

Pietronella van den Oever
Chief Executive Officer
Partnership for Transparency Fund
ptf@partnershipfortransparency.info

Riga, 16 November 2009

Project Proposal **by Centre for Public Policy PROVIDUS** **“Fair election campaign in Latvia”**

Background information **about Centre for Public Policy PROVIDUS**

PROVIDUS was established at the end of 2002 by the Soros Foundation-Latvia and several individuals and has since developed as the leading think-tank in Latvia. **PROVIDUS mission** is to facilitate comprehensive policy change in areas important for Latvia's development. PROVIDUS also provides expertise to other countries undergoing democratic transformation.

PROVIDUS areas of work are:

- good governance, including anti-corruption;
- criminal justice policy;
- tolerance and inclusive public policy;
- European policy.

PROVIDUS activities include: publishing research and policy analyses, providing expertise to the government in the policy-making process, advocacy and monitoring, consultancy services and training as well as promoting public participation in the policy process and holding of an annual Public Policy Forum. PROVIDUS also provides institutional home for the largest on-line policy resource in Latvia – politika.lv.

Political party finance reform, campaign finances and monitoring have been **PROVIDUS “flagship” issues** since 2002. PROVIDUS experts who work in this area are not only respected and influential opinion leaders in Latvia, but their expertise is sought-after internationally. The project “Fair election campaign in Latvia” will build on previous PROVIDUS experience and add value to important groundwork laid by PROVIDUS activities during and between the previous election cycles. It will be managed by a senior researcher who has over 4 years of experience in this area, and assisted by other colleagues. In addition to cooperation with the traditional newsmedia, PROVIDUS has at its disposal a powerful advocacy tool – policy website politika.lv – and has experience in successful use of social media to communicate complex policy messages.

PROVIDUS budget in 2008 was 610,000 EUR. **Main sources of finance:** Soros Foundation-Latvia, various Open Society Institute programmes, European Commission grants, Social

Integration Foundation of Latvia, international and local private foundations, income from consulting and training, private corporate and individual donations.

PROVIDUS – legally, an association – is a **non-governmental, non-partisan** and **not-for-profit organisation**. In June 2006 PROVIDUS was awarded the status of a public benefit organisation by the Ministry of Finance.

PROVIDUS has 20 members (mostly current and present employees). The **organisation is governed** by a board consisting of 5 respectable individuals from the public and private sector, and **managed** by the Director Vita Terauda. PROVIDUS has 17 employees, including a full-time Finance Director who **manages the finances** and prepares reports. In day-to-day financial management he is assisted by a Program Manager and a Program Assistant. As required by law, PROVIDUS prepares and submits annual accounts, audited by an independent certified auditor.

For additional information, please visit www.providus.lv

Description of the proposed activity

Analysis of corruption problem

Due to exceptionally high electoral campaign costs for political parties, in 2004 Latvia introduced limits on campaign expenditure. The future campaigns saw some attempts to circumvent these restrictions – for example, in 2005 municipal elections a party admitted having received 80% advertising discounts or in 2006 parliamentary elections two parties organized most of their campaigns through so called “third parties” (entities legally distinct from parties themselves). As later recognized by Latvia’s Supreme Court, in this way they vastly exceeded the statutory expenditure limits on their campaigns thereby violating the constitutional principle of free and fair elections. But the monetary fines were imposed only a year after elections and they are still being contested in court.

In order to prevent the recurrence of such violations, the parliament of Latvia on January 15, 2009 adopted major amendments to existing campaign regulation. Campaign finance monitoring by Providus showed that the new amendments prevented blatant violations of campaign finance law during June 6, 2009 elections (municipal and European Parliament elections). Yet some alarming trends, both new and old were discovered. Among which the most important ones are these:

- (1) Large scale “hidden political advertising” – cases when a political party pays to a mass media outlet for positive publicity (for example, during a news program or an interview) without this transaction being disclosed and identified as a political advertisement. This phenomenon was deemed to be declining during the previous election campaign during 2006 and therefore (in addition to prohibitive funding costs of the monitoring process) its monitoring was not of the highest priority for Providus. The campaign of 2009 showed the optimism to be premature – some media felt emboldened by the lack of oversight and chose to sell their journalistic content to politicians.
- (2) Even though there is a new obligation imposed on media for a timely disclosure of prices for political advertisement, data gathered by Providus raises doubts about whether the

most important media outlets have adhered to the declared prices. For example, the price for the amount of TV ads that was placed by one particular political party should have been around 400 000 US dollars, yet it declared to have paid just 200 000 US dollars.

- (3) Despite new regulation on third party advertising, political parties explored some new territories – namely issue advertising by an NGO whose chairman is the leader of the political party. Those ads were only thematically linked with the regular issues of the particular party, yet didn't mention the party by name.

Providus previous monitoring activities have proved that trends developing during a municipal campaign become more acute during the subsequent parliamentary elections campaign which is a more expensive and large scale event. The parliamentary elections will take place on October 2, 2010. The statutory campaign period is 4 months.

Objectives

The objective of the project is to provide voters and state agencies with impartial information about political parties' compliance with the campaign funding law as well as legality of various types of campaign expenditure and the cases of "hidden advertising". The ultimate aim is to make citizens aware already before the elections of which parties are willing to break the law on their way to power, and to identify those mass media outlets who seem willing to sell their content for the benefit of political contestants without clearly marking such content as advertising.

The project intends to achieve also some more long-term goals, such as:

- identifying the shortcoming of the present campaign finance regulation in order to advocate for its adjustment for the next elections;
- strengthening the capacity of relevant state institutions (Corruption Prevention and Combatting Bureau; National Broadcasting Council) to identify the violations of campaign funding and reporting laws;
- inciting a discussion in Latvia's journalist community on the good and bad practices of election campaign reporting.

How the objectives are to be achieved

To achieve these objectives, PROVIDUS proposes to carry out the following tasks:

- (1) Purchase raw political advertising monitoring data from a private media monitoring agency. This data will be used by the project director to calculate the campaign costs of each political party or third party that decides to take part in elections (there is a legal requirement for each media outlet to publish their discount and premium policy 4 months before elections – the raw data will allow to estimate the possible discounts for every political party). Providus will disseminate the data, thus gathered, both before and after the election date to journalistic community and broader public public policy website politika.lv and Twitter. There will be no less than 10 updates on party expenses throughout the campaign period. This will ensure a thorough monitoring of

political advertising placed in Latvia and will provide voter with the information as to which parties violate the statutory expenditure ceilings.

- (2) Inform the voters already before the elections on various attempts to circumvent campaign finance law through, for example, third party advertising. In broader perspective the project will contribute to the ongoing discussion in Latvia on which campaign techniques are legitimate and which are not. Due to the legal complexity of campaign regulation the grassroots activists are unlikely to figure out at which point their activities might be construed as third party advertising and therefore restricted. By means of discussions and publications the project will aim to educate about these tricky legal issues those activists who cannot afford to pay lawyers for legal advice;
- (3) Purchase media content monitoring from a private media monitoring agency. That would involve surveying through the content of radio&tv broadcasts and press articles for the preliminary selection of those broadcasts or articles that might indicate "hidden political advertisements" (2 months before elections). Project assistants would then thoroughly review these cases in order to detect those that are most likely hidden political ads. As there is virtually no possibility to prove that a particular interview or news story has been paid for, the particularly suspicious cases will sent to the oversight agency (Latvian National Broadcasting Council), exposed online and discussed with Latvia's journalistic community and all the public in general. Already 4 months before the election day the public policy Internet portal politika.lv will introduce a specific webpage on hidden advertising. The readers of politika.lv will be asked to send in the articles/broadcasts they consider to be hidden political advertising and participate in discussions on the cases sent in by others.
- (4) Evaluating the effectiveness of current campaign regulation and recommending necessary amendments.

PROVIDUS has been engaged in similar monitoring activities previously. Specifically, PROVIDUS monitored the 2005, 2006 and 2009 elections¹. Data thus gathered not only provided valuable input into public debate, but also was used by Supreme Court² in its decision on the legality of 2006 parliamentary elections (in this judgment the Supreme Court agreed with PROVIDUS that third party advertising should be considered as part of political party campaign if there is a direct link between the two). PROVIDUS has also been closely involved in the parliamentary deliberations following the 2006 parliamentary elections, which resulted in new campaign regulations promulgated in January of 2009.

¹ The final reports of two of the projects can be found here: <http://www.politika.lv/index.php?f=615> (English version) <http://www.politika.lv/index.php?id=13465> (in Latvian only)
The online monitoring website of the 2009 monitoring is available here (in Latvian): http://www.politika.lv/temas/Velesanas_2009/17249/

² The judgment with references to Providus is available online here (in Latvian): <http://www.at.gov.lv/files/archive/departments/2006/ad031106.doc>

Expected impact on corruption reduction

- (1) The immediate expected impact of the project will be the widely distributed information on legality and fairness of pre-election campaigns. In 2009 Providus informed the journalistic community of Latvia on the monitoring progress and most interesting observations via twitter (all the principal journalists who report on campaign funding issues followed the project directors' twitter account) and shared its data with broader public via weekly Internet updates in politika.lv web portal
- (2) State institutions (Corruption Prevention and Combating Bureau; Latvian National Broadcasting Council) will have the necessary data in order to prevent and punish violations of campaign funding law and broadcasting law (that provides for fairness in news reporting). National Administration and Local Government parliamentary committee will have the necessary data and proposals to improve the campaign funding regulation.
- (3) "Hidden advertising" monitoring is expected to result in a widely distributed information on the most suspicious cases which might indicate that a particular news story or interview has been paid for by a political party. By "naming and shaming" the mass media that publish the most suspicious content already before the election day, it is expected that these media would be more apprehensive about their reputation and reduce such activities during the last weeks of elections. The public in general is also expected to be less susceptible to manipulations by politicians who have bought content from media outlets. Extensive discussion about the standards of standards of good journalism in public policy web-site politika.lv and among the journalist community that have joined twitter is expected to be a no less important by-product of the monitoring.

The complete Logic Model/Results Chain can be found in the Second Attachment. It is subdivided into two parts according to the main components of the project: 1) The logic model of political party expenditure monitoring (that is linked to the political advertising data); 2) The logic model of hidden political advertising monitoring (that is linked to hidden political advertising data). Both of these components are major preconditions for fair election campaign in Latvia.

Logframe

Project Activities	Outcome Objectives	Indicators/Measures	Data Sources
1. Concluding a contract with a private media monitoring agency on gathering data on political advertising	1/5 Citizens are aware already before the election day which parties (if any) are willing to	1/5a News on preliminary Providus monitoring results appear in news agencies and majority of the largest media	1/5a + b In order to measure the results, the following data sources can be used: Lursoft newspaper library & Leta news library (that would allow to estimate the outreach of the publicity for
2. Private media monitoring agency delivers the raw data on political advertising			
3. Estimates on the cost of political advertising already broadcasted/published for			

each political party (taking into accounts the probable discounts or premiums)	break the law on their way to power	outlets 1/5b If there is enough data to demonstrate breaches of campaign funding law before the election data, then there is extensive debate on the issue in mass media (with the information reaching approximately ½ of Latvia's citizens)	monitoring results in print media and largest Internet information resources).
4. Dissemination of the estimates on the finances already spent on political advertising through politika.lv and twitter [number of updates]			For broadcasting media&Internet social networks: the search function within their websites can be used, as well as data on their audience share
5. During the week before election day: a press release (or press conference) on whether the political advertising monitoring data allows to declare the breaches of campaign finance law			
6. Delivery of the data on political advertising to KNAB	6. KNAB has obtained impartial data and information about political parties' compliance with the campaign funding law	6.Increase in KNAB's capacities to better uncover, preclude or punish the party funding violation (due to the politicap party advertising monitoring).	6. Data source than would allow to measure the impact: post-election inquiry of the KNAB's employees involved
7. Discussion with relevant stakeholders on the problems already encountered during the campaign	7.Preclusion of further breaches of party funding and campaign law regulation	7a. Decrease in the number of specific party funding or campaign regulation violations after addressing them in the discussion 7b Representatives of major stakehodlers have participated in discussions	7a. Data source than would allow to measure the impact: content analysis of the relevant media (which should show either increase or decrease) 7b. Providus information
8. Preparation of final report on political party expenditure monitoring, recommendations	8. The shortcomings of the current campaign finance regulation are identified and discussed	8a. A list of 8-10 necessary improvements for the campaign regulation	8a + b Providus information
9. Dissemination of the political party expenditure monitoring report and discussion with relevant stakeholders		8b Representatives of major stakehodlers have participated in discussions	
10. Contract with a private media monitoring agency on gathering data on political advertising and probable cases of hidden political advertising			In order to measure the results, the following data sources can be used: Lursoft newspaper library &

11. Selection and instruction of project assistants for monitoring hidden political advertising	10/14 Citizens are aware already before the election day which media content is more likely to contain hidden political advertising	10/14 News on preliminary Providus monitoring results appear in news agencies and majority of the largest media outlets (unless they themselves are the principal transgressors)	Leta news library (that would allow to estimate the outreach of the publicity for monitoring results in print media and largest Internet information resources). For broadcasting media&Internet social networks: the search function within their websites can be used, as well as data on their audience share
12. Private media monitoring agency delivers the raw data on hidden political advertising			
13. Selection and dissemination of the information on the cases which meet the criteria of a hidden political advertisement			
14. 2 weeks before elections: dissemination of information on those mass media where relatively many cases of possible hidden advertising have been identified			
15. "An article or an ad?" webpage within Internet portal politika.lv	15/17 Journalistic community and Broadcasting Council have been briefed and participated in discussions on hidden political advertising	15/17a Decrease of the number of alleged hidden advertisements in the name of those journalists who have participated in the discussions	15.17a Content analysis of the articles produced by specific journalists
16. Discussion with Latvian National Broadcasting Council and Latvia's journalistic community on hidden political advertising and unfair pre-election news reporting		15/17 b National Broadcasting Council sanctions at least some mass media for hidden political advertising or unfair pre-elections news reporting	15/17b Press releases of National broadcasting Council
17. 2 months before elections: Discussion with relevant stakeholders on the problems already encountered during the campaign		15/17c At least 10-15 journalists have participated in the discussions on hidden political advertising	15/17c Providus information
18. Preparation and dissemination of the report on hidden political advertising and discussion with relevant stakeholders	18. The shortcomings of the current campaign reporting legal regime are identified	18a. A list of 3-4 necessary improvements for the campaign regulation 18b Representatives of major stakeholders have participated in discussions	18a + b Providus information

References

Here is the list of clearly independent people who have agreed to provide references for Providus when contacted by PTF:

- Ms Rasma Silde-Karklins, visiting professor at the University of Latvia, former professor at the University of Illinois in Chicago, adviser to the Minister of Defence of Latvia on anti-corruption issues and civil society engagement. karklins@uic.edu or Rasma.Karklina@mod.gov.lv
- Mr Ints Silins, board member of the US-Baltic Foundation, former US Ambassador to Latvia. IntsSilins@aol.com
- Mr Goran Buldioski, Program Director at the Open Society Institute Think Tank Fund. gbuldioski@osi.hu

Government Couterparts

Providus has established an ongoing cooperation with Corruption Prevention and Combatting Bureau (KNAB). It is responsible for overseeing the legality of political party finances and it is authorized to intervene in the campaign if it has obtained sufficient proof that a political party or a third party has already exceeded the statutory expenditure limit.

As it is not likely, due to the depth of the economic crisis, to receive any state budget funding that would allow it to monitor political advertising spots on TV or in other media for 2010, KNAB has already expressed its interest to cooperate with non-governmental organizations in order to obtain the data (letter of support from KNAB on cooperation before the elections of 2010 can be found in attachment). During the 2009 campaign there was a regular cooperation between KNAB and Providus – KNAB received data and assessments sent by Providus and used them in order to evaluate the credibility of information it had received from political parties and mass media outlets.

Latvian National Broadcasting Council (state institution that is responsible for ensuring the fair and balanced reporting in broadcast media) is similarly short of funds to carry out its own monitoring, so would be interested in renewing the partnership with Providus in respect to cases of “hidden advertising” (there was such a cooperation in 2005 and 2006). The experience of 2009 elections also proved that the newly elected Council does not have the capacity to identify the cases of hidden political advertising or unfair pre-election news reporting, so Providus will brief the Council on the criteria that can be used to identify such cases. There is a letter of support from Latvian National Broadcasting Council attached to the Project Proposal.

There is also an ongoing cooperation between Providus and National Administration and Local Government parliamentary committee on improving campaign finance laws – Providus experts

were closely involved in elaborating the new amendments of 2008 and this committee will held a special sitting on September 8 to discuss the implications of Providus monitoring results.

Plan of Action

Activity (month/year)	5/10	6/10	7/10	8/10	9/10	10/10	11/10	12/10	Who is responsible ?
Concluding a contract with a private media monitoring agency on gathering data on political advertising and probable cases of hidden political advertising									Project director
Consultations with external expert on setting up hidden advertising monitoring + on dissemination of preliminary results									Project director, external consultant
Discussion with Latvian National Broadcasting Council and Latvia's journalistic community on hidden political advertising and unfair pre-election news reporting									Project director, Politika.lv editorial team
"An article or an ad?" webpage within Internet portal politika.lv									Politika.lv editorial team
Public announcement on the forthcoming monitoring									Project director
Private media monitoring agency delivers the raw data on political advertising									Private media monitoring agency
Estimates on the cost of political advertising already broadcasted/published for each political party (taking into accounts the probable discounts or premiums)									Project director
Dissemination of the estimates on the finances already spent on political advertising through politika.lv and twitter [number of updates]		[1]	[2]	[2]	[4-5]	[1]			Project director, Politika.lv editorial team
Delivery of the data on political advertising to KNAB									Project director
Selection of project assistants for monitoring									Project director

hidden political advertising									
Instruction of project assistants on identifying hidden political advertising									Project director, Politika.lv editorial team
Discussion with relevant stakeholders on the problems already encountered during the campaign									Project director
First progress report for PFT									Project director
Private media monitoring agency delivers the raw data on hidden political advertising									Private media monitoring agency
Selection of the cases which meet the criteria of a hidden political advertisement									Project assistants; project director
Dissemination of the information on the most blatant cases of hidden political advertising through politika.lv and twitter. If broadcast media are concerned, then delivery of the necessary data to National Broadcasting Council									Politika.lv editorial team; project director
2 weeks before elections: dissemination of information on those mass media where relatively many cases of possible hidden advertising have been identified									Project director
During the week before election day: a press release (or press conference) on whether the political advertising monitoring data allows to declare the breaches of campaign finance law									Project director
1 week after elections: second progress report for PFT									Project director
Preparation of final report on political party expenditure monitoring, recommendations									Project director
Dissemination of the									Project

political party expenditure monitoring report and discussion with relevant stakeholders									director
Preparation of final report on hidden political advertising, recommendations									Project director
Dissemination of the report on hidden political advertising and discussion with relevant stakeholders									Project director
Preparation of the final report for PTF									Project director

Detailed Budget

Due to Latvia's escalating fiscal problems it is now clear that no state agency will get funding to carry out political advertising monitoring on its own. So the monitoring carried out within this project will help the supervising authorities to obtain additional non-partisan, independent data (besides the information that political parties and media will be providing). The activities accomplished during this project would also allow to elaborate the suggestions on further improvements to party funding and campaign regulation.

The total budget estimate for this project is 65,000 USD. PROVIDUS requests co-funding from Partnership for Transparency Fund in the amount of 30,000 USD for those budget items that are that most valuable both to the success of the Project and state institutions involved:

- commissioning political advertising raw data from a private media monitoring agency that would allow to ascertain how many ads and in which media are placed by political parties and so called "third parties" (4 months before elections);
- commissioning media content monitoring from a private media monitoring company that would involve surveying the content of radio&tv broadcasts and press articles for the preliminary selection of those broadcasts or articles that might indicate "hidden political advertisements" (2 months before elections)

At the moment there is only one private media monitoring agency in Latvia that gathers the data on advertising and journalistic content in both national and regional media (TNS Latvia). Providus has already asked it to indicate the prices for the raw data that is necessary to implement this project.

PROVIDUS has already secured some funding from Open Society Institute, that can cover partial costs of the project (for example, partial salary for the project director; salaries for four assistants who would thoroughly study all cases of potential "hidden political advertising", advocacy events etc.). Additional funding will be provided through our own contribution (staff time of policy analysts whose expertise covers some specific aspects of party funding and campaign monitoring and who will contribute their expertise, staff time of the www.politika.lv editorial team, overhead expenditures, communications costs) PROVIDUS' own contribution is

covered from its income generating consultancy work and from institutional grants provided by the Soros Foundation – Latvia and the Society Integration Fund.

ANNEX ONE - BUDGET FOR PROJECT PROPOSAL: Fair election campaign in Latvia

BUDGET (USD)

	type of unit	number of units	cost of unit	total	own contribution	requested from PTF	total
Human resources							
Policy analyst, project director (10 months x 1/2 time + 2 months full time)	months	7	2000	14000	14000	0	14000
External expert	days	5,5	500	2750	2750		2750
Project assistants (4 persons x 3 months 1/2 time)	months	6	1000	6000	6000	0	6000
Editorial team of public policy website politika.lv (3 persons x 1/3 time x 1 month)	person-month	1	2000	2000	2000	0	2000
							0
Other direct project costs							
							0
Purchase of advertising data	monthly cost	4	3250	13000	3000	10000	13000
Purchase of media monitoring services	monthly cost	2	10000	20000	0	20000	20000
Advocacy activities and publicity events	event	3	650	1950	1950	0	1950
Office supplies and communications	person-month	19,5	50	975	975	0	975
Sub-total					30675	30000	60675
Administrative overhead (rent and utilities, management and book-keeping, equipment etc.)	percent	7	60675		4247	0	4247
TOTAL COST					34922	30000	64922