



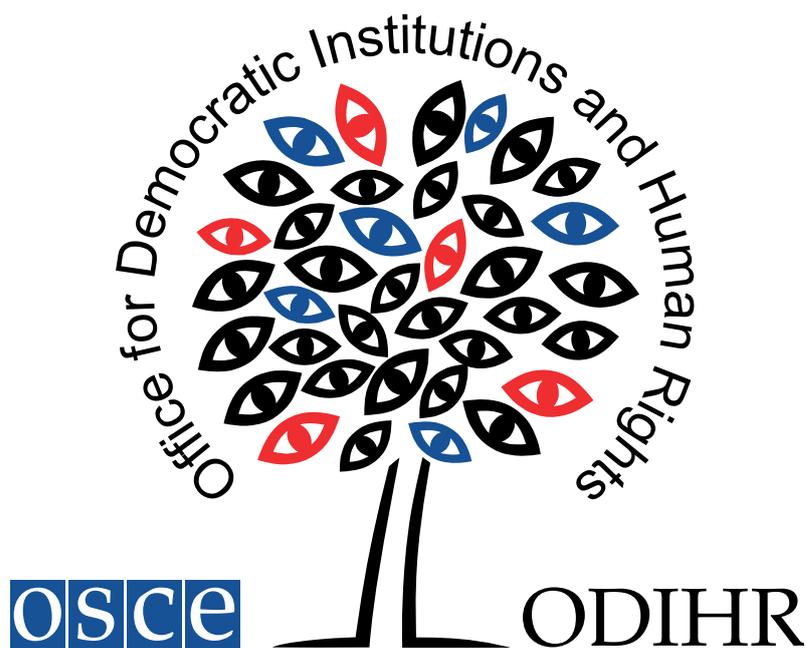
Office for Democratic Institutions and Human Rights

ICELAND

EARLY PARLIAMENTARY ELECTIONS

28 October 2017

OSCE/ODIHR Election Expert Team
Final Report



Warsaw
2 March 2018

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I. EXECUTIVE SUMMARY

Following an invitation from the Icelandic Ministry for Foreign Affairs and based on the recommendation of a Needs Assessment Mission, the OSCE Office for Democratic Institutions and Human Rights (ODIHR) deployed an Election Expert Team (EET) for the parliamentary elections held on 28 October 2017, with a special focus on consistency and uniformity of the election administration and on campaign finance.

The elections were administered efficiently and professionally with respect for fundamental principles of democratic elections. They were characterized by a high level of public confidence in the election administration and active voter participation. Many of the procedures in place, including for candidate registration, early voting and election day, are grounded in long-standing practice rather than legislation, at times leading to varying implementation. While political and campaign finance is regulated, there are no specific reporting requirements on campaign-related expenditures. Third-party campaigning remains unregulated and the oversight body's mandate is insufficient.

These elections were the second early elections within a year, necessitated by the withdrawal of one coalition partner following a judicial affair involving the Prime Minister's father. The 63 parliamentary seats are distributed across six multi-member constituencies through a proportional list system. Of these, 54 seats are allocated at the constituency level and 9 seats are allocated at the national level to parties passing a 5 per cent nationwide threshold. These 9 'adjustment seats' are intended to ensure national proportionality of political parties' representation in parliament.

The legal framework has been previously assessed by ODIHR as providing a generally sound basis for the conduct of democratic elections. An electoral reform working group was established following the 2013 parliamentary elections whose open and inclusive efforts resulted in a detailed report and a draft bill of amendments to the Parliamentary Elections Law, aimed at addressing many previous ODIHR recommendations. This bill has not yet been officially presented in parliament. All ODIHR EET interlocutors expressed hope that the reform efforts would continue once the new parliament and government take office.

The election administration comprises several different structures and institutions and enjoys a high level of public confidence. The structures, including the Ministry of Justice (MoJ), the National Election Commission (NEC) and the Senior Election Commissions (SECs), operate independently from each other with neither of them having overall authority over the election process.

The process of candidate registration was inclusive and efficient despite the tight timeframe due to the early elections. Eleven parties registered candidate lists for these elections, with one party having registered lists in four of the six constituencies while one party registered its list in only one constituency.

¹ The English version of this report is the only official document. An unofficial translation is available in Icelandic.

Legislation regulating political party and campaign finance was introduced in 2006 and last amended in 2011. Political parties are required to disclose their income and expenditures annually, but there are no specific provisions for reporting campaign spending. Third-party campaigning, which was especially prevalent in these elections, remains unregulated. According to many ODIHR EET interlocutors, further improvements to the law are overdue. These include clarifying regulations on donations made by ‘interrelated parties’; lowering the minimum amount above which names of individual donors must be published, and; giving a stronger mandate, including the ability to levy administrative fines, to the oversight body, the National Audit Office.

In line with the ODIHR’s methodology, the ODIHR EET did not undertake a comprehensive and systematic observation of election day procedures. However, the ODIHR EET visited a number of polling stations and the Senior Election Commissions in Reykjavik and South-West constituencies on election day. Overall, the polling stations and election commissions visited were well prepared and organized the electoral process, including the counting of votes, efficiently, transparently and collegially.

Iceland has a long-standing tradition of early voting. In these elections, early voting was possible from 20 September and was utilized by a total of 37,557 voters (18.6 per cent of participating voters). Early voting is administered by the District Commissioners, an institution independent from the election commissions, utilizing a ballot different to the one used on election day. Early voting had started about one month before candidate registration was finalized. Voters voting early thus had to base their decision on a different level of information than those voting on election day, including not having confirmation about which parties were contesting these elections. Procedures for early voting and voting on election day differ considerably.

Counting is centralized in each of the six constituencies and takes place under the supervision of the respective SEC. Party representatives had access to all stages of the counting process. According to long-standing practice, the reconciliation of ballots started behind closed doors before the closure of polls in all constituencies. Actual counting started at 22:00 and was public. The election results were announced by the Icelandic National Broadcasting Service *Ríkisútvarpið* (RÚV) throughout election night with final results available on 29 October. The voter turnout was reported at 81.2 per cent, a slight increase from last year’s 79.2 per cent.²

II. INTRODUCTION AND ACKNOWLEDGEMENTS

Following an invitation from the Icelandic Ministry for Foreign Affairs (MFA) to observe the early parliamentary elections and based on the recommendation of a Needs Assessment Mission conducted from 2 to 3 October, the OSCE Office for Democratic Institutions and Human Rights (ODIHR) deployed an Election Expert Team (EET) from 18 to 31 October. The ODIHR EET consisted of two experts from two OSCE participating States. The ODIHR EET was based in Reykjavik. It met with all six Senior Election Commissions and visited the North-East constituency.

The ODIHR EET assessed the uniformity and consistency of the work of the election administration and reviewed campaign finance oversight and regulations. This report is therefore limited in scope and does not offer an overall assessment of the electoral process. The specific areas under review were assessed for their compliance with OSCE commitments, other international obligations and standards for democratic elections, and with national legislation. In line with the ODIHR’s methodology, the EET did not observe election day proceedings in a systematic or comprehensive

² Participation of female voters was slightly higher than that of male voters (82.1 compared to 80.3 percent, respectively).

manner, but visited a limited number of polling stations. This report should be read in conjunction with the 2009 and 2013 Election Assessment Mission Final Reports, which provide additional details on the broader electoral process in Iceland.³

The ODIHR EET wishes to thank the MFA, the Ministry of Justice (MoJ) and the National and Senior Election Commissions for their co-operation and assistance, as well as to express gratitude to representatives of other public institutions, political parties, media, civil society, and other interlocutors for sharing their views.

III. BACKGROUND

Iceland is a parliamentary republic with a directly elected president and a unicameral parliament composed of 63 deputies elected for a four-year term through a proportional list system. Using the d'Hondt method, 54 seats are allocated to the 6 constituencies without a legal threshold and according to the votes received by the party lists in the respective constituency. The remaining 9 seats are distributed at the constituency level among parties that received at least 5 per cent of the nationwide vote. These 9 'adjustment seats' are intended as a compensatory measure to ensure proportional representation of parties at the national level.

These were the second early parliamentary elections in the country within a year. The outgoing parliament was elected in October 2016 after revelations of documents and allegations about the prime minister's offshore business interests triggered the fall of government. A new government took up a mandate to govern in January 2017, but on 14 September one of the three coalition partners withdrew over an alleged cover-up of a judicial affair involving the prime minister's father. On 18 September, after consultation with all parliamentary factions and in accordance with his authority, the president set the date for early parliamentary elections for 28 October. The political landscape remains dynamic with several new political parties having been formed in the aftermath of the economic crisis, including one shortly after these elections were called.

Less than two weeks before election day, the Reykjavik District Commissioner approved a request for an injunction filed by the holding company for one of the country's defunct banks against two media outlets' reporting based on leaked documents. Some media presented the injunction as an assault on free press.⁴ In their meeting with the ODIHR EET, the representatives of the Independence Party complained about an alleged bias of outlets that reported on the injunction as pertaining to the coverage of the prime minister alone.

The legal framework for elections has previously been assessed by the ODIHR as providing a generally sound basis for the conduct of democratic elections. Ensuring strong regional representation while safeguarding proportionality are principles and aims enshrined in the legislation and considered very important by many ODIHR EET interlocutors. Tension between these two principles leads to issues with respect to the equality of the vote as cited by several ODIHR EET interlocutors and noted in previous ODIHR reports. The previous recommendations made by ODIHR in respect to the equality of vote remain to be addressed.

Electoral reform efforts have been undertaken after the 2013 elections with the establishment of an electoral reform working group. This group was appointed by the Speaker of Parliament to address ODIHR recommendations in an open and inclusive process. In 2016, these efforts resulted in a detailed working group report and a draft bill of amendments to the Parliamentary Elections Law

³ See all [previous OSCE/ODIHR reports on Iceland](#).

⁴ See [statement](#) by the OSCE Representative on Freedom of the Media of 18 October.

(PEL), aimed at addressing many previous ODIHR recommendations. The ODIHR EET was informed that due to the early parliamentary elections in 2016 and in 2017 the bill could not be officially submitted to the parliament as planned. All ODIHR EET interlocutors expressed hope that reform efforts would continue after the elections.

IV. ELECTION ADMINISTRATION

A. STRUCTURE OF ELECTION ADMINISTRATION

The responsibilities for the organization of parliamentary elections are shared between several institutions, including the MoJ, District Commissioners, municipalities, the National Election Commission (NEC), six Senior Election Commissions (SECs, one per constituency) and Local Election Commissions (LECs). The MFA co-ordinates out-of-country voting.

The division of responsibilities between various election commissions and executive bodies is not clearly defined in the law. As of 1 May 2017, the MoJ has taken over the functions previously held by the Ministry of Interior with regard to the technical preparations for elections, including the printing of ballots and information material for elections. It also registers political parties and distributes the distinctive letter used by parties and candidate lists for identification purposes, including identification on the ballot. The MoJ also issues guidance notes on electoral issues, such as on the process of early voting, invalidity of ballots and opening hours of polling stations. In addition, the MoJ continued the practice of co-ordination meetings with the NEC and the SECs. These meetings were welcomed and considered useful by all SECs as an effective mechanism to enhance consistency and streamline procedures.

The NEC has no oversight or authority over the SECs nor do the SECs have authority over the LECs. All commissions and structures act independently from each other. Their division of responsibilities, while well established in practice, is not clearly defined in the law. The NEC acts as an appeal body for SEC decisions and other disputes with regards to candidate registration and allocates parliamentary mandates based on the results received from SECs.

The SECs oversee the election process at constituency level. They register candidate lists and count and tabulate the constituency results. The LECs organize and conduct voting at polling stations and co-ordinate with the SECs the transfer of ballot boxes to the SECs, where counting and tabulation take place. For these elections some 260 LECs were formed.

The nine District Commissioners are local officials under the authority of the Ministry of Justice with a wide range of administrative responsibilities. They are in charge of administering the early voting process.

The myriad of institutions and structures involved in election administration without clear authority of one institution over the other leads to complexity and at times varying implementation as well as application of legal provisions. While this structure is well established in practice and appears to function well, consistency and standardization in the administration of elections could be enhanced.

Consideration should be given to the establishment of an independent electoral management body with authority over the whole election process.

The NEC and each SEC are composed of five members nominated by the parliamentary political parties and appointed by parliament after each parliamentary election for a four-year period. LECs are established by the municipalities and have three members. Election commission members are

not full-time members and commissions do not have permanent offices or staff. They often use facilities of the municipalities and receive a budget for election periods to employ support staff.

The law does not establish clear criteria for the selection of commission members. Several SECs had a high number of new members and opined to the ODIHR EET that more training and guidance about their role would be useful. The ODIHR EET was informed by the NEC and all SECs that they base their work on an ethical consensus of ensuring that elections are administered professionally, transparently and efficiently. They were well informed, collegial and dedicated. The majority of interlocutors met with by the ODIHR EET expressed their confidence in the performance of the election administration.

To further enhance performance of the election administration, consideration could be given to establishing selection criteria for commission members and providing training for new members.

B. CANDIDATE REGISTRATION

Anyone with the right to vote can stand for parliamentary elections with the exception of Supreme Court judges, the parliamentary ombudsperson and persons convicted of a crime with at least a four-month sentence or a sentence of detention for defendants committed to psychiatric care. New political organizations must register with the MoJ and receive an identifying letter of the alphabet before they can put forward candidate lists. The MoJ keeps a list of identifying letters assigned to parties during previous parliamentary elections, which it published three days after elections are announced.

Candidate lists had to be submitted to the SECs by 12 noon on 13 October for these elections, 15 days before election day. Candidate lists have to include exactly double the number of candidates as there are seats in the respective constituency and must be supported by signatures of voters from the respective constituency. The number of signatures must be at least 30 times and at the most 40 times the number of seats in the constituency. A voter can sign in support of only one list. In cases where a voter has signed for more than one list, none of the voter's support signatures are considered. While some parties considered the timeframe for the collection of signatures as too short due to early elections, most parties favoured keeping the requirement of support signatures as a meaningful threshold for registration.

Support signatures can be submitted to the SECs in any format as long as they include information about name, residence and personal identification number of the supporting voter. The NEC provided a template on its website, which parties could use. The ODIHR EET was informed that many parties have developed their own forms for signature collection. In addition, candidate lists must be accompanied by a written declaration of all candidates that they have agreed to stand in the elections.

Registers Iceland provided access to special software for parties and the SECs to check for duplicate signatures and confirm the eligibility of supporters, without the possibility to verify the signature itself. For these elections, 26,000 signatures were checked through this software with some 150 of these having been identified as used in support of more than one candidate list.

The legislation provides a short timeframe to SECs for the verification of signatures and for submission of registered lists to the NEC. The NEC has to publish the final candidate lists ten days before election day. For these elections, the final candidate lists were published on Wednesday, 18 October. Despite the short timeframe, ODIHR EET interlocutors raised no concerns in this regard.

There are no criteria provided in the legislation for the verification of signatures. The ODIHR EET was informed that some SECs check all signatures, while some check a random sample. Also, there is no regulation or procedure for cases of insufficient number or seemingly false signatures. The ODIHR EET was informed by the SECs that they call the party representatives in such cases and request the submission of missing signatures within a specific time period, ranging from less than one hour to several hours, depending on the SEC and the expediency of the situation.

Codification of the long-standing practice in candidate registration process should be considered. This could include consolidation of existing legal provisions and introduction of clear guidance and timelines for the verification of signatures and the rectification of possible issues by the parties.

The SECs informed the ODIHR EET that in cases of seemingly false signatures they also call the respective voters to check whether they have signed in support of the candidate list. One party submitted seemingly falsified signatures in four constituencies, but withdrew its application for registration once the SECs called the party agents to confront them with this issue. Since there is no further action possible by the SECs, all SECs concerned forwarded these cases to the police. However, they expressed doubt that there will be legal consequences as it may prove too difficult to establish who is responsible for the falsifications. Other parties had very few seemingly false or double signatures. Since they had submitted a sufficient number of authentic support signatures, the SECs disregarded the seemingly false ones and agreed on the registration of the respective candidate lists. While international good practice of registering lists based on sufficient number of signatures has been upheld, the cases of seemingly false or double signatures were not followed up.

While the inclusive and transparent approach by the SECs in the registration process is commendable, stricter legal provisions should be introduced to ensure that attempts to falsify signatures do not remain without consequences for the submitting party or political organization.

The candidate registration process for these elections was inclusive and the SECs were guided by the aim of enabling all parties submitting lists to register their candidate list. Eleven political parties registered candidates in these elections, including seven with representation in the outgoing parliament. Nine parties registered candidate lists in all six constituencies, one party registered in four and another in only one constituency.⁵

No complaints were received by the SECs or the NEC regarding the candidate list registration process. Several ODIHR EET interlocutors described the process as cumbersome and advocated using a system of online signature collection via an established government site where all Icelanders have access to their personal data.⁶ After the candidate registration process was finalized, Registers Iceland placed information on the personal page of every Icelander whose signature had been used for candidate registration, a welcome means of ensuring transparency. In cases where someone's signature was used wrongly, however, there is no mechanism of redress.

C. EARLY VOTING

In-country voting takes place on election day in polling stations and, no earlier than eight weeks before election day, as early voting. Early voting has a long tradition in Iceland and enjoys a high level of public confidence. It is widely seen as a mechanism to enable voters to cast their ballot

⁵ Parties that registered candidate lists in all six constituencies included: Bright Future, Progressive Party, Reform Party, Independence Party, People's Party, Centre Party, Pirate Party, Social Democratic Alliance and Left-Green Movement. In addition, the People's Front registered lists in four and Dawn in one constituency.

⁶ This site is called '[my pages](#)' and is maintained by Registers Iceland.

despite being absent on election day from their place of residence. Early voting is administered by different institutions and follows different procedures than voting on election day.

For these elections, early voting started on 20 September, two days after the elections were announced and almost one month before the candidate lists were finalized. At the start of early voting, the number of political parties or groupings intending to contest these elections was not clear, with one party being formed only after the elections were announced. Voters voting early therefore did so based on partly incomplete information that was different from that available to voters on election day. Voters can, however, repeat their casting of an early vote or decide to vote on election day with only the last vote being counted.

The provisions and practice of early voting should be reviewed and the timelines adjusted so that early voting does not begin before the process of candidate registration is over.

A total of 37,557 (18.6 per cent of those who took part in the elections) cast their ballots before election day. Early voting is administered by the District Commissioner (DC) Offices around the country. The places and times for early voting are announced by the District Commissioners at their office locations and on their websites. In the week before election day, larger facilities were often made available with longer opening times to process the voters wishing to cast their ballot early. As a welcome voter information measure the NEC published an information video about early voting.

Out-of-country voting follows the same timeframe and procedures as early voting. It is co-ordinated by the MFA and administered by some 230 consulates and embassies worldwide. When voting early or abroad it is the responsibility of the voter to ensure that the ballot reaches the respective constituency before election day.

The DC Offices also arrange for voting for voters who are in prison, hospitals or facilities for the elderly. Home-bound voters can request to cast their ballot at home prior to election day. An extensive schedule was prepared by the DC Office for these voting options, which was sent to all parties for information.

When voting early, including voting abroad or using any of the other above-mentioned options, voters receive and complete all paperwork in the presence of an official who confirms their identity and that the vote was cast in secrecy. Ballots used for early voting are blank without any information about the type of elections or the candidate lists. The officials administering the early voting process have no obligation to inform voters about candidate lists or parties contesting the elections. Voters stamp the blank ballot with the identifying letter of the party they wish to vote for. Since letter stamps are not always available, voters can also write the letter on the ballot. If they wish to express their preferences by changing the order of candidates on the ballot, they can write this on the ballot. The ballot is then folded into a secrecy envelope. The sealed secrecy envelope is placed into an envelope containing on its outside information on the voter, date and place of voting and the signature of the administering official.

D. ELECTION DAY PROCEDURES

In accordance with the ODIHR's election observation methodology, the ODIHR EET did not observe election day proceedings in a systematic or comprehensive manner. The team visited a few polling stations in three constituencies. Election observation by citizen and international observers is not provided for in the legislation, at odds with paragraph 8 of the 1990 OSCE Copenhagen

Document. However, the ODIHR EET was welcomed at all levels of the election administration and could freely assess the process.⁷

The legislation should be amended to provide election observation by citizen and international observers at all stages of the election process to ensure full compliance with paragraph 8 of the 1990 OSCE Copenhagen Document.

Polling stations were generally open from 9:00 to 22:00. The law provides that they be open for no less than eight hours but that they can close once all voters registered in a particular polling station have voted. Opening times were announced by the municipalities in advance. Polling stations were generally accessible to voters with disabilities and, in addition to printed ballots, the MoJ provided Braille templates for voters with visual impairment.

On election day, voters voted after having confirmed their identity, generally by presenting their identification document, using a pencil and a ballot with the parties listed according to their identifying letter in alphabetical order, including party name and candidate list of the respective party. Voters could mark the letter of the party they voted for and express their preferences for certain candidates by moving candidate names up or down in the list or crossing them out. Information about preferential voting was provided on instruction posters, printed by the MoJ, at the polling stations and on the election website, maintained by the MoJ. Prior to election day, ODIHR EET interlocutors had informed that preferential voting is not widely used.

After voting, the voters folded the ballot and placed them into a sealed ballot box. The quality of the ballot boxes was of concern to some ODIHR EET interlocutors as were the practices of sealing them. Ballot boxes were provided by the municipalities and were non-transparent and solidly built, locked with a key and, at times, very old. One party requested placing its own seal on the ballot boxes. This request was dealt with differently by the administering bodies, some allowing it only when the boxes were sealed for transport to the SEC for counting, while some DC Offices allowed the seal on the ballot box already during the early voting process.

The processes of early voting and voting on election day are different to the extent that they could be considered as two separate elections. They are administered by different bodies and structures, use different ballots and follow different procedures. Some parties have opined to the ODIHR EET that stricter procedures and security measures for both voting processes would be preferable. While the voting process as a whole and the administering bodies enjoy a high level of public confidence, all ODIHR EET interlocutors agreed on the need to safeguard this trust.

Consideration should be given to streamlining various voting procedures and ensuring uniform administration of elections through codification of regulations for voting, including the long-standing practice of early voting.

Counting and tabulation is centralized and conducted by the SECs at constituency level in central counting locations. SECs employ large teams of sorters and counters for this task. The PEL provides that preparation of counting can start *in camera* before polling ends but it does not provide details for this procedure. According to long-standing practice, at a certain time as established by the SEC, generally between 17:00 and 18:00 on election day, ballot boxes are sealed and replaced with empty ones at the polling stations. The sealed boxes together with a count of those voters who have already voted are transported to the respective SEC. Different means of transport are used,

⁷ Paragraph 8 of the 1990 OSCE Copenhagen Document provides that “the participating States consider that the presence of observers, both foreign and domestic, can enhance the electoral process for States in which elections are taking place”.

some involving the police. At the SEC counting location, the reconciliation of ballots and preparations for the actual counting began between 18:00 and 19:00. This process was closed for public, except for registered party representatives. All present had to hand in their electronic devices and nobody is allowed to enter or leave the room to ensure that information about the results remains confidential until the closure of the polls. All SECs informed ODIHR EET that they follow this procedure and conduct the reconciliation of votes before closure of the polls. No ODIHR EET interlocutor expressed concerns with regards to this practice.

The practice of beginning the reconciliation of votes before the closure of polling and the start of the actual counting should be clarified in the legislation. The issuance of guidance material or regulations that clarify legal provisions could also be considered.

As per regulation, during the reconciliation of ballots, ballot boxes are checked for intact seals, emptied onto a counting table and counted. The number of ballots is checked against the number of voters who already voted as provided by the LEC. After this process is completed for all ballot boxes received at this time, the ballots of different polling stations are mixed and sorted according to votes for parties. The piles with votes for the parties are set aside. The mixing of ballots of different polling stations is prescribed by law and intended to ensure the secrecy of the vote, especially considering the number of polling stations in the country with less than 100 registered voters. After 22:00 the actual counting of votes starts as the remaining ballot boxes are being received and reconciled. This process enhances the secrecy of the vote but prohibits the disaggregation of results to polling station level and the tracing back of issues, such as the possible failure to reconcile the number of voters who voted with the number of ballots in a ballots box.

The authorities should consider the introduction of a procedure and mechanism to enable the reconciliation of all ballots from a particular polling station until the end of the counting and tabulation process.

The actual counting is open to the public and to media. Party agents can be present throughout the whole process and the transparency of the process is very high. A team of counters takes the pre-sorted piles of ballots cast for the parties and counts the actual ballots cast for a party. Ballots with preferences expressed are put aside for consideration by the SEC. Ballots whose validity is questioned are examined separately by the SEC. In consultation with party agents, the SEC decides which ballots shall be considered valid. Those ballots where no consensus on validity can be found are forwarded separately to the parliament, which will consider their validity at the beginning of its session. All SECs informed the ODIHR EET that in establishing the validity of ballots they refer to a guidance booklet developed and provided by the MoJ.

During the counting process the SECs provide regular updates on interim results to the national broadcaster RÚV. After counting is completed, the SECs tabulate the results on an excel spreadsheet provided to them by the NEC. This spreadsheet is sent via email to the NEC, which allocates mandates in all constituencies based on this information. Some ODIHR EET interlocutors expressed concerns regarding the security of this procedure while at the same time confirming their trust in the performance of the election commissions and the outcome of the election.

Once mandates are allocated, the NEC informs the SECs, which then account for preferences expressed by voters and possible changes in mandate allocation resulting from these preferences. Detailed results are announced by media throughout the night and on the day following election day. The NEC meets on the Monday one week after election day to finalize the results and issue certificates to the newly elected members of parliament. In its inaugural session, parliament certifies the legality of the elections and retroactively confirms the eligibility of the elected candidates.

V. CAMPAIGN FINANCE

A. LEGAL FRAMEWORK

Political party and campaign finance are regulated by the 2006 Act on the Finances of Political Organizations and Candidates and their Information Disclosure (Campaign Finance Law), as well as guidelines issued by the National Audit Office (NAO). The former was last amended in 2011 to increase the transparency of party and campaign finance and incorporate some of the recommendations made by the Group of States against Corruption of the Council of Europe (GRECO), which in its report on transparency of party funding in 2012 stated that all of its previous recommendations were met.⁸

Political parties represented in parliament over the course of the past year met in an informal forum to discuss possible changes to the system of political finance and the Campaign Finance Law. According to ODIHR EET interlocutors, the group came close to an agreement on increasing public funding to political parties. It also discussed changes to donation thresholds, as well as reporting requirements. The group was expected to formalize their discussions, but the process was interrupted by the early elections. Representatives of most political parties met with by the ODIHR EET expressed interest in continuing the group's work in the new legislature.⁹

B. FUNDING SOURCES

The law provides for a mixed system of political financing. Political parties that hold at least one seat in parliament or obtained no less than 2.5 per cent of the vote countrywide in the most recent parliamentary elections are entitled to a state subsidy. The total amount, which in 2017 was approximately ISK 291 million (approximately EUR 2.3 million), is decided annually and allocated in strict proportion to the percentage of the vote received.¹⁰ Parliamentary party groups are further entitled to state support for each member of parliament and per parliamentary group. Close to ISK 52 million (approximately EUR 420,000) was distributed among seven groups in 2017. Political parties represented in local government may also receive funding from municipal governments.¹¹

State subsidies for political parties may be used both for regular and for campaign activities, while there is no official campaign period provided in the legislation. In addition, parties that contested elections in all six constituencies are eligible to apply for reimbursement of campaign expenses of up to ISK 3 million after elections. Reimbursement of campaign expenses is contingent on contestants having complied with a reporting obligation to the National Audit Office (NAO). To foster more equal treatment of electoral contestants, several ODIHR EET interlocutors stated that the system of reimbursement of campaign expenses should include political parties that contested elections in fewer than all six constituencies.

Political parties and candidates may receive donations to fund their activities, including election campaigns, from legal entities and individuals up to ISK 400,000 per calendar year. The law requires that contributions of interrelated parties be combined as far as donation caps are concerned. The definition of 'interrelated parties' in the Campaign Finance Law differs from that in the Limited Liability Companies Act and the Annual Reports Act, which according to some ODIHR

⁸ See the [GRECO evaluation and compliance reports on Iceland](#).

⁹ In December 2017 a working group on the revision of the Campaign Finance Law was appointed.

¹⁰ 1 EUR is approximately 130 ISK (Icelandic Krona)

¹¹ According to data published by the National Audit Office (NAO), close to ISK 47 million was distributed to political parties by municipalities in 2016.

EET interlocutors may challenge the NAO's ability to effectively exercise its oversight role.¹² Anonymous donations, donations from state and foreign entities are forbidden. Party membership fees, if levied by parties, are subject to the donation cap.¹³ Furthermore, parties are permitted to take out commercial loans to fund their activities, including campaigns.

To further strengthen the transparency of political party finance and enhance the NAO's ability to oversee legal entity donations to political parties, consideration could be given to harmonising the definition of 'interrelated parties' across legislation.

Nearly all representatives of political parties met with by the ODIHR EET opined that the party system is insufficiently funded to support the political process.¹⁴ The total amount of public subsidy remained constant since its reduction during the financial crisis. However, inflation and a greater number of political groupings drawing on the same amount have resulted in an overall decline in the level of support that parties receive from the state. Most political parties met with by ODIHR EET highlighted the need for increased state support for their activities and several also expressed preference for higher limits on legal entity donations.

C. CAMPAIGN EXPENDITURE

The law establishes limits on campaign expenses incurred by candidates, but does not limit spending by political parties. Since there are no provisions for individual candidates to stand in parliamentary elections, the spending limit applies principally to primary elections organized by some political parties to elect their candidates ahead of elections.¹⁵ According to the information collected by the ODIHR EET, given the brevity of the period between when the elections were called and election day, only a small number of parties held primaries.

Because of high cost of campaign advertising in traditional media and on billboards, many parties opted for less expensive campaigns online. Representatives of several parties informed the ODIHR EET that in light of the short notice they were not able to secure discounts or negotiate beneficial terms for their adverts. Several ODIHR EET interlocutors opined that the short pre-election period was especially challenging for small parties with limited resources. While in some previous elections political parties reached informal agreements to limit spending in the media, no such attempt was made in these elections.

The Campaign Finance Law does not regulate expenditures incurred by unaffiliated, non-party organization (third-parties). Most ODIHR EET interlocutors noted a steep increase in third-party campaigning, especially online. Third-party advertising was predominantly negative in tone, often attacking specific political parties and politicians. While third-party advertising in traditional media, such as radio, was attributable to clearly identified organizations, their ads on the Internet were predominantly anonymous.

¹² Campaign Finance Act defines 'interrelated entities' as those where the same entity holds a majority of share capital, guarantee capital or voting rights amounting to at least 10 per cent of share capital, guarantee capital or voting rights in the legal entities concerned. The Limited Liability Companies Act and the Annual Reports Act defines them more broadly as ones that have majority ownership or votes.

¹³ At least one political party turned to crowdfunding to collect donations online.

¹⁴ According to information published by NAO, on average, state subsidies constitute close to two-thirds (and in some cases much more) of political parties' budgets.

¹⁵ Those expenses are limited at ISK 1 million per candidate plus a variable premium depending on the population of a given constituency. The lowest expenditure limit applies in the North-West constituency (just over ISK 3.5 million) and the highest in the South-West (ISK 5.8 million), unless a party chooses to hold joint primaries in Reykjavik's two constituencies (ISK 7.4 million).

Political campaigning of third-parties ahead of elections could be regulated, including reporting requirements on their election-related expenditures.

D. REPORTING AND DISCLOSURE

Political parties are obliged to submit externally audited annual financial reports to the NAO by 1 October every year.¹⁶ According to the NAO, all but two political parties submitted their annual financial reports on time: the two that did not submit their annual reports were not in receipt of state support and were perceived by NAO to have had income below the ISK 400,000 threshold for mandatory reporting.¹⁷ The NAO must publish excerpts from these reports, with information on revenues and its sources, including a breakdown of state, municipality, legal entity and individual donors. A list of names of all legal entities and individuals who donated above ISK 200,000 must also be published. Some ODIHR EET interlocutors considered this threshold to be too high given the share of individual donations in parties' budgets.¹⁸

To increase the transparency of campaign finance, consideration should be given to lowering the public disclosure threshold for individual donations.

There is no requirement to provide detailed information on political parties' spending, and excerpts of their reports published by the NAO feature a single annual expenditure figure.¹⁹ Furthermore, political parties are not required to submit separate reports on contributions and expenses incurred for campaign purposes. Only candidates are obliged to submit reports (of their party primaries' expenses) to the NAO no later than three months after election day.

To further enhance transparency, consideration could be given to requiring political parties to report separately and in detail on campaign finances, including before election day.

Cash transactions are allowed and political parties can use more than one bank account for all income and expenditure. Financial reports must, however, reflect all discounts from market prices and monetarized values of in-kind contributions. Nonetheless, the level of awareness of the in-kind contribution reporting requirement among political parties was low, and excerpts of reports published by the NAO do not include details of in-kind contributions.²⁰

Consideration could be given to developing measures that strengthen the awareness of mandatory reporting of in-kind contributions and provide the public with more detailed information.

E. OVERSIGHT

The NAO is responsible for monitoring political party and campaign finance, and provides guidance to political parties and candidates. It reviews the financial reports submitted to it, but in accordance with the law, relies on their external audits commissioned by the parties themselves. However, the

¹⁶ Political parties must keep consolidated accounts for all units they are comprised of, including subsidiary organizations and constituency boards. Parties that received less than ISK 400,000 during the reporting period are relieved of the reporting requirement.

¹⁷ The parties that did not submit their financial reports ahead of the deadline were Dawn and the Households Party.

¹⁸ According to [excerpts of political parties' annual financial reports](#) published by the NAO, during 2016 legal entities contributed close to ISK 65 million and individuals over ISK 100 million to political parties.

¹⁹ Although the NAO may request information on parties' expenditures, it has never exercised this authority.

²⁰ Citing difficulties involved in quantifying in-kind donations or third-party campaigns, some interlocutors also pointed to partisan media, especially printed press, and the practice of distributing free copies of newspapers shortly ahead of election day.

NAO may request additional information or documentation and order independent audit of the reports submitted by political parties and candidates, should it consider that a report contains incorrect or inaccurate information.

The Campaign Finance Law foresees criminal sanctions, including fines and imprisonment of up to two years for acceptance of illegal donations. Late submission or submission of incorrect reports that do not conform with regulations are subject to fines.²¹ However, there are no specific clauses on how they should be levied. The NAO is itself unable to impose sanctions or fines directly, but must turn to enforcement institutions to do so. Although the NAO enjoys stakeholder confidence, some ODIHR EET interlocutors stressed the need to increase its capacity and grant it stronger investigative powers and oversight role.

To provide for a more effective system of political finance oversight, strengthening the NAO's capacity, reviewing its mandate as well as granting it the ability to impose administrative fines could be considered.

VI. RECOMMENDATIONS

These recommendations, as contained throughout the text, are offered with a view to further enhance the conduct of elections in Iceland and to support efforts to bring them fully in line with OSCE commitments and other international obligations and standards for democratic elections. These recommendations should be read in conjunction with past ODIHR recommendations that remain to be addressed. The ODIHR stands ready to assist the authorities of Iceland to further improve the electoral process and to address the recommendations contained in this and previous reports.²²

A. PRIORITY RECOMMENDATIONS

1. Consideration should be given to the establishment of an independent electoral management body with authority over the whole election process.
2. Codification of the long-standing practice in candidate registration process should be considered. This could include consolidation of existing legal provisions and introduction of clear guidance and timelines for the verification of signatures and the rectification of possible issues by the parties.
3. The provisions and practice of early voting should be reviewed and the timelines adjusted so that early voting does not begin before the process of candidate registration is over.
4. Consideration should be given to streamlining various voting procedures and ensuring uniform administration of elections through codification of regulations for voting, including the long-standing practice of early voting.
5. Political campaigning of third-parties ahead of elections should be regulated, including reporting requirements on their election-related expenditures.

²¹ Among others, the NAO can recommend that a political grouping that violated the law be denied access to state funds.

²² In paragraph 25 of the 1999 OSCE Istanbul Document, OSCE participating States committed themselves "to follow up promptly the ODIHR's election assessment and recommendations".

6. To increase the transparency of campaign finance, consideration should be given to lowering the public disclosure threshold for individual donations.

B. OTHER RECOMMENDATIONS

Election administration

7. To further enhance performance of the election administration, consideration could be given to establishing selection criteria for commission members and providing training for new members.

Candidate registration

8. While the inclusive and transparent approach by the SECs in the registration process is commendable, stricter legal provisions should be introduced to ensure that attempts to falsify signatures do not remain without consequences for the submitting party or political organization.

Election day procedures

9. The legislation should be amended to provide election observation by citizen and international observers at all stages of the election process to ensure full compliance with paragraph 8 of the 1990 OSCE Copenhagen Document.
10. The practice of beginning the reconciliation of votes before the closure of polling and the start of the actual counting should be clarified in the legislation. The issuance of guidance material or regulations that clarify legal provisions could also be considered.
11. The authorities should consider the introduction of a procedure and mechanism to enable the reconciliation of all ballots from a particular polling station until the end of the counting and tabulation process.

Campaign finance

12. To further strengthen the transparency of political party finance and enhance the NAO's ability to oversee legal entity donations to political parties, consideration could be given to harmonising the definition of 'interrelated parties' across legislation.
13. To further enhance transparency, consideration could be given to requiring political parties to report separately and in detail on campaign finances, including before election day.
14. Consideration could be given to developing measures that strengthen the awareness of mandatory reporting of in-kind contributions and provide the public with more detailed information.
15. To provide for a more effective system of political finance oversight, strengthening the NAO's capacity, reviewing its mandate as well as granting it the ability to impose administrative fines could be considered.

ANNEX: FINAL RESULTS²³

	Total votes	Percentage of valid votes	Seats
Bright Future	2,394	1.2	-
Progressive Party	21,017	10.7	8
Reform	13,122	6.7	4
Independence Party	49,548	25.2	16
People's Party	13,502	6.9	4
Central Party	21,337	10.9	7
Pirate Party	18,053	9.2	6
People's Front of Iceland	375	0.2	-
Social Democratic Alliance	23,654	12.1	7
Dawn	101	0.1	-
Left-Green Movement	33,156	16.9	11
Total	196,259	100	63

²³

Source: Statistics Iceland, [Report on the General Elections to the Althingi 28 October 2017](#).

ABOUT THE OSCE/ODIHR

The OSCE Office for Democratic Institutions and Human Rights (ODIHR) is the OSCE's principal institution to assist participating States "to ensure full respect for human rights and fundamental freedoms, to abide by the rule of law, to promote principles of democracy and (...) to build, strengthen and protect democratic institutions, as well as promote tolerance throughout society" (1992 Helsinki Summit Document). This is referred to as the OSCE human dimension.

ODIHR, based in Warsaw (Poland) was created as the Office for Free Elections at the 1990 Paris Summit and started operating in May 1991. One year later, the name of the Office was changed to reflect an expanded mandate to include human rights and democratization. Today it employs over 130 staff.

ODIHR is the lead agency in Europe in the field of **election observation**. Every year, it coordinates and organizes the deployment of thousands of observers to assess whether elections in the OSCE region are conducted in line with OSCE commitments, other international obligations and standards for democratic elections and with national legislation. Its unique methodology provides an in-depth insight into the electoral process in its entirety. Through assistance projects, ODIHR helps participating States to improve their electoral framework.

The Office's **democratization** activities include: rule of law, legislative support, democratic governance, migration and freedom of movement, and gender equality. ODIHR implements a number of targeted assistance programs annually, seeking to develop democratic structures.

ODIHR also assists participating States' in fulfilling their obligations to promote and protect **human rights** and fundamental freedoms consistent with OSCE human dimension commitments. This is achieved by working with a variety of partners to foster collaboration, build capacity and provide expertise in thematic areas including human rights in the fight against terrorism, enhancing the human rights protection of trafficked persons, human rights education and training, human rights monitoring and reporting, and women's human rights and security.

Within the field of **tolerance** and **non-discrimination**, ODIHR provides support to the participating States in strengthening their response to hate crimes and incidents of racism, xenophobia, anti-Semitism and other forms of intolerance. ODIHR's activities related to tolerance and non-discrimination are focused on the following areas: legislation; law enforcement training; monitoring, reporting on, and following up on responses to hate-motivated crimes and incidents; as well as educational activities to promote tolerance, respect, and mutual understanding.

ODIHR provides advice to participating States on their policies on **Roma and Sinti**. It promotes capacity-building and networking among Roma and Sinti communities, and encourages the participation of Roma and Sinti representatives in policy-making bodies.

All ODIHR activities are carried out in close co-ordination and co-operation with OSCE participating States, OSCE institutions and field operations, as well as with other international organizations.

More information is available on the ODIHR website (www.osce.org/odihr).