parliament library is therefore unacceptable<sup>59</sup>. It is clear that by imposing on political parties the duty to record received donations and donors and to make these records public, the lawmaker unambiguously declared public interest in transparent funding of political parties, overruling protection of the privacy of donors. In this context, the form of the publication is irrelevant<sup>60</sup>. Public interest in this matter is obvious.

The standards for publishing and investigating claims described above are a necessary condition for a functioning public oversight not only by the media, but also by citizens. Public oversight together with other tools, i.e. institutional monitoring and sanctions, is a means to support greater responsibility of representatives of political parties for their decisions.

<sup>59</sup> Following a statement of the Office and under the threat of fines of up to ten million CZK, the [politicefinance.cz](http://politicefinance.cz) portal only publishes the initials of donors, not their full names.

<sup>60</sup> It seems that the original Act from 1991 did not expect the subsequent major developments in information technology and publication methods that allow remote access. These developments should be taken into account with an amendment or a new law.

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